

Annual Report 2009



ASX:SHX

ACN 108 267 063





This report covers the activities
of Shield Mining Limited and
its controlled entities.

SHIELD MINING LIMITED

ACN 108 267 063

ANNUAL REPORT 2009

DIRECTORS

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

COMPANY SECRETARY

Lexton Graefe

REGISTERED AND PRINCIPAL OFFICE

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WEST PERTH WA 6005
AUSTRALIA
Telephone: + 61 8 9322 8393
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SOLICITORS

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WEST PERTH WA 6005
AUSTRALIA

AUDITORS

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay Street
SUBIACO WA 6008
AUSTRALIA

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
PERTH WA 6000
AUSTRALIA

Telephone: + 61 8 9323 2000
Facsimile: + 61 8 9323 2033

STOCK EXCHANGE LISTING

The Company's securities are quoted on the official list of the Australian Securities Exchange. The home branch is Perth.

ASX CODE

SHX

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Letter to the Shareholders

Success in the field is what makes an exploration company. Shield Mining has had its share of success this year culminating in a drilling programme at the Tijirit project in Mauritania that confirmed the presence of sub-surface gold and the geological similarities to the nearby Tasiast Gold Mine.

Following a soil sampling programme, which delineated six prospects at Tijirit, a trenching programme was conducted over the anomalies. This gave some encouragement and, in March 2009, a decision was made to undertake a small drilling programme prior to the end of the field season. This programme, of 3,250 metres and 52 holes, was completed in April 2009 over three of the prospects. Results were received in May with the following highlights:

- 6 metres @ 17.63 g/t Au (from 10m to 16m depth in ERC4);
- 6 metres @ 10.47 g/t Au (from 16m to 22m depth in SRC10); and
- 2 metres @ 24.90 g/t Au (from 56m to 58m depth in SRC24).

Interpretation of these results followed, with plans and sections posted on the website.

What we now have is the potential to discover a new goldfield in a parallel zone to the Tasiast belt. Both Tasiast and Tijirit are associated with the banded iron formations (BIFs) and Shield has only explored a very small portion of the approximately 25 kilometres of BIFs on the Tijirit licence area.

Following this successful drilling programme, the Company launched a rights issue to allow you, our shareholders, to participate in the next phase of exploration. This issue was fully subscribed and a small private placement was simultaneously announced. A total of \$2.1 million was raised. This was a very successful outcome which will allow the Company to now progress to the next stage of exploration. This includes:

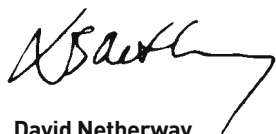
- extending the current drilling programme along the strike of the prospects;
- extending the current drilling at depth;
- drilling out the three other prospects;
- additional ground geophysics over the prospects; and
- regional exploration for more prospects in the licence area.

Preparation for this programme will commence in September 2009 with first results expected by the end of the year.

No work was conducted on the Saboussiri licence during the year, pending renewal of the licence, which was only received in January 2009. This licence has been reduced in area to cover a strong geophysical anomaly. We also elected to close our office in Madagascar to concentrate Shield's efforts on Mauritania, and Tijirit in particular.

I would like to thank our teams both in Mauritania and in Perth for their efforts during the year as this has been critical to our success.

On behalf of the Board of Directors of the Company, I thank you, our shareholders, for your continuing support during this very difficult year in the global financial market and for the success of the recent rights issue. With the necessary funding now in place, we look forward to having more exploration success in the year ahead.



David Netherway

Chief Executive Officer/Managing Director



Exploration report

CORPORATE SUMMARY

Shield Mining Limited was listed on the Australian Securities Exchange on 27 September 2006. The Company has an office in Mauritania where it is exploring for gold and base metals, and a corporate head office in Perth, Australia.

Financing

Following the results of the drilling in April 2009, Shield undertook a rights issue in July 2009 to raise \$1.7 million. This issue closed in August and was fully subscribed. A further private placement of \$0.4 million was completed at the same time to raise a total of \$2.1 million before costs.

EXPLORATION REPORT

Licence Status

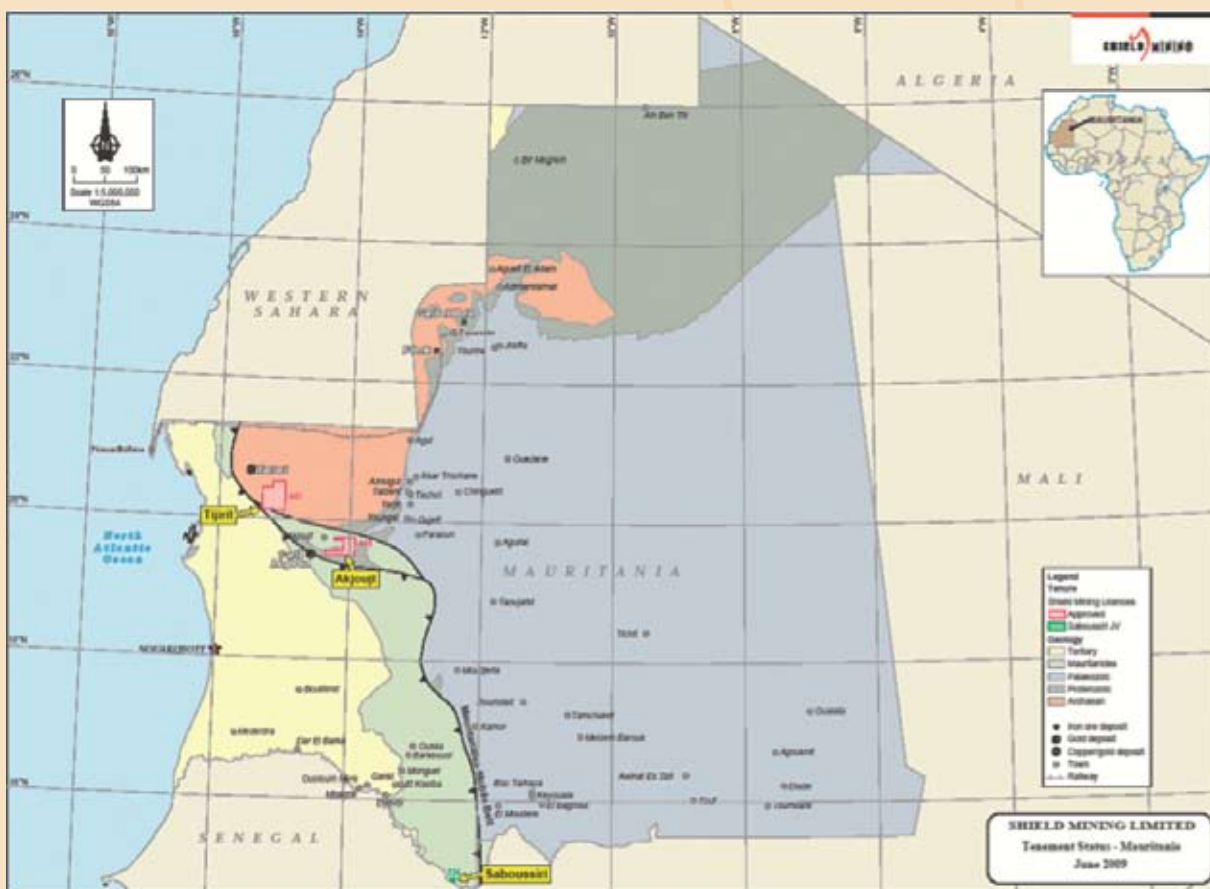
Shield has the following licences in Mauritania:

NAME	LICENCE	APPROVAL DATE	EXPIRY DATE	AREA KM ²	COMMENTS
Saboussiri	EP236	16 March 2009	16 March 2012	33	GMS joint venture
Tijirit	EL447	5 December 2007	5 December 2010	1,460	
Akjoujt	EL448	5 December 2007	5 December 2010	749	
			Total Area	2,242	

Permitting

During the year, Shield did not renew its licences except for those listed above. The main reason for this was the lack of sufficient prospectivity of the other licences and Shield's philosophy of not holding licences that are not prospective. A secondary reason was the cost of holding these licences, which increased substantially during the year.

Upon renewal, the Saboussiri licence was reduced in size to cover only the Diagouli anomaly and reduce holding costs.



Tijirit Project

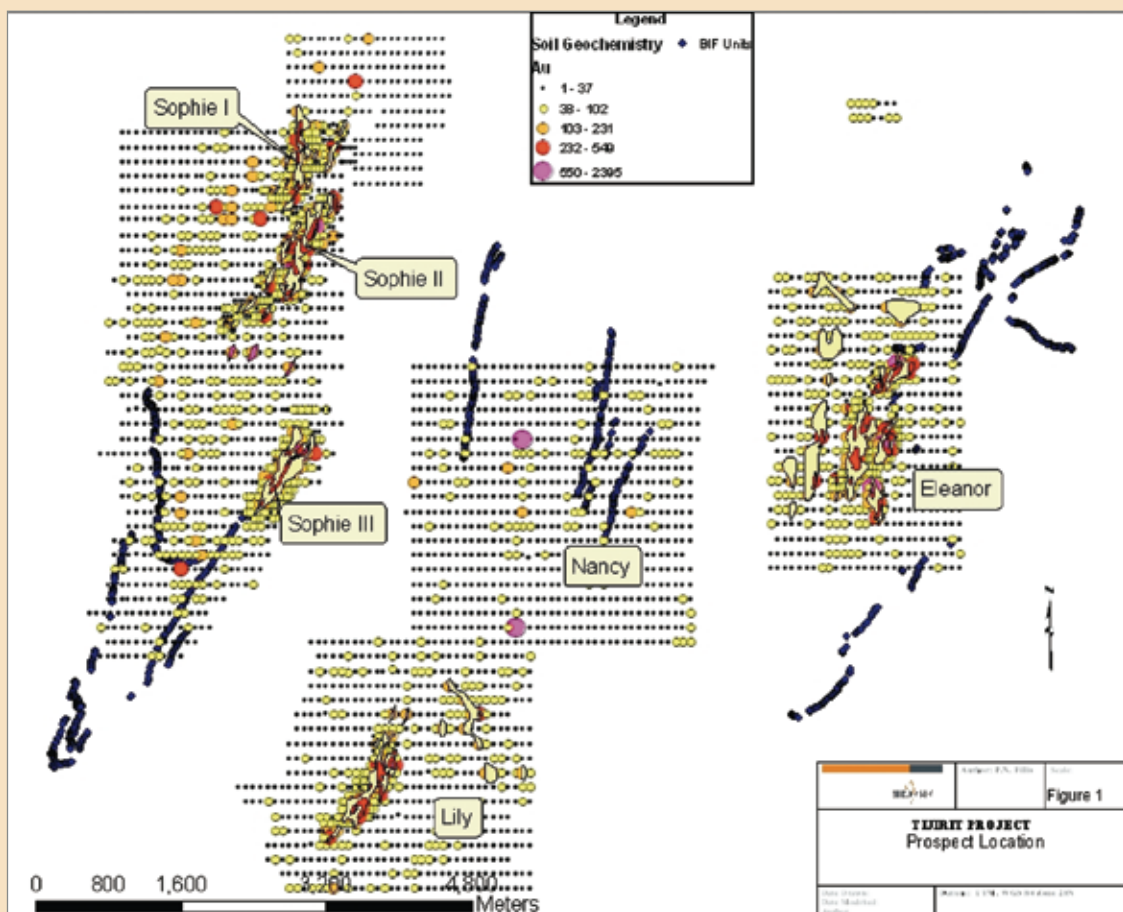
The Tijirit Project area is located 35 kilometres south-east of the Tasiast gold mine which is owned by Red Back Mining Inc and produces 230,000 ounces of gold per year. It is in an adjacent archean greenstone belt and has a similar geology to Tasiast. Previous explorers outlined broad-spaced (1km centres) gold in soil anomalies on Tijirit in the 1990s during the same campaign that delineated Tasiast.

During the 2008-09 field season, Shield continued its soil sampling programme and also undertook a trenching programme. Six prospects were located and trenched with encouraging results.

In April 2009, a small drilling programme of 3,250 metres of reverse circulation (RC) drilling was undertaken to cover three of the prospects. The drilling results confirmed the earlier sampling and trenching results by the Company that delineated the targets areas. The holes tested Sophie II, Sophie III and Eleanor prospects. Most holes were angled -50° or -60° and averaged 60m in length.

The highest grade intersections include:

- 6 metres @ 17.63 g/t Au (from 10m to 16m depth in ERC4);
- 6 metres @ 10.47 g/t Au (from 16m to 22m depth in SRC10); and
- 2 metres @ 24.90 g/t Au (from 56m to 58m depth in SRC24).



Future Work

The drilling results together with soil, rock chip sampling and trenching all demonstrate that Tijirit is host to gold mineralised structures in a style similar to that seen at the Tasiast gold mine in an adjacent greenstone belt. The Tijirit area had not been tested before in the subsurface prior to Shield's drilling programme in April. The permit has been sparsely explored to date and continued work is warranted not only on the mineralised structures defined but also on the untested portion of the permit where no soil sampling has yet been carried out.

First priority for the next phase of work will be additional drilling at Sophie II targeting the strike slip faults and mineralised horizons delineated subsurface to date, particularly at depths below the calcreted and weathered surface altered material. Second priority will be deeper drill testing of the Sophie III low-grade mineralised zone as well as testing of the Sophie I, Lily, Nancy and Eleanor West prospects. Regional work will also continue with extension of the soil sampling grid to cover those structures and banded iron formations (BIFs) not previously sampled by Bureau de Recherches Géologiques et Minières (BRGM)/Normandy La Source.

Plans showing the above interpretations on plan and section may be viewed on the website at www.shieldmining.com.

Saboussiri Joint Venture

In March 2007 Shield signed an agreement with General Mining Services (GMS) over the Saboussiri licence whereby the Company is entitled to earn a 60% interest in the potential copper/gold project. Saboussiri is a tenement in the southern Mauritanides close to the border with Senegal on which various companies have undertaken substantial work programmes in the past. Among other prospects, this work identified the Diaguili copper prospect and the Saboussiri hematite breccias on the licence.

The Company undertook an extensive soil and drainage and rock chip sampling programme over the whole of the Saboussiri licence area. However, the results showed that apart from the known anomalies there was little else of interest.

A VTEM (Time Domain Electromagnetic System) helicopter survey was carried out in January 2008, which identified a coherent anomaly at Diaguili. The Diaguili anomaly is close to and parallel to a line of hills containing the Diaguili copper prospect. The licence was then reduced in size, on renewal, to cover this anomaly.

The anomaly now requires some ground geophysics, trenching and then a short drill programme. With the concentration on the Tijirit Project, no work has been planned for this financial year.

Akjoujt

The geology of the Akjoujt licence is similar to the Guelb Moghrein gold/copper mine operated by First Quantum which is located 33 kilometres to the east of the licence.



Tabrinkout Prospect

The Tabrinkout Prospect is the site of a tungsten placer operation in the 1960s, with the recovery of 9.4 tonnes of WO₃ (wolframite – the tungsten host rock), grading 30% to 35%. The area was drilled by the French BRGM and the Mauritanian Office for Geological Exploration in 1975 and tungsten mineralisation was noted in the cores. This was followed up by OMRG around 1992 testing specifically for tungsten. OMRG trenched the target area and took at least 13 rock chip samples with best results as:

GOLD G/T	SILVER G/T	COPPER %	BISMUTH %
21.2	2.42	0.724	0
25.4	3.69	2.95	>1.0

However, no tungsten was recorded.

The prospect was also investigated by BRGM (as Normandy La Source) in 1997, following up the gold, rather than tungsten potential. BRGM undertook substantial drilling over a probable area of 500m x 1,000m, reporting isolated high gold values in intersections but with an overall low grade. Not all results have been sighted and are not confirmed. There is also major trenching and costeaning at the site, of uncertain origins.

The work by Normandy La Source at Tabrinkout is reported as indicating a similar geological setting to that of First Quantum Minerals' producing Guelb Moghrein copper/gold mine 33km to the west. The geochemical signature and association of minor metals with gold is also similar to Guelb Moghrein.

Limited historical data on the project has been acquired and is currently being reviewed to determine whether any of the +26 holes drilled to date could have missed mineralisation at depth.

Details of Sampling and Analysis: RC samples were collected every metre, split to approximately 1.25kg and composited every 2m to 2.5kg on site. Samples are transported by road to SGS Laboratories in Kayes, Mali. Gold only analysis is by aqua regia digestion thence flame AAS detection on a 50gm charge (0.01ppm Au detection limit) (SGS ARE155 method).

The information in this Report that relates to exploration results is based on information compiled by Mr Phil Fillis who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Fillis is a geologist consulting to the Company, with over 30 years' experience as a geologist. Mr Fillis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity for which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Fillis consents to the inclusion in the report of the matters based on his information in the form and context in which it is used.

Corporate Governance

Shield Mining Limited (“the Company”) has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company’s needs, Australian Securities Exchange (“ASX”) and other statutory requirements. Full details of the Company’s corporate governance policies are set out on the Company’s website at www.shieldmining.com. This information includes the following sections:

- Board and Management Charter;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment Of New Directors;
- Board Code of Conduct;
- Corporate Code of Conduct;
- Policy on Directors and Executives Dealing in Securities;
- Audit Committee Charter;
- Policy and Procedure for Selection of External Auditor and Rotation of Audit Engagement Partners;
- Policy on Continuous Disclosure Requirements;
- Insider Trading Policy for Employees;
- Shareholders Communication Policy;
- Risk Management Policy;
- Process for Performance Evaluation of the Board, Board Committees, Directors and Key Executives;
- Remuneration Committee Charter; and
- Remuneration Policy.

A summary of the Company’s compliance with the ASX *Corporate Governance Principles and Recommendations (2nd edition)* is as follows:

PRINCIPLE 1 – BOARD AND MANAGEMENT ROLES AND RESPONSIBILITIES

The Company has formalised and disclosed the roles and responsibilities of the Board and those delegated to senior management in its Board Charter.

The responsibilities of the Board include determining and monitoring the objectives and strategic direction of Shield Mining, monitoring the performance of the Company and its senior executives, approving business plans and budgets, and developing and ensuring adherence to company policies. The Board is also responsible for compliance with the codes of conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Chief Executive Officer, Company Secretary and other senior executives.



The senior management are responsible for the efficient and effective operation of the Company in accordance with the objectives, strategies and policies determined by the Board.

The Nomination Committee (or its equivalent) evaluates and advises the Board on the performance of the Managing Director. For the current year, this review has been postponed until after completion of the recent fundraising.

The Managing Director is responsible for evaluating the performance of senior management. These reviews have taken place progressively over the course of 2008-09.

PRINCIPLE 2 – COMPOSITION OF THE BOARD

The Board of the Company currently consists of one executive and three non-executive directors. Details of the Company Directors, independence status, and their period of office are included in the Directors' Report. Shield Mining's Board composition follows the ASX recommendations, in that a majority of directors are independent, and the Company has an independent (non-executive) Chairman, being Mr Alexander Burns.

Mr Burns is a substantial shareholder in Shield Mining Limited as defined by section 9 of the *Corporations Act 2001*, holding 5.37% of issued capital as at 30 August 2009. The Board has assessed his independence and considers that he retains the status of an Independent Chair. The Board is of the opinion that the value of Mr Burns' shareholding is, on its own and in the absence of any other material contractual or commercial relationship, insufficient to necessitate a change in independence status given his personal circumstances.

Both Dr Schalk van der Merwe and Mr Robert (Bob) Cornelius are considered to be independent because their personal holdings in the company are small and they have no other material contractual or commercial relationship with the Company.

Mr David Netherway is the Managing Director/CEO of the company and, as such, is not considered independent.

Subject to the Chairman's approval, which is not to be unreasonably withheld, directors have the right, at the Company's expense, to obtain independent professional advice on issues arising in the course of their duties.

The Board assumes the responsibility of carrying out the functions of the Nomination Committee at the current time. The Company has adopted a Nomination Committee Charter establishing how the functions are to be performed in the absence of a separate committee.

The Board conducts an annual review of its performance, and the performance of Directors, the Chairman and any committees established, in accordance with the Nomination Committee function based upon the procedures set out in the charter. For the current year this review has been deferred until after completion of the recent fundraising.

The Company has a policy defining the procedure for the selection and appointment of new directors. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

PRINCIPLE 3 – CODE OF CONDUCT

As reflected in its own Code of Conduct, the Board is responsible for developing the culture of the organisation, including the performance focus and the legal, ethical and moral conduct, to preserve and enhance Shield Mining's reputation in the mining industry, business generally and the broader community.

Shield Mining's adopted Corporate Code of Conduct requires that all employees are aware of, and comply with, legislation and policies applicable to their position. The Code also requires employees to avoid or ensure proper management of conflicts of interest, to not use confidential information for personal gain, and to generally operate in a fair, honest and open manner. In accordance with the Council's recommendation, Shield has established a securities trading policy identifying the circumstances in which share trading in the Company's securities by directors, senior managers and other employees is permitted, and specifying procedures to reduce the risk of insider trading.

The Company's policy is to make reasonable endeavours to ensure that it gives proper consideration to the impact on the environment of its activities, and that the Company observes its obligations in respect of environmental practices, and the health, safety and general well-being of its employees.

PRINCIPLE 4 – AUDIT MANAGEMENT

The Board assumes the responsibility of carrying out the functions of the Audit Committee at the current time. The Company has adopted an Audit Committee Charter establishing how the functions are to be performed in the absence of a separate committee. During the year the full Board met twice to specifically consider matters under the Audit Committee Charter.

The Board has adopted a policy and procedure for selection of external auditor and rotation of audit engagement partners. The key criteria are:

MANDATORY CRITERIA

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Furthermore, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

OTHER CRITERIA

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company, such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Board reviews the performance of the external auditor on an annual basis.

PRINCIPLE 5 – ASX LISTING RULE COMPLIANCE AND CONTINUOUS DISCLOSURE

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, Shield Mining Limited has adopted a Continuous Disclosure Policy, and the implementation of the policy has been delegated to a specific market disclosure committee consisting of the Chief Executive Officer and the Company Secretary.

The policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price-sensitive information to the market.

The Company also has policies in place to ensure integrity in financial reporting. The Managing Director and Chief Financial Officer provide the Board with a written statement that Shield Mining's half-year and annual financial statements present a true and fair view in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 6 – SHAREHOLDER COMMUNICATION

Shield Mining endeavours to provide shareholders with important information on the Company in a timely and efficient manner. The Company has continued to increase and improve the information available to shareholders on its website and has adopted a Shareholder Communications Policy to promote effective communication with shareholders and formalise the necessary practices.

Shareholders are informed of the activities of the Company through its Quarterly Report, Annual Report, and other market disclosures made in the spirit of ASX listing rule 3.1. Shareholders are also actively encouraged to attend Shield Mining's Annual General Meeting. The Company's auditor is required to attend its Annual General Meeting.

PRINCIPLE 7 – RISK MANAGEMENT

The Board has established a Risk Management Policy designed to ensure that material business risks are identified, assessed, addressed and monitored to help the Company achieve its business objectives.

Material business risks are reviewed at least annually as part of the annual strategic planning, forecasting and budgeting process, and are subject to review on an ongoing basis. Aside from the overriding risks relating to exploration success, the material business risks have been identified as commodity price, financial markets, treasury management, exchange rate fluctuations, political instability/sovereign risk in Mauritania, and general operational risks in the exploration industry.

For the current reporting period, the Company had informal internal compliance and control systems to monitor these material business risks. The finance department completed detailed internal control questionnaires on a six-monthly basis and these were reviewed by the external auditors as part of the half-yearly reporting to the market. The Company Secretary also oversees a detailed compliance process on an ongoing basis to ensure the Company meets its regulatory obligations.

The Company has begun to formalise and document its system for managing material business risks. This system will include a risk register that identifies, rates, prioritises and delegates the Company's material business risks. The Company expects to have this documented system finalised and progressively implemented over the forthcoming reporting period.

The categories of risk specifically reported on in the Annual Report are credit risk, liquidity risk, market risk, currency risk and interest rate risk.

The directors of the Company have been given the declarations from the Chief Executive Officer and the Chief Financial Officer required by S295A of the *Corporations Act 2001* and have received assurances that these declarations are founded on sound systems of risk management and internal control and that these systems are operating effectively in relation to all material financial risks.

PRINCIPLE 8 – PERFORMANCE AND REMUNERATION

The Board assumes the responsibility of carrying out the functions of the Remuneration Committee at the current time. The Company has adopted a Remuneration Committee Charter establishing how the functions are to be performed in the absence of a separate committee.

Remuneration details are disclosed separately in the Directors' Report. There is no variable component in the remuneration for executives or for non-executive directors at this time. There are no schemes for retirement benefits other than superannuation in existence.

EXPLANATION OF DEPARTURES FROM ASX BEST PRACTICE RECOMMENDATIONS

During the July 2008 to June 2009 Reporting Period, the Company has effectively complied with each of the Eight Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

REFERENCE	NOTIFICATION OF DEPARTURE	EXPLANATION FOR DEPARTURE
2	2.4 A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board has adopted a Nomination Committee Charter which formalises the function of the Board when considering matters within the role of a Nomination Committee.
4	4.2, 4.3 A separate Audit Committee has not been formed.	Given that Shield is a junior exploration company there are limited accounting issues and that is unlikely to change substantially in the short term. Accordingly, the role of the Audit Committee is carried out by the full Board. The Board has adopted an Audit Committee Charter which formalises the function of the Board when considering matters within the role of an Audit Committee.
9	9.2 A separate Remuneration Committee has not been formed.	The role of Remuneration Committee is carried out by the full Board. The Board has adopted a Remuneration Committee Charter which formalises the function of the Board when considering matters within the role of a Remuneration Committee.

Directors' report

The Directors present their report together with the accounts of Shield Mining Limited ("the Company") and the consolidated entity for the year ended 30 June 2009 and the independent audit report thereon. A copy of the reports and the accounts is also available on the Company's website at www.shieldmining.com.

DIRECTORS

The following people were the Directors of Shield Mining Ltd during the financial year and at the date of this report:

Alexander Burns – Non-executive Chairman (Independent)
David Netherway – Managing Director (Non Independent)
Schalk van der Merwe – Non-executive Director (Independent)
Robert (Bob) Cornelius – Non-executive Director (Independent)

PRINCIPAL ACTIVITIES

The Company is an African-focused gold and base metals exploration and resource development company, with exploration permits in Mauritania. Further details of the Company's activities can be found in the Exploration Report included in this report.

REVIEW OF OPERATIONS

OPERATING RESULTS

The loss from ordinary activities after income tax was \$4,310,815 (30 June 2008: \$2,060,886).

DIVIDENDS

No dividends were declared or paid at the time of this report.

ENVIRONMENTAL REGULATION

The Company is not currently subject to significant environmental regulation in respect of its activities. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007, which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period – 1 July 2008 to 30 June 2009 – the Directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.



DIRECTORS' AND OFFICERS' QUALIFICATIONS AND EXPERIENCE

Alexander Burns, MBA – Non-executive Chairman (age 44)

Mr Burns has over 20 years of experience in the management of private and publicly listed companies in the industrial and resource sectors in Australia, Malaysia, Japan, Russia, West Africa (Mauritania and Mali) and the Middle East. Since 27 November 1998, Mr Burns has been Managing Director of Sphere Investments Ltd. He was instrumental in taking Sphere into the iron ore sector in an innovative joint venture agreement with Société Nationale Industrielle et Minière (SNIM) in 2001 for the development of the Guelb el Aouj iron ore pellet project in Mauritania, West Africa.

Mr Burns also played a key role in expanding Sphere's portfolio of resource projects in West Africa, including gold and base metals exploration projects in Mauritania which led to the spin-off of Shield from Sphere.

Mr Burns has been a Director of Shield Mining Limited for five years.

David Netherway, BE (Mining), CDipAF, FAusIMM(CP), FIMMM(CEng) – Managing Director and Chief Executive Officer (age 56)

Mr Netherway is a mining engineer with over 30 years of experience in the mining industry. From April 2002 until the completion of its takeover by Eldorado Gold Corporation in 2005, Mr Netherway served as the President and Chief Executive Officer of Toronto-listed Afcan Mining Corporation, a China-focused gold mining company which was constructing a gold mine in western China. Prior to joining Afcan, Mr Netherway held senior management positions in a number of mining companies, including Golden Shamrock Mines, Ashanti Goldfields and Semafo Inc.

Mr Netherway is a mine developer and operator who was involved in the construction and development of the Iduapriem, Siguiri, Samira Hill and Kiniero gold mines in West Africa and has mining experience in Australia, India, Nepal, Oman and Malaysia. He received a BE in Mining Engineering from the University of Melbourne in 1975 and a Certified Diploma in Accounting and Finance from the Chartered Association of Certified Accountants in the United Kingdom in 1985.

Mr Netherway is a non-executive Director of GMA Resources plc (AIM : GMA) (from 1 December 2005), KazakhGold Group Limited (LSE : KZG) (from 1 September 2005), African Aura Resources Limited (TSX-V : AAZ) (from 1 June 2006) and Altus Resource Capital Limited (AIM : ARCL) (since 1 April 2009). He was previously a non-executive Director of Equigold NL (ASX : EQI) (from 28 April 2006 to 15 June 2008) and Orezone Resources Inc. (TSX & AMEX : ORN) (from 18 July 2002 to 25 February 2009).

Mr Netherway has been a Director of Shield Mining Limited for three years.

Schalk van der Merwe, PhD – Non-executive Director (age 56)

Dr van der Merwe is a geologist with 30 years of experience in African geology and exploration in Africa. He is currently the Exploration Manager of Sphere Investments Ltd. Prior to joining Sphere in 2005, Dr van der Merwe was working as a geological consultant for various companies in Africa and South America. From 1986 to 1999, Dr van der Merwe taught Exploration Geology at the University of the Free State in South Africa. He is a member of the South African Council for Natural Scientific Professionals (SACNASP).

Dr van der Merwe does not hold any directorship in any other listed companies.

Dr van der Merwe has been a Director of Shield Mining Limited for three years.

Robert (Bob) Cornelius, B.Met E, MEng Sc, F AusIMM – Non-executive Director (age 77)

Mr Robert (Bob) Cornelius spent 35 years with the CRA Group (now Rio Tinto Limited) prior to his retirement in 1994. During his time with CRA, Mr Cornelius spent 16 years with CRA's iron ore division in various operating roles at the Hamersley Iron operations in the Pilbara region of Western Australia. In 1982, Mr Cornelius moved to Bougainville Copper Limited as Executive Manager of the Concentrator, before becoming Managing Director of Bougainville Copper Limited from 1987-1990. Following the closure of Bougainville operations, Mr Cornelius became President of CRA Japan and was based in Tokyo from 1991-1993, before returning to CRA's head office in Melbourne in 1994.

Mr Cornelius is also a non-executive Director of Sphere Investments Limited.

Mr Cornelius has been a Director of Shield Mining Limited for three years.

Lexton Graefe, BEc, CPA – Chief Financial Officer, Company Secretary (age 53)

Mr Graefe has extensive management and commercial experience in the mining industry acquired over the last 25 years. Most of the last 12 years have been spent in overseas postings in developing countries. Prior to joining Shield, Mr Graefe was Managing Director of Resolute Tanzania Limited's gold operations. He was also President Director of Rio Tinto, Indonesia and General Manager Finance for Rio Tinto in India. Before working offshore with Rio Tinto Limited, Mr Graefe held management, financial and commercial roles within Hamersley Iron Pty Limited.

He is also the current Chief Financial Officer and Company Secretary of Sphere Investments Limited.

DIRECTORS' INTERESTS

As at the date of this report, the direct and indirect interests of the Directors in the Company were:

DIRECTOR	FULLY PAID ORDINARY SHARES	CLASS SHXAM UNLISTED OPTIONS (expiry 30 June 2011)	CLASS SHXAU UNLISTED OPTIONS (expiry 31 August 2011)
Alexander Burns	3,933,238	625,000	–
David Netherway	5,084,748	1,250,000	1,271,187
Schalk van der Merwe	–	625,000	–
Robert (Bob) Cornelius	540,000	125,000	100,000

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of directors held during the year and the number of meetings attended by each director were:

DIRECTOR	NUMBER OF MEETINGS ATTENDED	ENTITLED TO ATTEND
Alexander Burns	5	5
David Netherway	5	5
Schalk van der Merwe	5	5
Robert (Bob) Cornelius	5	5

In addition to the above, a total of four resolutions were passed by circular resolution during the year.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A** Principles used to determine the nature and amount of remuneration
- B** Details of remuneration
- C** Service agreements
- D** Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The Remuneration Policy of Shield Mining Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and also, where appropriate, offering specific long-term incentives related to the company's results. The Board of Shield Mining Limited believes the Remuneration Policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board after seeking professional advice from independent external consultants.
- All executives receive a base salary which is based on factors such as length of service and experience and may be granted options as long-term incentives.
- The Board reviews executive packages annually, considering factors including the economic entity's performance, executive performance and comparable information from industry sectors.

The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options given to directors and executives are valued using the Black-Scholes methodology.

Non-executive directors

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Directors' fees

The current base remuneration was last reviewed with effect from 1 January 2009 and in light of the downturn in the world economy, the directors agreed to a 25% fee reduction from that date.



Non-executive directors' fees are determined within an aggregate director's fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$250,000 per annum and was approved by shareholders at the Annual General Meeting on 20 June 2006.

The following fees have applied:

	FROM 1 JULY 2008 TO 30 JUNE 2009	FROM 1 JULY 2007 TO 30 JUNE 2008
Fees (including superannuation)		
Chairman	\$48,913	\$54,500
Other non-executives (in aggregate)	\$38,150	\$43,600

Company performance, shareholder wealth and director and executive remuneration

The Remuneration Policy has been tailored to increase goal congruence between shareholders, directors and executives. The main method used is the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. Director's remuneration is not linked to performance.

B. DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Shield and its subsidiaries are set out in the following tables.

The key management personnel of Shield Mining Limited (Parent) includes the directors and the executive officers who have authority and responsibility for planning, directing and controlling the activities of the entity, and report directly to the Managing Director. All personnel held the positions for the full financial year unless stated otherwise.

Key management personnel Shield Mining Limited

Name	Salary and Fees \$	Superannuation \$	Options \$	Total \$
30 June 2009				
Directors				
David Netherway – Executive Director	230,031	–	–	230,031
Alexander Burns – Non-executive	43,750	5,163	–	48,913
Schalk van der Merwe – Non-executive	19,075	–	–	19,075
Robert (Bob) Cornelius – Non-executive	17,500	1,575	–	19,075
Total directors	310,356	6,738	–	317,094
Other key management personnel				
Lex Graefe – Chief Financial Officer (a)(e)	58,171	1,088	–	59,259
Robert (Sam) Middlemas – Company Secretary (b)	59,910	–	–	59,910
Bill Brodie Good – Exploration Manager (c)	28,023	–	–	28,023
Joao Beckel – Exploration Manager (d)	66,444	–	–	66,444
Total other key management personnel	212,548	1,088	–	213,636
Total Remuneration	522,904	7,826	–	530,730
30 June 2008				
Directors				
David Netherway – Executive Director	259,384	–	–	259,384
Alexander Burns – Non-executive	50,000	4,500	–	54,500
Schalk van der Merwe – Non-executive	21,800	–	–	21,800
Robert (Bob) Cornelius – Non-executive	20,000	1,800	–	21,800
Total directors	351,184	6,300	–	357,484
Other key management personnel				
Lex Graefe – Chief Financial Officer (e)	64,319	–	–	64,319
Bill Brodie Good – Exploration Manager	160,672	–	–	160,672
Katina Gunellas – Company Secretary (e)	24,880	–	–	24,880
Total other key management personnel	249,871	–	–	249,871
Total Remuneration	601,055	6,300	–	607,355

(a) Appointed Company Secretary 1 April 2009.

(b) Appointed on 23 May 2008, contract terminated 31 March 2009. Mr Middlemas received fees via his consulting company Sparkling Investments Pty Ltd.

(c) Employment terminated 30 September 2008.

(d) Appointed 1 September 2008, terminated 31 December 2008.

(e) Fees paid to Sphere Investments Limited to cover executives' costs.

C. SERVICE AGREEMENTS

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a Letter of Appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the Managing Director are formalised in service agreements.

The contract with the Managing Director may be terminated early by either party with three months' notice, subject to termination payments as detailed below:

- Term of agreement – three years commencing 1 June 2009.
- Base salary for the year ended 30 June 2009 of £90,000 is to be reviewed annually.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 12 months' base salary plus an additional one month's salary for every year of service.

D. SHARE-BASED COMPENSATION

Options

Options over shares in Shield Mining Limited are granted under the Shield Mining Limited Employee Option Plan. The Employee Option Plan is designed to provide long-term incentives for executives to deliver long-term shareholder returns. Under the plan, participants are granted options for no issue price and the exercise prices will be such price as determined by the Board (in its discretion) on or before the date of issue. Options are granted under the plan for no consideration.

There were no options granted in the financial years ended 30 June 2009 and 30 June 2008. No directors or executives received any remuneration from options in 2009 or 2008. One hundred thousand (100,000) options, valued at \$4,645 at date of grant, were forfeited during the year due to a staff resignation, with value being nil at date of forfeiture. Three million (3,000,000) options expired at 30 June 2009. No options were exercised during 2009, or subsequent to the end of the financial year.

This is the end of the Audited Remuneration Report.

Loans to Directors and Executives

There were no loans to directors and executives during the financial year.



Shares under option

Unissued ordinary shares of Shield Mining Limited under option at 30 June 2009 are as follows:

DATE OPTIONS GRANTED	EXPIRY DATE	ISSUE PRICE OF SHARES	NUMBER UNDER OPTION
1 September 2006	30 June 2011	0.400	3,000,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

EVENTS SUBSEQUENT TO BALANCE SHEET DATE

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 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.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has put in place appropriate insurance arrangements in respect of Directors' and Officers' Liability Insurance. The insurance policy precludes us from disclosing the amount of the coverage. These insurance premiums relate to insurance of directors and executive officers of the Company. The policy does not specify the premium for individual directors and executive officers.

The Directors' and Officers' Liability Insurance provides cover against costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company or a related body corporate) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

No liability has arisen under this indemnity as at the date of this report.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company, nor was the Company party to any such proceedings during the year.



NON-AUDIT SERVICES

There were no non-audit services provided by the auditors during 2009 and 2008, and consequently there were no fees paid for non-audit services to the external auditors in either financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2009 has been received in accordance with section 307C of the *Corporations Act 2001* and can be found following this Directors' Report.

David Netherway

Chief Executive Officer/Managing Director

21 September 2009



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ABN 79 112 284 787

21 September 2009

Shield Mining Limited
680 Murray Street
West Perth
Perth WA 6005

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF SHIELD MINING LIMITED

As lead auditor of Shield Mining Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Shield Mining Limited and the entities it controlled during the year.

Brad McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

Financial report

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This financial report covers both Shield Mining Limited as an individual entity and the consolidated entity consisting of Shield Mining Limited and its controlled entities.

Shield Mining Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

680 Murray Street
West Perth
Western Australia 6005

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 15.

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from continuing operations	4	210,286	472,076	210,286	472,076
Expenses					
Administration		586,216	500,732	370,769	252,061
Office expenses		58,329	48,898	194	1,453
Motor vehicle expenses		118,195	146,034	-	391
Insurance		40,773	28,334	22,654	27,566
External consultants and contractors		1,138,718	528,198	100,149	429,800
Leases and equipment rental		8,705	-	-	-
Travel and related expenses		151,607	340,442	33,363	181,027
Employee expenses		945,325	1,006,970	352,661	803,841
Banking expenses		14,722	14,669	4,224	3,901
Net foreign exchange (gain)/loss		62,861	48,248	(29,387)	(958)
Exploration expenses capitalised		(2,148,713)	(1,425,874)	-	(736,531)
Depreciation and amortisation expense	5	255,634	147,316	120,045	96,618
Impairment of capitalised exploration assets	16	2,951,852	529,137	-	457,728
Impairment of non-current financial assets	13	-	-	-	5,184
Provision for non recovery of intercompany loans to subsidiaries	12	-	-	3,411,316	916,731
Other expenses		73,653	221,800	(90,929)	3,669
Total Expenses		(4,257,877)	2,134,904	4,295,059	2,442,481
Profit/(Loss) before income tax expense		(4,047,591)	(1,662,828)	(4,084,773)	(1,970,405)
Income tax expense	6	-	-	-	-
Profit/(Loss) from continuing operations		(4,047,591)	(1,662,828)	(4,084,773)	(1,970,405)
Profit/(Loss) from discontinued operations	10	(263,224)	(398,058)	-	-
Net Profit/(Loss) attributable to members of the parent entity		(4,310,815)	(2,060,886)	(4,084,773)	(1,970,405)
		Cents	Cents		
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company:					
Basic earnings per share	9	(7.80)	(3.42)		
Earnings per share for loss attributable to the ordinary equity holders of the Company:					
Basic earnings per share		(8.30)	(4.23)		
Where diluted EPS are not dilutive they are not disclosed					

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEETS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	11	2,089,531	5,408,627	2,036,475	5,306,502
Trade and other receivables	12	87,713	182,008	80,602	114,447
TOTAL CURRENT ASSETS		2,177,244	5,590,635	2,117,077	5,420,949
NON-CURRENT ASSETS					
Trade and other receivables	12	-	-	2,343,167	3,187,887
Financial assets	13	-	-	-	-
Property, plant and equipment	14	671,955	621,990	371,193	336,010
Exploration and Evaluation	16	2,052,345	2,681,169	-	-
TOTAL NON-CURRENT ASSETS		2,724,300	3,303,159	2,714,360	3,523,897
TOTAL ASSETS		4,901,544	8,893,794	4,831,437	8,944,846
CURRENT LIABILITIES					
Trade and other payables	17	160,804	159,159	109,592	138,228
TOTAL CURRENT LIABILITIES		160,804	159,159	109,592	138,228
NON-CURRENT LIABILITIES					
Trade and other payables	17	-	18,980	-	-
TOTAL NON-CURRENT LIABILITIES		-	18,980	-	-
TOTAL LIABILITIES		160,804	178,139	109,592	138,228
NET ASSETS		4,740,740	8,715,655	4,721,845	8,806,618
EQUITY					
Contributed Equity	18	12,022,105	12,022,105	12,022,105	12,022,105
Reserves	19	841,221	505,321	401,825	401,825
Accumulated losses	19	(8,122,586)	(3,811,771)	(7,702,085)	(3,617,312)
Less Amounts attributable to Minority Interests		-	-	-	-
TOTAL EQUITY		4,740,740	8,715,655	4,721,845	8,806,618

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Total equity at the beginning of the financial year	8,715,655	5,705,006	8,806,618	5,813,116
Adjustment for translation of foreign controlled entities	452,198	(8,670)	-	-
- Asset revaluations	(116,298)	(464,795)	-	(581,093)
Net income recognised in equity	335,900	(473,465)	-	(581,093)
Loss for the period	(4,310,815)	(2,060,886)	(4,084,773)	(1,970,405)
Total recognised income and expense for the year	(3,974,915)	(2,534,351)	(4,084,773)	(2,551,498)
Transactions with equity holders:				
- Contribution of equity net of transaction costs transfers to and from reserves	-	5,545,000	-	5,545,000
- Share-based payments	-	-	-	-
Total equity at the end of the financial year	4,740,740	8,715,655	4,721,845	8,806,618

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

	NOTES	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		-	-	-	-
Payments to suppliers and employees (inclusive of GST)		(748,349)	(1,680,145)	(773,045)	(1,851,414)
Interest received		207,638	472,693	207,430	472,076
Net cash provided by (used in) operating activities	23a	(540,711)	(1,207,452)	(565,615)	(1,379,338)
CASH FLOWS FROM INVESTING ACTIVITIES					
Increase in intercompany loans		-	-	(2,548,167)	(1,355,198)
Purchase of property, plant and equipment		(374,022)	(466,116)	(159,563)	(124,527)
Payments for capitalised exploration expenditure	16	(2,439,325)	(1,865,069)	-	(736,531)
Receipts for sale of property, plant and equipment		34,962	-	3,318	-
Payment for investment in subsidiaries	23b	-	(17,726)	-	(17,726)
Net cash provided by (used in) investing activities		(2,778,385)	(2,348,911)	(2,704,412)	(2,233,982)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of loan to related party		-	-	-	-
Proceeds from issue of shares		-	5,562,726	-	5,545,000
Net cash provided by (used in) financing activities		-	5,562,726	-	5,545,000
Net increase (decrease) in cash held		(3,319,096)	2,006,363	(3,270,027)	1,931,680
Cash and cash equivalents at the beginning of the financial year		5,408,627	3,402,264	5,306,502	3,374,822
Cash and cash equivalents at the end of the financial year	11	2,089,531	5,408,627	2,036,475	5,306,502

The above cash flow statement should be read in conjunction with the accompanying notes.

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 <i>vesting conditions</i> 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: <i>Segment Reporting</i> .	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 through 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 area 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.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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 policies 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 policies 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 (Moody's)	-	-	-	-
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 (Moody's)	2,074,022	5,353,685	2,036,475	5,306,502
Parties with external credit rating less than A (Moody's)	15,509	54,942	-	-
Parties with no external credit rating	-	-	-	-
	2,089,531	5,408,627	2,036,475	5,306,502

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

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	FIXED INTEREST		NON-INTEREST BEARING	TOTAL
	AVERAGE INTEREST RATE	FLOATING INTEREST RATE	MATURING IN ONE YEAR OR LESS		
	%	\$	\$	\$	\$
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:

AS AT 30 JUNE 2009	CARRYING VALUE	+ 1%		- 1%	
		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:				
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				
<i>Share-based Payments Reserve</i>				
Balance 1 July	401,825	401,825	401,825	401,825
Option Expense	-	-	-	-
Balance 30 June	401,825	401,825	401,825	401,825
<i>Foreign Currency Translation Reserve</i>				
Balance 1 July	(12,802)	(4,134)	-	-
Currency translation differences arising during the year	452,198	(8,668)	-	-
	439,396	(12,802)	-	-
<i>Asset Revaluation Reserve</i>				
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.

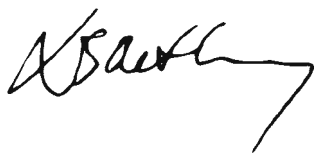
DIRECTORS' DECLARATION

THE DIRECTORS OF THE COMPANY DECLARE THAT:

- (a) the financial statements comprising the income statement, balance sheet, cashflow statement, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:
- (i) comply with Accounting Standards and the Corporations Regulations 2001, and
 - (ii) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the consolidated entity.
- (b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the remuneration disclosures set out on pages 18 to 23 of the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2009 comply with section 300A of the *Corporations Act 2001*.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



David Netherway
Director
21 September 2009

INDEPENDENT AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2009



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHIELD MINING LIMITED

We have audited the accompanying financial report of Shield Mining Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion the financial report of Shield Mining Limited is in accordance with the *Corporations Act 2001*, including:

- (a) (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Shield Mining Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

A handwritten signature in blue ink that reads 'BDO Kendalls' followed by a stylized signature that appears to be 'Brad McVeigh'.

Brad McVeigh
Director

Signed in Perth, Western Australia
Dated this 21st day of September 2009.

AUSTRALIAN SECURITIES EXCHANGE – ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This information was prepared based on share registry information processed up to 31 August 2009.

DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of listed equity security holders by size of holdings:

ORDINARY SHARES	NUMBER OF HOLDERS
1 – 1,000	280
1,001 – 5,000	187
5,001 – 10,000	113
10,001 – 100,000	223
100,001 and over	67
	870

Number of shareholders holding less than a marketable parcel: 534

EQUITY SECURITY HOLDERS

The names of the 20 largest holders of equity securities are listed below:

NAME	ORDINARY SHARE NUMBER	% HOLDING
Zero Nominees Pty Ltd	14,275,415	19.50
Citicorp Nominees Pty Ltd	5,270,158	7.20
Wexford Spectrum Trading Ltd	4,666,667	6.37
Qatar Steel Company	3,046,667	4.16
Inkese Pty Ltd	2,800,000	3.82
ANZ Nominees Limited (Cash Income A/c)	2,767,338	3.78
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI A/c)	2,631,467	3.59
Banksia Investments Pty Ltd (Banksia Invest Corp S/F A/c)	2,491,800	3.40
African Lion 2 Limited	2,143,000	2.93
Wexford Catalyst Trading Ltd	2,000,000	2.73
Ms Elizabeth & Alexander Stuart Burns (ATF Rose Burns Super Fund)	1,800,000	2.46
Rubicon Nominees Pty Ltd	1,425,000	1.95
Mr Alexander Stuart Burns	1,000,000	1.37
Mr James Lucas & Ms Lesley Dormer (Superannuation Fund Account)	1,000,000	1.37
Lloyd Price Carnarvon Pty Ltd (Ebi Unit A/c)	950,000	1.30
Mrs Clare Annette Higgs	901,632	1.23
Nodlaw Investments Pty Ltd	800,000	1.09
African Lion 2 Limited	777,000	1.06
Mr Jay Hughes & Mrs Linda Hughes (Inkese Super A/c)	740,000	1.01
Chetan Enterprises Pty Ltd	666,667	0.91
	52,152,811	71.22

UNQUOTED EQUITY SECURITIES

Analysis of numbers of unlisted equity securities holders:

	NUMBER ON ISSUE	NUMBER OF HOLDERS
30 June 2011 – unlisted options	3,000,000	7
31 August 2011 – unlisted options	21,313,143	267



AUSTRALIAN SECURITIES EXCHANGE – ADDITIONAL INFORMATION

VOTING RIGHTS

Ordinary Shares

All ordinary shares carry one vote per share without restriction.

Options

No voting rights.

Substantial Shareholders

The Company's register of substantial shareholders, prepared in accordance with section 671B of the *Corporations Act 2001*, recorded the following information:

NAME	NUMBER OF ORDINARY SHARES	CAPITAL HELD
Mr Jay Hughes	10,693,667	14.60%
Wexford Capital LLC	6,666,667	9.10%
Mr David Netherway & Associates	5,084,748	6.94%
UBS Nominees Pty Ltd	5,050,000	6.90%
Alexander Burns & Associates	3,933,238	5.37%



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