CENTRAL IRON ORE LIMITED
(formerly International Gold Mining Limited)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Australian dollars)

JUNE 30, 2010

AUDITORS' REPORT

To the Shareholders of
Central Iron Ore Limited
(formerly International Gold Mining Limited)

We have audited the consolidated balance sheets of Central Iron Ore Limited (formerly International Gold Mining Limited) as at June 30, 2010 and 2009 and the consolidated statements of operations and comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

October 27, 2010

NEXIA INTERNATIONAL

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CENTRAL IRON ORE LIMITED
(formerly International Gold Mining Limited)
CONSOLIDATED BALANCE SHEETS
(Expressed in Australian dollars)
AS AT JUNE 30

	2010	2009
ASSETS		
Current		
Cash	$ 188,700	$ 9,754
Receivables	32,804	17,298
	221,504	27,052
Non-Current		
Deposits	157,110	152,314
Property, plant and equipment (Note 3)	1,176,761	1,413,864
Mineral properties (Note 4)	2,264,071	2,587,720
	3,597,942	4,153,898
	$ 3,819,446	$ 4,180,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 535,484	$ 440,607
Loans payable (Note 5)	754,182	678,519
Asset retirement obligations (Note 4)	50,000	50,000
	1,339,666	1,169,126
Shareholders' equity		
Capital stock (Note 6)	18,316,680	17,426,771
Contributed surplus (Note 6)	1,224,977	607,672
Deficit	(17,061,877)	(15,022,619)
	2,479,780	3,011,824
	$ 3,819,446	$ 4,180,950

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 13)
Subsequent events (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL IRON ORE LIMITED
(formerly International Gold Mining Limited)
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Australian dollars)
YEAR ENDED JUNE 30

	2010	2009
EXPENSES		
Depletion and amortization	$ 237,903	$ 247,548
Consulting fees	344,368	260,107
Interest	75,438	65,117
Professional fees	116,796	273,821
Listing and filing fees	44,556	27,935
Office and miscellaneous expenses	129,101	186,032
Property investigation costs	332,633	250,192
Salaries and management fees	7,096	97,598
Stock-based compensation (Note 6)	466,381	15,946
Travel and accommodation	25,533	22,343
	1,779,805	1,446,639
Loss before other items	(1,779,805)	(1,446,639)
OTHER ITEMS		
Interest income (Note 9)	13,532	7,516
Sundry income	15,624	490
Other income (Note 9)	35,972	82,109
Write-off of mineral properties (Note 4)	(324,581)	-
	(259,453)	90,115
Loss and comprehensive loss for the year	(2,039,258)	(1,356,524)
Deficit, beginning of year	(15,022,619)	(13,666,095)
Deficit, end of year	$ (17,061,877)	$ (15,022,619)
Basic and diluted loss per common share	$ (0.13)	$ (0.15)
Weighted average number of common shares outstanding	16,535,443	9,168,130

The accompanying notes are an integral part of these consolidated financial statements.

CENTRAL IRON ORE LIMITED
(formerly International Gold Mining Limited)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Australian dollars)
YEAR ENDED JUNE 30

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (2,039,258)	$ (1,356,524)
Items not involving cash:		
Depletion and amortization	237,103	247,548
Stock-based compensation	466,381	15,946
Accrued interest	79,996	65,117
Write off of loans receivables	-	120,000
Write-off of mineral properties	324,581	-
Changes in non-cash working capital items:		
Receivables	(15,506)	69,304
Accounts payable and accrued liabilities	94,877	(70,956)
Net cash used in operating activities	(851,826)	(909,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment	-	(48,732)
Security deposit	(4,796)	(5,991)
Mineral exploration expenditures	(932)	(18,871)
Loan to other entity	-	(70,000)
Net cash used in investing activities	(5,728)	(143,594)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	1,040,833	652,149
Proceeds from loans	6,800	199,842
Repayments of loans	(11,133)	(43,017)
Net cash provided by financing activities	1,036,500	808,974
Change in cash during the year	178,946	(244,185)
Cash, beginning of year	9,754	253,939
Cash, end of year	$ 188,700	$ 9,754

Supplemental disclosures with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements

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(Expressed in Australian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Central Iron Ore Limited (formerly International Gold Mining Limited) (the "Company") is in the business of the exploration and development of its mineral properties. The Company was incorporated in Victoria, Australia on February 21, 1996 and currently resides in Brisbane, Australia.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing (Note 14).

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

The current market conditions and volatility increase the uncertainty of the Company's ability to continue as a going concern given the need to both curtail expenditures and to raise additional funds. The Company is experiencing, and has experienced, negative operating cash flows. The Company will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds.

	2010	2009
Deficit	$ (17,061,877)	$ (15,022,619)
Working capital deficiency	(1,118,162)	(1,142,074)

2. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policy

As at July 1, 2009 the Company adopted the following new accounting policies as recommended by the Canadian Institute of Chartered Accountants ("CICA"):

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Changes in accounting policy (cont'd…)

Credit risk and fair value of financial assets and financial liabilities

Effective July 1, 2009, the Company adopted EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. The Company has evaluated the new section and determined that adoption of these new requirements did not have a significant impact on the Company's consolidated financial statements.

Mining exploration costs

Effective July 1, 2009, the Company adopted EIC-174 "Mining Exploration Costs." This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The Company has evaluated the new section and determined that adoption of these new requirements has had no impact on the Company's consolidated financial statements.

Goodwill and intangible assets

Effective July 1, 2009 the Company adopted the CICA handbook section 3064, "Goodwill and Intangible Assets", which replaces CICA HB Section 3062, "Goodwill and Intangible Assets," and CICA HB Section 3450, "Research and Development Costs," and amendments to Accounting Guideline (AcG) 11, "Enterprises in the Development Stage," and EIC-27, "Revenues and Expenditures during the Pre-operating Period" and CICA HB Section 1000, "Financial Statement Concepts." The standard intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets and results in closer alignment with U.S. GAAP. The objectives of Section 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing assets that do not meet the definition and recognition criteria are eliminated. The standard will also provide guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed.

Financial instruments

Amendment to financial instruments – disclosures
CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significant. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

See Note 12 for relevant disclosures.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes

Business combinations (Section 1582)

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not expect the adoption of this section to have a significant effect on its financial statements.

Consolidated financial statements (Section 1601) and non-controlling interests (Section 1602)

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements." Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations." The Company does not expect the adoption of these sections to have a significant effect on its financial statements.

International financial reporting standards ("IFRS")

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be effective July 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. The Company has assessed the adoption of IFRS for 2011 and does not anticipate any significant quantitative differences to financial reporting. The Company does however foresee additional note disclosures under IFRS.

Basis of presentation

These consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements, in the opinion of management, have been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant policies set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Significant inter-company transactions were eliminated upon consolidation.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and loans payable are classified as other liabilities, which are measured at amortized cost.

Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Cash

Cash is comprised of cash held in banks and on hand and demand deposits.

Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the statement of operations over the estimated useful lives of each part of an item of plant and equipment.

(Expressed in Australian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property, plant and equipment (cont'd…)

Asset Group	Rate of Depreciation	Basis of Depreciation
Plant and equipment	15% to 18.75%	Declining balance method
Office equipment	7.5% to 25%	Straight-line method
	or 15% to 37.5%	Declining balance method
Mine property	12.5%	Straight-line method

Mineral properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized over the life of the mine. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

As at June 30, 2010 and 2009 the Company has recorded $50,000 in asset retirement obligations.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Other income

Consulting income – sales of consulting services are recognized in the accounting period in which the services are rendered.

Interest income – interest income is recognized on a time proportion basis using the effective interest method.

Loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the period, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the period, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets are recognized to the extent that realization of those assets is more likely than not. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Withholding taxes, where applicable, on earnings of foreign operations are provided in the accounts only to the extent earnings are expected to be repatriated.

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting.

Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars which is the Company's functional and primary currency.

(Expressed in Australian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation (cont'd…)

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of operations on a straight-line basis over the period of the lease.

Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

3. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Plant and equipment		
Plant and equipment	$ 450,960	$ 450,960
Accumulated depreciation	(188,936)	(137,449)
	262,024	313,511
Office equipment	32,722	32,722
Accumulated depreciation	(23,066)	(17,530)
	9,656	15,192
Mine property	1,442,679	1,441,880
Accumulated depreciation	(537,598)	(356,719)
	905,081	1,085,161
	$ 1,176,761	$ 1,413,864

4. MINERAL PROPERTIES

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Australia and East Africa.

(Expressed in Australian dollars)

4. MINERAL PROPERTIES (cont'd…)

The Company's mineral properties consist of:

	Eureka Gold Mine	Tanzania	Balance, June 30, 2010
Acquisition costs:			
Balance, beginning of year	$ 2,196,900	$ 324,581	$ 2,521,481
Additions	-	-	-
Asset retirement obligations	-	-	-
Balance, end of year	2,196,900	324,581	2,521,481
Exploration costs:			
Balance, beginning of year	66,239	-	66,239
Field expenses	932	-	932
Balance, end of year	67,171	-	67,171
Write-offs/Disposals	-	(324,581)	(324,581)
Total costs	$ 2,264,071	$ -	$ 2,264,071

	Eureka Gold Mine	Tanzania	Balance, June 30, 2009
Acquisition costs:			
Balance, beginning of year	$ 2,196,900	$ 90,581	$ 2,287,481
Additions	-	234,000	234,000
Asset retirement obligations	-	-	-
Balance, end of year	2,196,900	324,581	2,521,481
Exploration costs:			
Balance, beginning of year	47,368	-	47,368
Field expenses	18,871	-	18,871
Balance, end of year	66,239	-	66,239
Write-offs/Disposals	-	-	-
Total costs	$ 2,263,139	$ 324,581	$ 2,587,720

(Expressed in Australian dollars)

4. MINERAL PROPERTIES (cont'd…)

The following is a brief description of the Company's principal properties:

Eureka Gold Mine

The Eureka Gold Mine is located north of Kalgoorlie, Western Australia. The Company acquired a 100% interest in the Eureka Gold Mine through the issuance of 20,000,000 common shares at $0.10 per share.

British King Gold Mine

The British King Gold Mine is located north of Kalgoorlie, Western Australia. The Company acquired a 100% interest in the British King Mine through the issuance of 10,000,000 common shares at $0.10 per share.

The Company estimates that asset retirement obligations will be approximately $50,000 for this property. Assumptions used in the calculation for the estimated cash flows were as follows: inflation at the rate of 3% and discount rate of 6%. Certain minimum amounts of asset retirement obligations will occur each year with the significant amounts to be paid on abandonment of the mineral property interests.

Tanzania Projects

The exploration program in Tanzania has been discontinued and the capitalized exploration costs have been written off to the income statement.

5. LOANS PAYABLE

Loans payable are unsecured, payable on demand and bear interest at 10% per annum.

6. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued			
Balance, June 30, 2008	8,595,391	$ 16,540,622	$ 591,726
Private placement	860,188	652,149	-
Acquisition of mineral properties	140,000	234,000	-
Stock-based compensation	-	-	15,946
Balance, June 30, 2009	9,595,580	17,426,771	607,672
Private placement	10,555,138	889,909	150,924
Share cancellation	(200,000)	-	-
Stock-based compensation	-	-	466,381
Balance, June 30, 2010	19,950,718	$ 18,316,680	$ 1,224,977

6. CAPITAL STOCK (cont'd…)

During the year ended June 30, 2010:

i) At the Annual General Meeting of the company held on November 30, 2009 approval was given by shareholders to consolidate the share capital on a 10 for 1 basis. All capital stock amounts in these financial statements have been adjusted to reflect the share consolidation.

ii) 10,555,138 common shares were issued at a price of $0.10 per share ($0.10 CDN) for gross proceeds of 1,072,016. Agents were paid a cash commission of $31,183 and received an aggregate of 910,514 warrants. Each warrant entitles the holder to purchase one common share of the Company at $0.50 per share for a period of two years. The agents warrants were valued using the black scholes model which resulted in a value of $150,924 (Assumptions: 2 year life, 1.26% risk free rate, 224% Volatility, 0.00% dividend yield)

iii) On March 14, 2010, a share certificate for 200,000 common shares was cancelled due to non-payment of subscription monies. No value had been recorded as share capital prior.

During the year ended June 30, 2009:

i) 50,000 common shares were issued at a price of $0.18 per share as agreed under the Bahati Joint Venture Agreement in Tanzania, East Africa.

ii) 900,000 common shares were issued at a price of $0.16 per share as consideration for the purchase of tenements in the Lake Bahi region in Tanzania, East Africa.

iii) 767,343 common shares were issued at a price of $0.075 per share (CDN$0.06) for gross proceeds of $581,247 through private placements.

iv) 92,845 common shares were issued at a price of $0.076 per share (CDN$0.06) for gross proceeds of $70,902 through private placements.

Stock options

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, employees and consultants, to acquire up to 10% of issued and outstanding common stock. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years. Options granted to employees, directors and officers vest fully four months after the grant date. Options issued to consultants must vest in stages over 12 months with one quarter of the options vesting in any three month period.

The fair value of all share purchase options are expensed over their vesting period and estimated term, with a corresponding increase in contributed surplus.

Upon exercise of share purchase options, the consideration paid by the option holder, together with the amounts previously recognized in contributed surplus, is recorded as an increase to share capital.

(Expressed in Australian dollars)

6. CAPITAL STOCK (cont'd…)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2010			2009		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	750,000	$	0.11	1,256,250	$	0.14
Granted	2,015,000		0.25	100,000		0.10
Exercised	-		-	-		-
Expired/cancelled	(750,000)		0.11	(606,250)		0.17
Outstanding, end of year	2,015,000	$	0.25	750,000	$	0.11
Options exercisable, end of year	2,015,000	$	0.25	750,000	$	0.11

Stock options outstanding at June 30, 2010 are as follows:

Number of Options	Exercise Price	Expiry Date
2,015,000	$ 0.25	January 25, 2013

Stock-based compensation

During the year ended June 30, 2010, the Company granted 2,015,000 stock options to directors, officers and consultants.

The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted.

2,015,000 options were issued in January 25, 2009 at a fair value of $0.24 per option, for a total value of $466,381.

The above amounts are being expensed over their vesting period as stock-based compensation as the options vest in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity and reduced by the options exercised during the year. The weighted average fair value of options granted during the year was $0.24.

(Expressed in Australian dollars)

6. CAPITAL STOCK (cont'd…)

Stock-based compensation (cont'd…)

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2010	2009
Risk-free interest rate	1.54%	1.89%
Expected life of options	3 years	3 years
Annualized volatility	199%	112%
Dividend rate	0.00%	0.00%

Warrants

	2010			2009		
	Number of Warrants		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of year	-	$	-	-	$	-
Granted	910,514		0.50	-		-
Outstanding, end of year	910,514	$	0.50	-	$	-

Warrants outstanding at June 30, 2010 are as follows:

Number of Warrants	Exercise Price	Expiry Date
910,514	$ 0.50	October 30, 2012

7. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued $110,864 (2009 - $96,640) for consulting services provided by a director of the Company.

b) Paid or accrued $26,117 (2009 - $103,162) in office and miscellaneous expenses to a director of the Company.

Included in accounts payable is $48,101 (2009 - $129,243) due to directors and former directors.

(Expressed in Australian dollars)

7. RELATED PARTY TRANSACTIONS (cont'd…)

Included in loans payable at June 30, 2010 is $195,569 (2009 - $175,237) owed to companies owned by directors and former directors of the Company. The Company paid or accrued $18,781 (2009 - $4,094) in interest expense related to the loans payable due to related parties.

These transactions were in the normal course of operations and, in management's opinion, were undertaken with the same terms and conditions as transactions with unrelated parties.

8. INCOME TAXES

Income tax expense (recovery) varies from the amount that would be computed by applying the combined federal and provincial income tax rate to loss before taxes as follows:

	2010	2009
Loss before income tax	$ (2,039,258)	$ (1,356,524)
Expected income tax recovery	$ (611,777)	$ (406,957)
Items not deductible for tax purposes	308,660	79,048
(Recognized) unrecognized benefit of non-capital losses	303,117	327,909
Income tax expense (recovery)	$ -	$ -

The significant components of the Company's future tax assets and liabilities are as follows:

	2010	2009
Future income tax assets:		
Net operating loss carried forwards	$ 2,748,000	$ 2,260,000
Future income tax liabilities:		
Mineral properties	(659,000)	(756,000)
Plant and equipment	(353,000)	(424,000)
	(1,012,000)	(1,180,000)
Less: valuation allowances	(1,736,000)	(1,080,000)
Net future tax assets	$ -	$ -

The Company has Australian non-capital losses of approximately $9,160,000 which may be carried forward and applied against taxable income in future years. These losses do not expire. Future tax benefits which may arise as a result of these non-capital losses have not been recognised in these financial statements and have been offset by a valuation allowance.

(Expressed in Australian dollars)

9. OTHER INCOME

During fiscal 2010, the Company earned $Nil (2009 - $64,764) of consulting income from MacArthur and $13,532 (2009 - $7,516) in interest income from bank balances. The Company also earned $35,972 (2009 - $17,345) in rental income from MacArthur.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2010	2009
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

During the year ended June 30, 2010, the Company had no non-cash transactions.

During the year ended June 30, 2009, the Company entered into the following non-cash transactions:

a) Issued 50,000 common shares at $1.80 as consideration for the acquisition of the Bahati Project.

b) Issued 90,000 common shares at $1.60 as consideration for the acquisition of the Lake Bahi Project (See Note 5).

11. SEGMENTED INFORMATION

The Company operates in one business segment. Its main business is the exploration and mining for iron ore.

The Company operates in three main geographical areas.

	Australia **$**	**Canada** **$**	**Tanzania** **$**	**Consolidated** **$**
2010				
Profit (loss) for the year	(1,526,398)	(141,391)	(371,469)	(2,039,258)
Capital assets	3,266,964	106,086	-	3,373,050

	Australia **$**	**Canada** **$**	**Tanzania** **$**	**Parent** **$**
2009				
Profit (loss) for the year	(894,203)	(184,831)	(277,490)	(1,356,524)
Capital assets	3,633,194	-	368,390	4,001,584

Segment revenues are allocated based on the country in which the transactions occurred. Segment assets and capital expenditure are allocated based on where the assets are located.

12. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Board controls overall risk management and the investment of excess liquidity. In the management of capital, the Company includes the components of shareholders' equity. There were no changes to the Company's approach to capital management during the year ended June 30, 2009. The Company is not subject to externally imposed capital requirements.

The fair value of the Company's receivables, accounts payable and accrued liabilities, approximate carrying value, which is the amount recorded on the consolidated balance sheet. The Company's other financial instrument, cash, under the fair value hierarchy is based on level one quoted prices in active markets for identical assets or liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using cash flow forecasting.

Consolidated companies are required to manage their foreign currency risk against their functional currency. The financial statements are presented in Australian dollars which is the Company's functional and presentation currency. The Company does not hedge its foreign exchange risk exposure.

The Company's exposure to foreign currency risk at the reporting date was as follows:

	2010		**2009**	
	CAD$	**US$**	**CAD$**	**US$**
Cash at bank	97,642	-	1,235	-
Trust Account – Asyla Lawyers	-	713	-	713

The carrying amounts of the Company's financial assets and liabilities are denominated in Australian dollars except as set out below:

	2010	**2009**
	CAD$	**CAD$**
Cash at bank	97,642	1,235

12. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd…)

(a) Market risk (cont'd…)

The Company's exposure to foreign currency movements is not material.

(ii) Price risk

The Company is exposed to commodity (the price of gold) price risk. As at June 30, 2010 gold had not yet been processed and this risk was immaterial.

(iii) Cash flow and fair value interest rate risk

Unsecured loans from shareholders are at call and bear interest at 10% per annum payable monthly in arrears.

The Company's sensitivity to cash flow and fair value interest rate risk is not material.

(b) Credit risk

The credit risk in respect of financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provision for diminution in value.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through adequate capital raising with a variety of counterparties. Surplus funds are generally only invested in short term cash deposit accounts with banks.

The Company does not have access to bank overdraft facilities.

The Company has loans from a director and shareholder of $754,182 (2009 loans from directors and shareholders $678,519). These amounts are shown at cost and are at call.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value due to their short-term nature.

(Expressed in Australian dollars)

13. COMMITMENTS AND CONTINGENCIES

a) The Company has entered into operating lease agreements for premises. The lease commitments due under these leases are as follows:

	2010	2009
Within one year	$ 43,783	$ 43,783
Later than one year but not later than five years	-	45,172
	$ 43,783	$ 88,955

b) In order to maintain current rights to tenure to exploration tenements, the Company is required to perform minimum expenditure requirements specified by various governments. The expenditure obligations are subject to renegotiation when application for a mining lease and/or renewal of exploration permits is made. These obligations are not provided for in the financial statements and are payable:

	2010	2009
Not later than one year	$ 350,000	$ 350,000
Later than one year but not later than five years	350,000	350,000
	$ 700,000	$ 700,000

c) The Company has estimated a liability of $90,000 related to a claim against the company by Tarong Energy Corporation Limited, which is included in accounts payable.

14. SUBSEQUENT EVENTS

a) Issue of shares to consultants

On 7 September 2010 the company announced that it will issue an aggregate of 1,000,000 common shares as partial consideration for services rendered by three arm's length consultants in relation to the identification of areas in the Gadacie and Lake Barlee areas of Western Australia prospective for iron ore exploration, as announced previously on 1 February, 2010. When issued, the shares will be subject to a four month hold period pursuant to the policies of TSX Venture Exchange.

b) Capital raising $1.76 million

The Company announced on 15 October, 2010 that it has entered into subscription agreements with Brooklyn Bay Pty Ltd ('Brooklyn') and Golden Sword Investments Pty Ltd ('GSI') for a $1.76 million capital raising to be affected via 2 tranches.

14. SUBSEQUENT EVENTS (cont'd…)

Brooklyn is a wholly owned subsidiary of Australian Stock Exchange listed company, Gullewa Limited ('Gullewa') which is based in Sydney, Australia. Their activities in Australia cover coal in Queensland, gold and base metals in New South Wales, geothermal in Tasmania, mineral royalties and general investment in mineral companies. The directors and consultants of Gullewa have been involved in developing the Avebury Nickel Deposit for Allegiance Mining NL and the directors of Golden Sword Investments Pty Ltd have been involved in major iron ore projects and gold exploration in Western Australia. Further information on Gullewa can be obtained at www.gullewa.com

The details of the transaction are as follows:

Tranche 1 - $262,500

$262,500 for the issue of an aggregate of 5 million shares at 5.25 cents per share equally to Brooklyn and GSI with an attached warrant exercisable at 10 cents up to 36 months from the issue.

Tranche 1 - $262,500 (cont'd…)

Upon completion of Tranche 1, two directors, consisting of a nominee of Brooklyn and a nominee of GSI, will be appointed to the board, subject to re-election at the Annual General Meeting. Tranche 1 is subject to Exchange approval.

Tranche 2 - $1.5 million

$1.5 million for the issue of 25 million shares at 6 cents per share as follows:

1. Brooklyn – 22.5 million shares

2. GSI – 2.5 million shares

Each share issued under Tranche 2 has an attached one-fifth of a warrant, each whole warrant exercisable at 10 cents up to 36 months from the issue date.

Tranche 2 is subject to the following key conditions precedent:

1. Gullewa and GSI conducting satisfactory due diligence by 29 October 2010
2. Closing of Tranche 1
3. Shareholder approval for the issue of Tranche 1 warrants and Tranche 2 shares and warrants under Tranche 2
4. Venture exchange approval and any required Australian regulatory approval

The funds raised will be used for working capital and repayment of liabilities. Upon payment of specified liabilities in April 2011, 2 directors of the current board of the Company will resign.