NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Shield Mining Limited and controlled entities, and Shield Mining Limited as an individual parent entity. Shield Mining Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Shield Mining Limited and controlled entities, and Shield Mining Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

BASIS OF PREPARATION

Compliance with IFRS

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Shield Mining Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

ACCOUNTING POLICIES

A. New Accounting Standards issued but not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial years ended 30 June 2009. They have not been adopted in preparing the financial report for the year ended 30 June 2009 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table that follows.

AASB REFERENCE	TITLE AND AFFECTED STANDARD(S)	NATURE OF CHANGE	APPLICATION DATE	IMPACT ON INITIAL APPLICATION
AASB 2008-1 (issued February 2008)	Amendments to AASB 2 – Share-based Payments – Vesting Conditions and Cancellations	The definition of *vesting conditions* has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty.	Periods commencing on or after 1 July 2009.	This change is to ensure that conditions other than performance conditions do not result in a "true up" of the share-based payment expense and are treated in a manner similar to market conditions. To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.
AASB 3 (reissued March 2008)	Business Combinations	Released as part of long-term international convergence project between IASB and FASB. The revised standard introduces more detailed guidance on accounting for step acquisitions, adjustments to contingent consideration, assets acquired that the purchaser does not intend to use, reacquired rights and share-based payments as part of purchase	Business combinations where the acquisition date is on or after the beginning of the first reporting period that commences 1 July 2009 or later.	As there is no requirement to retrospectively restate comparative amounts for business combinations undertaken before this date, there is unlikely to be any impact on the financial statements when this revised standard is first adopted. However, due to the nature of some of the changes in the revised standard, business combinations that the entity undertakes after this date may in future impact negatively on the results of the entity. For example, acquisition costs will have to be expensed instead of being recognised as part of goodwill. Specific changes in respect of step acquisitions and sell downs may introduce situations whereby adopting the revised

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

AASB REFERENCE	TITLE AND AFFECTED STANDARD(S)	NATURE OF CHANGE	APPLICATION DATE	IMPACT ON INITIAL APPLICATION
		consideration. Also, all acquisition costs will have to be expensed instead of being recognised as part of goodwill.		standard may improve profitability. Also, deferred tax assets that do not satisfy recognition criteria when a business combination is initially accounted for, but do subsequently qualify for recognition post-acquisition date, will be recognised as a credit to the income statement and there will be no consequential write-down of goodwill for a similar amount, provided that the deferred tax assets are recognised outside the initial measurement period of 12 months from acquisition date.
AASB 127 (reissued March 2008)	Consolidated and Separate Financial Statements	The revised standard clarifies that changes in ownership interest which result in control being retained are accounted for within equity as transactions with owners. Losses will be attributed to the non-controlling interest even if this results in a debit balance for the non-controlling interest. Investments	Periods commencing on or after 1 July 2009.	As there is no requirement to retrospectively restate the effect of these revisions, there is unlikely to be any impact on the financial statements when this revised standard is first adopted.

AASB REFERENCE	TITLE AND AFFECTED STANDARD(S)	NATURE OF CHANGE	APPLICATION DATE	IMPACT ON INITIAL APPLICATION
		retained where there has been a loss of control will be recognised at FV at date of sale.		
AASB 8 (Issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: *Segment Reporting*.	Periods commencing on or after 1 July 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 101 (Revised Sep 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 July 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.
AASB 2009-2 (Issued April 2009)	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	Requires additional disclosures about financial instrument fair values and liquidity risk.	Periods commencing on or after 1 July 2009.	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

B. Principles of Consolidation

A controlled entity is any entity Shield Mining Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 15 to the financial statements. All controlled entities have a December financial year-end except for the parent entity Shield Mining Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

C. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are not recognised until it is virtually certain that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

D. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and equipment	10% – 20%
Motor vehicles	20%
Office and computer equipment	20% – 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

E. Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

F. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

G. Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

H. Financial Instruments

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the profit and loss. Financial assets carried at fair value through the profit and loss are initially recognised at fair value and the transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity investments as carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at full value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statement as part of revenue from continuing operations when the Group's right to receive the payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency as classified as available-for-sale are analysed between translation differences resulting from changes in amortised costs of the security and other changes in the carrying amount of the security. The translation differences related to changes in amortised costs are recognised in the profit and loss, and other changes in carrying amounts are recognised in equity. Changes in the fair value of the monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

I. Impairment of Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

J. Foreign Currency Transaction and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

K. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

L. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

M. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of six months or less.

N. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

O. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

P. Earnings per Share

Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing of equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with diluted potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Q. Share-based Payments

Share Options
The company has taken the issue of options to account by using the valuation determined by the Black-Scholes option pricing model as the basis for charging the expense to the income statement and the corresponding entry to the Share-based Payments reserve.

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excluded the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employees benefit expense recognised each period takes into account the most recent estimate.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

Upon exercise of options, the balance of the Share-based Payments reserve relating to those options is transferred to share capital.

Shares

Where shares are issued as consideration for services received the valuation is determined by difference between any price payable for the shares and their closing value market price on the day the recipient becomes entitled. The expense is charged to the income statement and the transaction reflected in an increase in Contributed Equity.

R. Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. They include finance lease charges.

S. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

T. Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions

U. Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally though a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those assets that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as available for sale continue to be recognised.

Non-current assets classified as available for sale and the assets of a disposal group held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a major line of business or geographical are of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

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V. Segment reporting

A business segment is identified as a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those operating in other economic environments.

W. Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of acquisition as part of the purchase consideration.

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If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where there is insufficient information to effectively determine the recoverable amount, the asset is considered fully impaired.

NOTE 2: FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

PRINCIPAL FINANCIAL INSTRUMENTS

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

a. receivables

b. cash at bank

c. bank at call deposits

d. bank term deposits

GENERAL OBJECTIVES, POLICIES AND PROCESSES

The Board has overall responsibility for the determination of the Group's risk management objectives and polices and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The Group and the parent entity hold the following financial instruments:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Financial assets				
Cash and cash equivalents	**2,089,531**	5,408,627	**2,036,475**	5,306,502
Trade and other receivables	**87,713**	182,008	**80,602**	114,447
Intercompany receivables	**–**	–	**2,343,168**	3,187,887
Sub–total	**2,177,244**	5,590,635	**4,460,245**	8,608,836
Financial liabilities				
Trade and other payables	**160,804**	159,159	**109,592**	138,228
Net financial assets	**2,016,440**	5,431,476	**4,350,653**	8,470,608

CREDIT RISK

Credit risk is managed on a group basis and arises principally from the Group's cash and receivables. As the Group's primary activity is exploration, it has no trading operation. The majority of receivables are held with related parties or within the Group.

All cash balances are held at internationally recognised institutions either at call or at terms of less than one year. Given this, the credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about default rates. Maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets summarised in this note. Credit risk on intercompany loans in the accounts of the parent is managed by impairing the value of the asset at each balance date to the extent the Board believes it is unlikely to recover the loan.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Trade receivables				
Parties with external credit rating A (Moodys)	**–**	–	**–**	–
Parties with no external credit rating	**82,789**	126,323	**76,729**	58,762
	82,789	126,323	**76,729**	58,762
Cash at bank				
Parties with external credit rating A (Moodys)	**2,074,022**	5,353,685	**2,036,475**	5,306,502
Parties with external credit rating less than A (Moodys)	**15,509**	54,942	**–**	–
Parties with no external credit rating	**–**	–	**–**	–
	2,089,531	5,408,627	**2,036,475**	5,306,502

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LIQUIDITY RISK

Liquidity risk arises from the Group's management of working capital and the finance charges. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 12 months.

The Board receives information regarding cash balances on a monthly basis, as well as a rolling 12-month cash flow projection updated every six months.

MARKET RISK

Market risk arises from the Group's use of interest-bearing and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

CURRENCY RISK

As the Group's operations are centered in Mauritania, the Group holds significant assets in local currency.

The Board considers the currency risk associated with operating in Mauritania to be acceptable, and no attempt is made to hedge this risk.

When significant contracts in foreign currency are entered into, the currency risk is managed by the direct purchase of the relevant currency prior to the required payment date(s), based on management appraisal of foreign currency markets.

The group exposure to foreign currency risk at the reporting date was as follows (All amounts are expressed in AUD):

	2009		2008	
	MGA	**MRO**	**MGA**	**MRO**
Cash and Cash Equivalents	**15,509**	**37,547**	54,942	47,183
Trade and other Receivables	**–**	**6,060**	16,477	48,254
Sub-total	**15,509**	**43,607**	71,419	95,437
Trade and Other Payables	**–**	**45,717**	15,324	(13,249)
Net	**15,509**	**(2,110)**	56,095	108,686

Based on the financial instruments held at 30 June 2009, had the Australian dollar weakened/strengthened by 10% against the Mauritanian Ouguiya (MRO), with all other variables constant, the Group's post-tax loss for the year would have been $335,820 lower/higher (2008 – $96,891), mainly as a result of foreign exchange gains/losses on translation of MRO expenditure in the current year. Profit is more sensitive in 2009 than 2008 as a result of significant exploration asset impairment losses being recognised in the accounts of Mauritanian subsidiaries. Changes to equity sensitivity are affected by the same factors, and are of equivalent values. As of the reporting date, the Company no longer has any Malagasy Ariary (MGA) exposure. The Group's exposure to other foreign exchange movements is not material.

The carrying amounts of the Parent entity's assets and liabilities are all denominated in Australian dollars.

INTEREST RATE RISK

The Group carries no material debt.

The Group invests surplus cash in at call or term deposit accounts with internationally recognised financial institutions. Interest rate risk is managed by the selection of term deposit interest rates and terms that reflect management's market expectations, to terms not exceeding 12 months. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

The Group's exposure to interest rate risk and the effective weighted interest rate for each class or financial assets and financial liabilities is shown below:

AS AT 30 JUNE 2008	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE	FIXED INTEREST MATURING IN ONE YEAR OR LESS	NON-INTEREST BEARING	TOTAL
	%	$	$	$	$
Cash and Cash Equivalents	7.71%	415,050	4,879,868	113,709	5,408,627
AS AT 30 JUNE 2009					
	%	$	$	$	$
Cash and Cash Equivalents	**3.25**	**36,475**	**2,000,000**	**53,056**	**2,089,531**

Sensitivity analysis illustrating the effect of a 1% movement in interest rates on Financial Assets at 30 June 2009 is as follows:

	CARRYING	+ 1%		- 1%	
AS AT 30 JUNE 2009	**VALUE**	**PROFIT / LOSS ($)**	**EQUITY ($)**	**PROFIT / LOSS ($)**	**EQUITY ($)**
Cash and Cash Equivalents	**2,089,531**	**20,895**	**–**	**(20,895)**	**–**
Total	**2,089,531**	**20,895**	**`–**	**(20,895)**	**–**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments in active markets (such as publically traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions existing at each balance date. Other techniques, such as discounted cashflows, are used to determine the fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

NOTE 3: CAPITAL

The Group considers its capital to comprise its ordinary share capital, share-based payment, translation and revaluation reserves, as well as accumulated retained deficits.

In managing its capital, the Group's primary objective is to maintain its status as a going concern and ensure a long-term return for its equity shareholders through developing mining assets. In order to achieve this objective, the Group seeks to remain debt-free, using equity contributions only to meet its working capital and strategic needs. In making decisions to adjust its capital structure to achieve these aims by new share issues, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

It is the Group's policy to maintain its gearing ratio at nil.

NOTE 4: REVENUE

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Revenue from continuing operations	**–**	–	**–**	–
Interest – other persons	**210,286**	472,076	**210,286**	472,076
Total revenue from continuing operations	**210,286**	472,076	**210,286**	472,076

NOTE 5: EXPENSES

Loss for the year includes the following specific expenses:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Continuing Entities				
Depreciation of:				
– Plant and equipment	**70,235**	21,990	**39,729**	21,990
– Office and computer equipment	**39,756**	43,276	**20,076**	30,306
– Motor vehicle	**145,643**	82,050	**60,240**	44,322
Total depreciation – continuing entities	**255,634**	147,316	**120,045**	96,618
Loss on sale of non–current assets	**(1,017)**	–	**(1,017)**	–
Discontinued Entities				
Depreciation of:				
– Office and computer equipment	**1,753**	1,744	**–**	–
– Motor vehicle	**6,875**	6,662	**–**	–
Total depreciation – discontinued entities	**8,628**	8,406	**–**	–
Total Amortisation and Depreciation	**264,262**	155,722	**120,045**	96,618

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6: INCOME TAX EXPENSE

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
a. The components of tax expense comprise:				
Current tax	**–**	–	**–**	–
Deferred tax	**–**	–	**–**	–
Recoupment of prior year tax losses	**–**	–	**–**	–
Under-provision in respect of prior years	**–**	–	**–**	–
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	**(4,310,815)**	(2,060,886)	**(4,084,773)**	(1,970,405)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)				
— Consolidated Entity	**(1,293,245)**	(618,265)	**–**	–
— Parent Entity	**–**	–	**(1,225,432)**	(591,122)
Add:				
Tax effect of:				
— Other non-allowable items	**68,495**	28,571	**682**	1,428
	(1,224,750)	(589,694)	**(1,224,750)**	(589,694)
Less:				
Deferred Tax Asset in relation to tax losses not recognised	**1,224,750**	589,694	**(1,224,750)**	589,694
Income tax attributable to entity	**–**	**–**	**–**	**–**

Shield Mining Limited has $474,913 ($1,583,045 at 30%) of tax losses as at 30 June 2009 (2008: $238,788 ($945,961 at 30%)), which have not been brought to account on the basis that they are not probable of being recouped.

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

A. DIRECTORS

(i) Executive directors

David Netherway	Managing Director

(ii) Non-executive directors

Alexander Burns	Non-executive Chairman
Robert (Bob) Cornelius	Non-executive Director
Schalk van der Merwe	Non-executive Director

B. OTHER KEY MANAGEMENT PERSONNEL

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Lexton Graefe	CFO – Full year, Company Secretary 1 April 2009 to 30 June 2009
Bill Brodie Good	Exploration Manager – Mauritania from 1 July 2008 to 31 August 2008
Joao Beckel	Exploration Manager – Mauritania from 1 September 2008 to 31 December 2008
Sam Middlemas	Company Secretary 1 July 2008 to 31 March 2009

C. KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated Entity		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Short-term employee benefits	**464,733**	601,055	**464,733**	601,055
Post-employment benefits	**6,738**	6,300	**6,738**	6,300
Long-term benefits	**–**	–	**–**	–
Share-based payments	**–**	–	**–**	–
	471,471	607,355	**471,471**	607,355

D. EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, under the Directors' Report can be found in section D of the Remuneration Report on page 22.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Shield Mining Limited and other key management personnel of the Group, including their personally related parties, are set out on the following page.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	BALANCE 1 JULY 2008	GRANTED AS COMPENSATION	OPTIONS EXERCISED	EXPIRED AND FORFEITED	BALANCE 30 JUNE 2009	TOTAL VESTED 30 JUNE 2009	TOTAL EXERCISED 30 JUNE 2009	TOTAL UNEXERCISED 30 JUNE 2009
Alexander Burns	1,250,000	–	–	(625,000)	625,000	625,000	–	625,000
David Netherway	2,500,000	–	–	(1,250,000)	1,250,000	1,250,000	–	1,250,000
Bill Brodie Good	100,000	–	–	(100,000)	–	–	–	–
Robert (Bob) Cornelius	250,000	–	–	(125,000)	125,000	125,000	–	125,000
Schalk vd Merwe	1,250,000	–	–	(625,000)	625,000	625,000	–	625,000
Lexton Graefe	250,000	–	–	(125,000)	125,000	125,000	–	125,000
Total	**5,600,000**	**–**	**–**	**(2,850,000)**	**2,750,000**	**2,750,000**	**–**	**2,750,000**

	BALANCE 1 JULY 2007	GRANTED AS COMPENSATION	OPTIONS EXERCISED	EXPIRED AND FORFEITED	BALANCE 30 JUNE 2008	TOTAL VESTED 30 JUNE 2008	TOTAL EXERCISED 30 JUNE 2008	TOTAL UNEXERCISED 30 JUNE 2008
Alexander Burns	1,250,000	–	–	–	1,250,000	1,250,000	–	1,250,000
David Netherway	2,500,000	–	–	–	2,500,000	2,500,000	–	2,500,000
Bill Brodie Good	100,000	–	–	–	100,000	100,000	–	100,000
Robert (Bob) Cornelius	250,000	–	–	–	250,000	250,000	–	250,000
Schalk vd Merwe	1,250,000	–	–	–	1,250,000	1,250,000	–	1,250,000
Lexton Graefe	250,000	–	–	–	250,000	250,000	–	250,000
Total	**5,600,000**	**–**	**–**	**–**	**5,600,000**	**5,600,000**	**–**	**5,600,000**

(iii) Share holdings

The numbers of shares in the company held during the financial year by each director of Shield Mining Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	BALANCE 1 JULY 2008	SHARES PURCHASED	OPTIONS EXERCISED	SHARES SOLD	BALANCE 30 JUNE 2009
Alexander Burns	2,133,238	1,800,000	–	–	3,933,238
David Netherway	3,202,996	610,565	–	–	3,813,561
Robert (Bob) Cornelius	334,800	105,200	–	–	440,000
Schalk van der Merwe	–	–	–	–	–
Lexton Graefe	–	–	–	–	–
Total	**5,671,034**	**2,515,765**	**–**	**–**	**8,186,799**

(iii) Share holdings (continued)

	BALANCE 1 JULY 2007	SHARES PURCHASED	OPTIONS EXERCISED	SHARES SOLD	BALANCE 30 JUNE 2008
Alexander Burns	2,133,238	–	–	–	2,133,238
David Netherway	3,022,996	180,000	–	–	3,202,996
Robert (Bob) Cornelius	300,000	34,800	–	–	334,800
Schalk van der Merwe	–	–	–	–	–
Lexton Graefe	–	–	–	–	–
Total	**5,456,234**	**214,800**	**–**	**–**	**5,671,034**

E. LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made or outstanding to directors of Shield Mining Limited and other key management personnel of the Group, including their personally related entities.

F. OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no other transactions made with directors of Shield Mining Limited and other key management personnel of the Group, including their personally related entities, other than disclosed in note 25.

NOTE 8: REMUNERATION OF AUDITORS

Total of all remuneration paid or payable to the auditors of the business:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
BDO Kendalls Audit & Assurance (WA) Pty Ltd				
Audit and review of the financial reports	**45,929**	28,623	**45,929**	28,623
BDO MBA (Senegal)				
Audit and review of the financial reports (Mauritania)	**34,332**	9,760	**–**	–
Total	**80,261**	38,383	**45,929**	28,623

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9: EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	2009	2008
	CENTS	CENTS
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company		
Loss attributable to the ordinary equity holders of the company	**(7.80)**	(3.42)
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the company	**(8.30)**	(4.23)

(b) Reconciliations of earnings used in calculating earnings per share

	CONSOLIDATED ENTITY	
	2009	2008
	$	$
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the company		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(4,047,591)**	(1,662,828)
Basic earnings per share		
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(4,310,815)**	(2,060,886)

(c) Weighted average number of shares

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**51,910,333**	48,688,678

ADDITIONAL INFORMATION

The weighted average number of ordinary shares used in calculating the basic earnings per share is derived from the fully paid shares on issue. Unlisted options granted to employees under the Shield Mining Employee Option Plan are considered to be potential ordinary shares, but have not been included in the determination of diluted earnings per share because they are not considered dilutive.

At 30 June 2009, 3,000,000 unlisted options remain unexercised. These options could potentially dilute basic earnings per share in the future.

NOTE 10: DISCONTINUED OPERATIONS

On 28 January 2009, Shield Mining Limited announced that it had discontinued its operations in Madagascar in order to focus on gold exploration at its Tijirit and other prospects in Mauritania. The associated assets were subsequently liquidated, and the final return of funds and de-registration of the company was confirmed on 8 July 2009.

Financial information relating to the discontinued operation is set out below, and relates to the discontinued operations for the full year 1 July 2008 to 30 June 2009. Further information is set out in note 22 – Segment Information.

	2009	2008
	$	$
Revenue	(23,606)	617
Expenses	(239,618)	(398,675)
Profit before income tax	(263,224)	(398,058)
Income tax expense	–	–
Profit after income tax of discontinued operations	(263,224)	(398,058)
Net cash inflow (outflow) from operating activities	(185,935)	(414,055)
Net cash inflow (outflow) from investing activities	146,502	467,746
Net cash inflow (outflow) from financing activities	–	1,251
Net increase (decrease) in cash	(39,433)	54,942

NOTE 11: CASH AND CASH EQUIVALENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Cash at bank and on hand	89,531	528,759	36,475	426,634
Short-term bank deposits	2,000,000	4,879,868	2,000,000	4,879,868
Balance as per Statement of Cash Flows	2,089,531	5,408,627	2,036,475	5,306,502

The deposits bear floating interest rates between 2.75% and 3.35%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12: TRADE AND OTHER RECEIVABLES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
CURRENT				
Staff advances	**3,475**	12,660	**2,077**	2,000
Prepayments	**21,501**	80,855	**17,890**	56,762
Other debtors	**62,737**	88,493	**60,635**	55,685
	87,713	182,008	**80,602**	114,447
NON-CURRENT				
Loans to controlled entities:				
– wholly-owned entities	**–**	–	**6,037,286**	4,104,618
Less provision for non-recovery	**–**	–	**(3,694,119)**	(916,731)
	–	–	**2,343,167**	3,187,887

Movements in the provision for impairment of non-current intercompany loans are as follows:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
At 1 July	**–**	–	**(916,731)**	–
Provision for impairment during the year	**–**	–	**(3,411,316)**	(916,731)
Provision amount reversed – loan written off	**–**	–	**633,928**	–
Balance at 30 June	**–**	–	**(3,694,119)**	(916,731)

Loans to controlled entities consist of advances to fund exploration expenditure and general working capital. These loans are all expressed in Australian dollars, have no fixed terms of repayment and do not bear interest. The carrying value of the loans has been impaired down to the level where the subsidiary retains net assets sufficient to satisfy the debt.

No receivables are past due.

NOTE 13: OTHER FINANCIAL ASSETS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Available-for-sale financial assets	-	–	-	5,184
Less: Impairment Provision	-	–	-	(5,184)
	-	–	-	–
Non-current portion	-	–	-	–
Available-for-sale financial assets comprise				
Unlisted investments, at cost				
– shares in other related parties	-	–	-	–
Total available-for-sale financial assets	-	–	-	–

The available-for-sale assets in the parent company are carried at cost and represent investments in subsidiary companies. These assets are considered impaired as there is no certainty that the investment will be recovered.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED ENTITY	OFFICE AND COMPUTER EQUIPMENT $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	WORK IN PROGRESS $	TOTAL $
At 1 July 2007					
Net book amount	36,689	89,987	180,099	6,910	313,685
Year ended 30 June 2008					
Opening net book amount	36,689	89,987	180,099	6,910	313,685
Additions	134,712	55,160	282,094	1,060	473,026
Disposals	(2,683)	–	–	(6,910)	(9,593)
Depreciation Charge	(41,905)	(25,104)	(88,713)	–	(155,722)
FX gains / (losses) on translation	165	–	429	–	594
Closing net book amount	126,978	120,043	373,909	1,060	621,990
At 30 June 2008					
Cost or fair value	175,796	154,632	487,794	1,060	819,282
Accumulated depreciation	(48,818)	(34,589)	(113,885)	–	(197,292)
Net book amount	126,978	120,043	373,909	1,060	621,990
Year ended 30 June 2009					
Opening net book amount	**126,978**	**120,043**	**373,909**	**1,060**	**621,990**
Additions	**34,235**	**175,861**	**163,851**	**75**	**374,022**
Disposals	**(18,539)**	**–**	**(41,255)**	**–**	**(59,794)**
Depreciation charge	**(41,510)**	**(70,235)**	**(152,518)**	**–**	**(264,263)**
Closing net book amount	**101,164**	**225,669**	**343,987**	**1,135**	**671,955**
At 30 June 2009					
Cost or fair value	**181,238**	**326,615**	**584,455**	**1,135**	**1,093,443**
Accumulated depreciation	**(80,074)**	**(100,946)**	**(240,468)**	**–**	**(421,488)**
Net book amount	**101,164**	**225,669**	**343,987**	**1,135**	**671,955**

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT ENTITY	OFFICE AND COMPUTER EQUIPMENT $	PLANT AND EQUIPMENT $	MOTOR VEHICLES $	WORK IN PROGRESS $	TOTAL $
At 1 July 2007					
Net book amount	36,689	87,086	180,099	6,910	310,784
Year ended 30 June 2008					
Opening net book amount	36,689	87,086	180,099	6,910	310,784
Additions	52,281	55,160	23,996	(6,910)	124,527
Disposals	(2,683)	–	–	–	(2,683)
Depreciation charge	(27,192)	(25,104)	(44,322)	–	(96,618)
Closing net book amount	59,095	117,142	159,773	–	336,010
At 30 June 2008					
Cost or fair value	93,364	151,731	229,697	–	474,792
Accumulated depreciation	(34,269)	(34,589)	(69,924)	–	(138,782)
Net book amount	59,095	117,142	159,773	–	336,010
Year ended 30 June 2009					
Opening net book amount	**59,095**	**117,142**	**159,773**	**–**	**336,010**
Additions	**5,012**	**64,864**	**89,687**	**–**	**159,563**
Disposals	**(4,335)**	**–**	**–**	**–**	**(4,335)**
Depreciation charge	**(20,076)**	**(39,729)**	**(60,240)**	**–**	**(120,045)**
Closing net book amount	**39,696**	**142,277**	**189,220**	**–**	**371,193**
At 30 June 2009					
Cost or fair value	**98,375**	**216,595**	**319,384**	**–**	**634,354**
Accumulated depreciation	**(58,679)**	**(74,318)**	**(130,164)**	**–**	**(263,161)**
Net book amount	**39,696**	**142,277**	**189,220**	**–**	**371,193**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15: CONTROLLED ENTITIES

SUBSIDIARIES OF SHIELD MINING LIMITED	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2009	2008
			%	%
Shield Mining Mauritania SA	Mauritania	Ordinary	**100**	100
Shield Saboussiri Holdings Ltd	Isle of Man	Ordinary	**100**	100
Shield Saboussiri Mining Mauritania SA	Mauritania	Ordinary	**60**	60
Shield Holdings Ltd	Isle of Man	Ordinary	**100**	100
Shield Holdings Mauritius Ltd	Mauritius	Ordinary	**100**	100
Shield Mining Madagascar SARL	Madagascar	Ordinary	**100**	100

NOTE 16: EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Exploration and Evaluation Expenditure				
Opening balance	**2,681,169**	1,978,762	**-**	1,978,762
Current year's expenditure	**2,439,326**	1,865.069	**-**	736,531
Transfers – Parent to Subsidiary	**-**	–	**-**	(1,908,918)
Impairment Losses related to Capitalised Expenditure – Continuing Entities	**(2,951,852)**	(529,137)	**-**	(457,728)
Impairment Losses related to Capitalised Expenditure – Discontinued Entities	**-**	(168,730)	**-**	–
Write-back of Revaluation Reserve	**(116,298)**	(464,795)	**-**	(348,647)
TOTAL	**2,052,345**	2,681,169	**-**	–

Capitalised exploration and evaluation expenditure represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties. In the opinion of the directors, the value of the properties is at least that at which they are carried in the financial report. Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

2009 impairment losses relate to expenses previously capitalised on tenements 243, 265, 266, 365, 366 and 367. Management considers these tenements are not worthy of further exploration and the associated exploration assets have been fully expensed at the balance date. Further to this, the board considered it relevant to fully impair the exploration asset relating to EL236 on the basis that there is yet no certainty of recovery, and that further exploration of this tenement will not be a priority while EL447 (Tijirit) remains a viable prospect.

The basis of the revaluation reserve is fair value. The revaluation was originally undertaken in 2006 to value exploration assets to the amount for which the tenements could be exchanged in an arm's-length transaction in an active market. A portion of the revaluation reserve was written back to the income statement in 2008 as a number of the revalued tenements were considered fully impaired at 30 June 2008, and the 2009 write-back of $116,298 represents the remainder of the reserve, leaving a nil balance.

NOTE 17: TRADE AND OTHER PAYABLES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade payables	**103,000**	118,878	**56,873**	86,076
Other payables	**57,804**	40,281	**52,719**	52,152
	160,804	159,159	**109,592**	138,228
Non-current				
Trade payables	**–**	18,980	**–**	–
	–	18,980	**–**	–

NOTE 18: ISSUED CAPITAL

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
51,910,333 (2008: 51,910,333) fully paid ordinary shares including 468,876 (2008: 468,876) fully-paid ordinary shares issued as a share-based payment	**12,022,105**	12,022,105	**12,022,105**	12,022,105
	12,022,105	12,022,105	**12,022,105**	12,022,105

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

A. ORDINARY SHARES

DATE	DETAILS	NUMBER OF SHARES	ISSUE PRICE	$
1 July 2005	Opening Balance	100	$1.00	100
30 June 2006	Share Placement	24,958,024	$0.20	4,991,605
30 June 2006	Share-based Payment	468,876	-	-
30 June 2006	Balance	25,427,000		4,991,705
29 September 2006	Share Placement	7,500,000	$0.20	1,500,000
				6,491,705
	Less: Transaction costs arising on share issue			(14,600)
30 June 2007	Balance	32,927,000		6,477,105
31 July 2007	Share Placement	18,983,333	$0.30	5,695,000
	Less: Transaction costs arising on share issue			(150,000)
30 June 2009	Balance	51,910,333		12,022,105

B. ORDINARY SHARES

Ordinary Shares entitled the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

C. OPTIONS

There were no share options issued during the financial year.

NOTE 19: RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
(a) Reserves				
Share-based Payments Reserve	**401,825**	401,825	**401,825**	401,825
Foreign Currency Translation Reserve	**439,396**	(12,802)	**–**	–
Asset Revaluation Reserve	**–**	116,298	**–**	–
	841,221	505,321	**401,825**	401,825
Movements				
Share-based Payments Reserve				
Balance 1 July	**401,825**	401,825	**401,825**	401,825
Option Expense	**–**	–	**–**	–
Balance 30 June	**401,825**	401,825	**401,825**	401,825
Foreign Currency Translation Reserve				
Balance 1 July	**(12,802)**	(4,134)	**–**	–
Currency translation differences arising during the year	**452,198**	(8,668)	**–**	–
	439,396	(12,802)	**–**	–
Asset Revaluation Reserve				
Balance 1 July	**116,298**	581,093	**–**	581,093
Use of reserves to off-set impairment losses	**(116,298)**	(464,795)	**–**	(348,647)
Transfer of reserves to subsidiary companies	**–**	–	**–**	(232,446)
Balance 30 June	**–**	116,298	**–**	–
(b) Accumulated losses				
Movements in accumulated losses were as follows:				
Balance 1 July	**(3,811,771)**	(1,750,885)	**(3,617,312)**	(1,646,907)
Net profit/(loss) for the year	**(4,310,815)**	(2,060,886)	**(4,084,773)**	(1,970,405)
	(8,122,586)	(3,811,771)	**(7,702,085)**	(3,617,312)

In the current year, $116,298 of the existing revaluation reserve was written back in the parent to offset impairment losses relating to Exploration assets. For further information refer to note 16.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

(c) Nature and purpose of reserves

(i) Share-based Payments Reserve

The Share-based Payments Reserve records items recognised as expenses on valuation of directors and employee share options. Any proceeds from the exercise of options are recorded as contributed equity at the time the options are exercised.

(ii) Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(iii) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve.

NOTE 20: CAPITAL AND LEASING COMMITMENTS

A. EXPLORATION COMMITMENTS

Gold and Base Metals

At 30 June 2009 the company holds three gold and base metal exploration licences granted from 30 January 2005 onwards with expenditure obligations of USD 1,378,723 (AUD 1,713,125). Expenditure to date on these tenements totals USD 1,871,500 (AUD 2,325,423).

	EXPENDITURE COMMITMENT $	APPROVAL DATE	COMPLETE BY	QUALIFYING EXPENDITURE TO 30 JUNE 2009 $
Gold and Base Metals				
EL236	507,717	16 March 2009	16 March 2012	273,077
EL447	601,144	5 December 2007	5 December 2010	1,911,707
EL448	604,264	5 December 2007	5 December 2010	140,639
Total	**1,713,125**			**2,325,423**
Expenditure on EL236 – previous three-year period				883,100
Impairment losses – EL236 (2009)				(1,156,177)
Total Exploration Capitalised				**2,052,346**

B. LEASING COMMITMENTS

Non-cancellable operating leases

The Group leases a variety of office, accommodation and storage locations in Mauritania. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows :				
Within 1 year	**26,519**	31,129	**-**	-
Later than 1 year but not later than 5 years	**-**	26,519	**-**	-
Later than 5 years	**-**	-	**-**	-
Total	**26,519**	57,648	**-**	**-**

NOTE 21: CONTINGENT LIABILITY

The directors are of the opinion that there are no contingent liabilities as at 30 June 2009.

NOTE 22: SEGMENT INFORMATION

BUSINESS SEGMENTS

During the financial year, the consolidated entity's business operated principally in the area of Exploration and Development.

Exploration and Development

Primarily relates to exploration of gold and base metal prospects in West Africa.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

SECONDARY REPORTING – GEOGRAPHICAL SEGMENTS

The consolidated entity's business now operates principally in West Africa. Corporate activities are based in Australia.

2009	**WEST AFRICA**	**AUSTRALIA**	**DISCONTINUED OPERATIONS**	**ELIMINATION**	**CONSOLIDATED**
	$	**$**	**$**	**$**	**$**
Segment revenue from sales to external customers	**–**	**–**	**–**	**–**	**–**
Carrying amount of Segment Assets	**2,768,958**	**2,117,077**	**15,509**	**–**	**4,901,544**
Acquisitions (Disposal) of non-current segments assets	**214,459**	**155,228**	**(55,459)**	**–**	**314,228**
Impairment Losses	**2,951,852**	**2,777,388**	**–**	**(2,777,388)**	**2,951,852**
Segment Result	**(2,740,206)**	**(4,084,773)**	**(263,224)**	**2,777,388**	**(4,310,815)**
2008					
Segment revenue from sales to external customers	–	–	–	–	–
Carrying amount of Segment Assets	3,333,469	5,420,949	139,375	–	8,893,793
Acquisition of non-current segments assets	871,336	–	139,375	–	1,010,711
Impairment Losses	240,139	1,379,643	–	(921,915)	697,867
Segment Result	(614,338)	(1,970,405)	(398,058)	921,915	(2,060,886)

NOTE 23: CASH FLOW INFORMATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
a. Net cash outflow from operating activities				
Loss after income tax	**(4,310,815)**	(2,060,886)	**(4,084,773)**	(1,970,405)
Add (less) non-cash items:				
Depreciation and amortisation	**264,262**	155,722	**120,045**	96,618
Net (gain) loss on disposal of non current assets	**24,830**	2,683	**1,016**	2,683
Changes in provisions	**(5,829)**	71,793	**(8,127)**	88,983
Forex gain/loss (unrealised)	**-**	(594)	**-**	(594)
Impairment losses	**2,951,852**	697,867		457,728
Provision for non-recovery	**-**	–	**2,777,388**	921,915
Intercompany Loan Accounts forgiven	**-**	–	**633,920**	
	(1,075,699)	(1,133,415)	**(560,530)**	(403,072)
Changes in assets and liabilities				
(Increase)/decrease in trade debtors	**-**	–	**-**	–
(Increase)/decrease in other debtors	**43,534**	(126,322)	**(17,967)**	(53,578)
(Increase)/decrease in other current assets	**50,761**	6,377	**33,391**	6,289
Increase/(decrease) in trade creditors	**(15,878)**	67,111	**(29,203)**	29,125
Increase/(decrease) in interest-bearing liabilities	**(73)**	73	**(73)**	73
Increase/(decrease) in tax liabilities	**23,427**	(31,586)	**8,767**	(18,284)
Increase/(decrease) in non-current interest-bearing liabilities	**(18,980)**	18,980	**-**	–
Transfer of Capitalised Expenditure to Subsidiaries	**-**	–	**-**	(1,172,387)
Transfer of Revaluation Reserve to Subsidiaries	**-**	–	**-**	232,496
Foreign exchange translation reserve	**452,198**	(8,670)	**-**	–
Net cash (outflow) inflow from operating activities	**(540,711)**	(1,207,452)	**(565,615)**	(1,379,338)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

b. Purchase consideration

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Outflow of cash to acquire subsidiary, net of cash acquired:				
Cash consideration – Shield Mining Saboussiri Mauritania S.A	–	(17,726)	–	(17,726)
Cash consideration – Shield Mining Mauritania S.A.	–	–	–	–
Cash inflow – Shield Mining Saboussiri Mauritania S.A	–	–	–	–
Cash inflow – Shield Mining Mauritania S.A.	–	–	–	–
Outflow of cash	–	(17,726)	–	(17,726)

NOTE 24: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2009:

A. On 1 September 2006, 3,000,000 share options were granted to directors, employees and contractors to accept ordinary shares at an exercise price of $0.40. The options are exercisable before 30 June 2011. The options hold no voting or dividend rights. At balance date, none of these share options had been exercised or forfeited.

All options granted to directors, employees and contractors are for ordinary shares in Shield Mining Limited, which confer a right of one ordinary share for every option held.

BLACK SCHOLES OPTIONS PRICING INPUTS FOR OPTIONS GRANTED IN SEPTEMBER 2006					
	EXERCISE PRICE ($)	TIME TO MATURITY (YEARS)	UNDERLYING SHARE PRICE ($)	EXPECTED VOLATILITY (%)	RISK-FREE INTEREST RATE (%)
A	0.400	4	0.0509	50	5.25

Establishment of the Shield Mining Limited Employee Option Scheme was approved by shareholders at the 30 June 2006 Annual General Meeting. The Employee Option Plan is designed to provide long-term incentives for directors and senior management to deliver long-term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options, the time to maturity and the vesting period are at the Board's discretion. Options are granted under the plan for no consideration, and carry no dividend or voting rights.

When exercisable, each option is convertible into one fully-paid ordinary share. The exercise price is set by the Board on issue of the options in the first instance.

	CONSOLIDATED AND PARENT ENTITY			
	NUMBER OF OPTIONS		WEIGHTED AVERAGE EXERCISE PRICE ($)	
	2009	2008	2009	2008
Outstanding at the beginning of the year	**6,100,000**	6,100,000	**0.40**	0.35
Granted	**–**	–		–
Forfeited	**100,000**	–	**0.35**	–
Exercised	**–**	–		–
Expired	**3,000,000**	–	**0.30**	–
Outstanding at year-end	**3,000,000**	6,100,000	**0.40**	0.35
Exercisable at year-end	**3,000,000**	6,100,000	**0.40**	0.35

EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

There were no expenses arising from share-based payment transactions during 2009 or 2008.

NOTE 25: RELATED PARTY TRANSACTION

Sphere Investments Limited is a related party due to two common directors, Mr Alexander Burns and Mr Robert (Bob) Cornelius. Charges received from Sphere Investments totalled $230,112 in 2009 (2008: $263,978). Sphere Investments provides shared CFO, Company Secretary and Australian-based administrative staff.

LOANS TO SUBSIDIARIES

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	$	$	$	$
Beginning of the Year	**–**	–	**3,187,887**	110,238
Loans Advanced	**–**	–	**2,566,597**	3,994,379
Loans Repaid	**–**	–	**–**	–
Loans Forgiven	**–**	–	**(633,928)**	–
Provision for Non-recovery	**–**	–	**(2,777,388)**	(916,730)
Closing balance 30 June 2009	**–**	–	**2,343,168**	3,187,887

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 26: SUBSEQUENT EVENTS

On 13 August 2009, the Company allotted and issued 21,313,143 ordinary shares, and 21,313,143 unquoted options, exercisable at 20 cents pursuant to its rights issue under the Prospectus dated 22 June 2009 and a concurrent private placement to institutional and sophisticated investors. The Company raised $2,131,314.30 prior to costs associated with the issue and the placement.

The total of shares on issue now stands at 73,223,476, and there are 24,313,143 unquoted options on issue.