RUBICON
Resources Limited

ABN 38 115 857 988

# Financial Statements for the year ended 30 June 2011

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# RUBICON RESOURCES LIMITED
ABN 38 115 857 988

## CORPORATE DIRECTORY

| | |
|---|---|
| **DIRECTORS** | Ian Macpherson<br>*Non-Executive Chairman*<br><br>Peter Eaton<br>*Managing Director*<br><br>Ian Buchhorn<br>*Non-Executive Director* |
| **COMPANY SECRETARY** | Sam Middlemas |
| **PRINCIPAL REGISTERED OFFICE** | Level 2, 91 Havelock Street<br>West Perth<br>Western Australia 6005<br><br>PO Box 534<br>West Perth<br>Western Australia 6872<br><br>Telephone: (08) 9214 7500<br>Facsimile: (08) 9214 7575<br>Email: info@rubiconresources.com.au<br>Internet: www.rubiconresources.com.au |
| **AUDITOR** | Butler Settineri (Audit) Pty Ltd<br>Unit 16, 1st Floor<br>100 Railway Road<br>Subiaco<br>Western Australia 6008 |
| **SHARE REGISTRY** | Security Transfer Registrars Pty Limited<br>770 Canning Highway<br>Applecross<br>Western Australia 6153<br><br>Telephone: (08) 9315 2333<br>Facsimile: (08) 9315 2233<br>Email: registrar@securitytransfer.com.au |
| **STOCK EXCHANGE LISTING** | The Company's shares are quoted on the Australian Stock Exchange.<br>The Home Exchange is Perth. |
| **ASX CODE** | RBR - ordinary shares |

# DIRECTORS' REPORT

The Directors present their report on Rubicon Resources Limited for the year ended 30 June 2011.

## DIRECTORS

The names and details of the Directors of Rubicon Resources Limited during the financial year and until the date of this report are:

***Ian Macpherson*** *– BComm. CA*
**Non Executive Chairman**
**Appointed 18 October 2010**

Mr Macpherson is a Chartered Accountant with over thirty years experience in finance, principally in the provision of corporate and financial advice to the mining and mineral exploration industry. In his early career, Mr Macpherson was a partner at KMG Hungerfords, which built up a specialist practice in the provision of corporate and financial advice to the mining and mineral exploration industry. In 1987 the firm merged with Arthur Andersen & Co.

In 1990, Mr Macpherson established Ord Partners (later to become Ord Nexia) and has specialised in the area of corporate advice with particular emphasis on capital structuring, equity and debt raising, corporate affairs and Stock Exchange compliance for public companies in the mining and industrial areas. He has further been involved in numerous asset acquisitions and disposals. He has acted in the role of Director and Company Secretary for a number of his clients and is currently a Non-Executive Chairman of Kimberly Rare Earth Limited (2 December 2010 to present), a Non-Executive Director of Navigator Resources Ltd (1 July 2003 to present), Avita Medical Ltd (5 March 2008 to present) and formerly Nimrodel Resources Ltd (17 July 2007 to 2 August 2011) and Sihayo Gold Limited (24 April 2009 to 3 June 2010). Ord Nexia has recently merged with MGI Perth and Mr Macpherson remains as a consultant to that group.

Mr Macpherson is a Member of the Institute of Chartered Accountants in Australia and past member of the Executive Council of the Association of Mining Exploration Companies (WA) Inc.

***Peter Eaton*** *– B.Sc (Hons), MAusIMM*
**Managing Director**
**Appointed 3 July 2006**

Mr Eaton is a geologist with more than 30 years of experience in exploration, mining and acquisitions roles in Australia and internationally (principally in the Asia–Pacific region). Prior to joining Rubicon he was General Manager – Geology and Business Development with Aditya Birla Minerals Limited. During his tenure there, Mr Eaton was a part of the team that completed a feasibility study on, and commissioned, the Nifty underground copper mine and completed a $300m capital raising and ASX listing of the company. Mr Eaton previously held senior technical management positions with WMC Limited, including site–based chief geologist roles and senior regional exploration roles and has also had significant corporate experience in a number of listed exploration companies, including the previous role of Managing Director.

***Ian Buchhorn*** *– B.Sc (Hons), Dipl. Geosci (Min. Econ), MAusIMM*
**Non Executive Director**
**Appointed 19 August 2005**

Mr Buchhorn is a Mineral Economist and Geologist with more than 30 years experience. He was the founding Managing Director of Heron Resources Limited for a period of 11 years until early 2007 and now continues as Executive Director. Mr Buchhorn previously worked with a number of international mining companies and has worked on nickel, bauxite and industrial mineral mining and exploration, gold and base metal project generation and corporate evaluations. For the last 24 years Mr Buchhorn has acquired and developed mining projects throughout the Eastern Goldfields of Western Australian and has operated as a Registered Mine Manager.

During the three year period to the end of the financial year, Mr Buchhorn continues to hold a directorship in Heron Resources Limited (17 February 1995 to present). He previously held directorships in Polaris Minerals NL (18 September 2006 to 7 January 2010) and Southern Cross Goldfields Ltd (24 July 2007 to 15 March 2010).

Mr Robert Middlemas was appointed as Non Executive Director on 1 February 2010 and resigned on 18 October 2010.

# DIRECTORS' REPORT

## COMPANY SECRETARY

***Robert (Sam) Middlemas –*** *B.Com, PGradDipBus, CA.*

Mr Middlemas was appointed Company Secretary and Chief Financial Officer on 17 July 2006. He is a chartered accountant with more than 20 years experience in various financial and company secretarial roles with a number of listed public companies operating in the resources sector. He is the principal of a corporate advisory company which provides financial and secretarial services specialising in capital raisings and initial public offerings. Previously Mr Middlemas worked for an international accountancy firm. His fields of expertise include corporate secretarial practice, financial and management reporting in the mining industry, treasury and cash flow management and corporate governance.

## PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial year consisted of mineral exploration and development principally in Western Australia.

There have been no significant changes in these activities during the financial year.

## DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

## REVIEW OF OPERATIONS AND ACTIVITIES

The Company recorded an operating loss after income tax for the Year ended 30 June 2011 of $1,667,115 compared to an operating loss after income tax of $2,622,297 for the Year ended 30 June 2010. The large difference is related to significantly higher write-downs on exploration projects during 2010 period and a reduced level of exploration activity during the current year.

The Company's cash position remained strong at the end of the year at $2,760,616, following the successful Share Purchase Plan and Placement during November 2010, which raised a total of $1,900,000 at an issue price of 4 cents per share.

Rubicon is a mineral exploration company, currently focussed on gold and copper exploration in Western Australia, where it controls some 3,500km$^2$ of prospective tenements. Rubicon's project portfolio consists of large contiguous areas within highly mineralised provinces.

Rubicon's strategy for ultimate growth is to combine the following elements:

- Ongoing commitment to the identification and review of projects/corporate opportunities that we believe have the capacity to successfully develop into a profitable mine, both in Australia and countries overseas,
- Maximise the commercial value of the existing tenement portfolio through the ongoing establishment and maintenance of suitable joint ventures and other alternate funding arrangements where appropriate, and
- continued exploration of Rubicon properties where appropriate.

Rubicon's major projects are as follows:

- The Celia project in the southern Laverton Tectonic Zone, where Rubicon has 1,200km$^2$ of tenure around existing gold operations that is prospective for gold, nickel and iron.
- The Yindarlgooda gold and base metal project located east of Kalgoorlie where Rubicon has tenements in its own right and three separate joint venture agreements with Integra Mining Ltd (two) and Brimstone Resources Ltd earning an interest in Rubicon tenure.
- The Warburton project in the Western Musgrave Province, where Rubicon has two joint ventures with Kingsgate Consolidated and Traka Resources.
- The Wyloo project where Rubicon will commence exploration for channel iron deposits.

### Corporate and Financial Position

As at 30 June 2011 the Company had cash reserves of $2.8 million.

### Risk Management

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Company are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Company.

### EMPLOYEES

The Company has 5 employees as at 30 June 2011 (2010: 8 employees).

| EARNINGS/LOSS PER SHARE | 2011<br>Cents | 2010<br>Cents |
|---|---|---|
| Basic loss per share | (1.36) | (2.94) |
| Diluted loss per share | (1.36) | (2.94) |

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

### OPTIONS OVER UNISSUED CAPITAL

#### *Unlisted Options*

During the financial year the Company granted the following unlisted options over unissued ordinary shares to the following Directors. All options were issued for Nil consideration:

| *Issued To* | *Number of Options Granted* | *Exercise Price* | *Value per Option at Grant Date* | *Value of Options Granted* | *Expiry Date* |
|---|---|---|---|---|---|
| Ian Macpherson | 2,500,000 | 10 cents each | 1.84 cents | $46,000 | 31 October 2014 |
| Peter Eaton | 1,500,000 | 10 cents each | 1.84 cents | $27,600 | 31 October 2014 |
| Peter Eaton | 1,500,000 | 15 cents each | 1.55 cents | $23,250 | 31 October 2014 |
| Peter Eaton | 1,000,000 | 20 cents each | 1.35 cents | $13,500 | 31 October 2014 |
| Ian Buchhorn | 2,000,000 | 10 cents each | 1.84 cents | $36,800 | 31 October 2014 |

Since 30 June 2011 and up until the date of this report there have been no further options issued.

As at the date of this report unissued ordinary shares of the Company under option are:

| *Number of Options on Issue* | *Exercise Price* | *Expiry Date* |
|---|---|---|
| 6,000,000 | 10 cents each | 31 October 2014 |
| 1,500,000 | 15 cents each | 31 October 2014 |
| 1,000,000 | 20 cents each | 31 October 2014 |
| 2,600,000 | 14 cents each | 13 January 2014 |
| 1,000,000 | 25 cents each | 31 December 2011 |

The above options represent unissued ordinary shares of the Company under option as at the date of this report. These unlisted options do not entitle the holder to participate in any share issue of the Company.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

The names of all persons who currently hold options granted are entered in a register kept by the Company pursuant to Section 168(1) of the *Corporations Act 2001* and the register may be inspected free of charge.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

# DIRECTORS' REPORT

## CORPORATE STRUCTURE

Rubicon Resources Limited (ACN 115 857 988) is a company limited by shares that was incorporated on 19 August 2005 and is domiciled in Australia.

## EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Company.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as the Directors are aware there has been no known breach of the Company's licence conditions and all exploration activities comply with relevant environmental regulations.

## INFORMATION ON DIRECTORS

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

| Director | Title | Directors' Interests in Ordinary Shares | Directors' Interests in Unlisted Options |
|---|---|---|---|
| Ian Macpherson | Non-Executive Chairman<br>Appointed on 18 October 2010 | 12,831,630 | 2,500,000 |
| Peter Eaton | Managing Director<br>Appointed on 3 July 2006 | 1,475,000 | 4,000,000 |
| Ian Buchhorn | Non-Executive Director<br>Appointed on 19 August 2005 | 8,859,777 | 2,000,000 |

## DIRECTORS' MEETINGS

The number of meetings of the Company's Directors held in the period each Director held office during the financial year and the numbers of meetings attended by each Director were:

| Director | Board of Directors' Meetings | |
|---|---|---|
| | *Meetings Attended* | *Meetings held while a director* |
| I Macpherson | 7 | 7 |
| I Buchhorn | 10 | 10 |
| P Eaton | 10 | 10 |
| S Middlemas | 3 | 3 |

## REMUNERATION REPORT

Recommendation 8.1 of the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd edition)* states that the Board should establish a Remuneration Committee. The Board has formed the view that given the number of Directors on the Board, this function could be performed just as effectively with full Board participation. Accordingly it was resolved that there would be no separate Board sub-committee for remuneration purposes.

This report details the amount and nature of remuneration of each Director of the Company and executive officers of the Company during the year.

## REMUNERATION REPORT (CONTINUED)

### Overview of Remuneration Policy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide the Managing Director and the executive team with a remuneration package consisting of a fixed and variable component that together reflects the person's responsibilities, duties and personal performance. An equity based remuneration arrangement for the Board and the executive team is in place. The remuneration policy is to provide a fixed remuneration component and a specific equity related component, with no performance conditions. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and business objectives.

The remuneration policy in regard to setting the terms and conditions for the Managing Director has been developed by the Board taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% per annum and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part or all of their salary to increase payments towards superannuation.

All remuneration paid to Directors is valued at cost to the Company and expensed. Options are valued using either the Black-Scholes methodology or the Binomial model. In accordance with current accounting policy the value of these options is expensed over the relevant vesting period.

### Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies 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 a General Meeting. The annual aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders on 7 November 2006 and is not to exceed $200,000 per annum. Actual remuneration paid to the Company's Non-Executive Directors is disclosed below. Remuneration fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and have all received options.

### Managing Director and Senior Management

The remuneration of the Managing Director is dictated by his executive service agreement.

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company so as to:

- Reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- Reward executives in line with the strategic goals and performance of the Company; and
- Ensure that total remuneration is competitive by market standards.

### Structure

Remuneration consists of the following key elements:

- Fixed remuneration; and
- Issuance of unlisted options

### Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including any employee benefits eg. motor vehicles) as well as employer contributions to superannuation funds.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration packages for the staff who report directly to the Managing Director are based on the recommendation of the Managing Director, subject to the approval of the Board in the annual budget setting process.

### REMUNERATION REPORT (CONTINUED)

#### Service Agreement

The Managing Director, Mr Peter Eaton is employed under contract. The current Service Agreement commenced on 26 June 2006.

Under the terms of the present contract:

- The Service Agreement has no fixed term.
- Mr Eaton may resign from his position and thus terminate the contract by giving three months written notice. On resignation any options that have not yet vested will lapse.
- The Company may terminate the contract by providing three months written notice or provide payment in lieu of notice by the Company. Any options that have vested, or will vest during the notice period will be available for exercise, whilst the options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Managing Director is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause, any unvested options will immediately lapse.
- If the Managing Director and the Company agree to terminate the contract by mutual consent, or if the Managing Director is removed, or if the Company enters into a deed of arrangement with creditors, placed under the control of receivers or is in breach of regulations, the Company will pay a sum to the Managing Director up to a maximum of twelve months pro rata of base salary.

Details of the nature and amount of each element of the emoluments of each Director and Executive Officer of Rubicon Resources Limited paid/accrued during the year are as follows:

| | Primary | | Post Employment | Equity Compensation | |
|---|---|---|---|---|---|
| **2010/2011** | **Base Salary/Fees $** | **Motor Vehicle/Bonus $** | **Superannuation Contributions $** | **Options $** | **Total $** |
| **Directors** | | | | | |
| I Macpherson – Chairman (i) | 43,348 | - | 3,901 | 46,000 | 93,249 |
| P Eaton – Managing Director | 247,999 | 9,346 | 22,320 | 64,350 | 344,015 |
| I Buchhorn – Non Executive | 57,500 | - | - | 36,800 | 94,300 |
| S Middlemas – Non Executive (ii) | 7,200 | - | - | - | 7,200 |
| **Executives** | | | | | |
| S Middlemas (ii) Company Secretary | 48,980 | - | - | - | 48,980 |
| A Ford – Exploration Manager | 186,000 | - | 16,740 | - | 202,740 |
| **2009/2010** | | | | | |
| **Directors** | | | | | |
| I Buchhorn – Chairman | 45,335 | - | 3,363 | - | 48,698 |
| P Eaton – Managing Director | 193,948 | 9,346 | 50,000 | - | 253,294 |
| S Middlemas – Non Executive (ii) | 10,000 | - | - | - | 10,000 |
| J Shipp – Retired Chairman (iii) | 16,098 | - | 35,246 | - | 51,344 |
| **Executives** | | | | | |
| S Middlemas (ii) Company Secretary | 57,882 | - | - | 28,900 | 86,782 |
| A Ford – Exploration Manager (iv) | 109,154 | - | 9,824 | 28,900 | 147,878 |
| K Cassidy - Exploration Manager (v) | 107,284 | - | 4,236 | - | 111,520 |

(i) Mr Macpherson was appointed Non executive Chairman on 18 October 2010
(ii) Mr Middlemas was appointed a Non executive director on 1 February 2010, and resigned on 18 October 2010 – all fees as a director and company secretary were paid to Sparkling Investments Pty Ltd.
(iii) Mr Shipp retired as Chairman on 1 February 2010
(iv) Mr Ford was appointed Exploration Manager on 23 November 2009
(v) Mr Cassidy resigned from the Company on 9 October 2009

Other than the Directors and executive officers disclosed above there were no other executive officers who received emoluments during the financial year ended 30 June 2011.

## INDEMNIFYING OFFICERS AND AUDITOR

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

***Share-based compensation***

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

| | **Granted** | **Terms & Conditions for each Grant** | | | | |
|---|---|---|---|---|---|---|
| | *Number* | *Date of Grant* | *Date of Vesting* | *Option Value ($)* | *Exercise Price ($)* | *Expiry Date* |
| Ian Macpherson | 2,500,000 | 25 Nov 2010 | 25 Nov 2010 | 0.0184 | 0.10 | 31 Oct 2014 |
| Peter Eaton | 1,500,000 | 25 Nov 2010 | 25 Nov 2010 | 0.0184 | 0.10 | 31 Oct 2014 |
| Peter Eaton | 1,500,000 | 25 Nov 2010 | 25 Nov 2010 | 0.0155 | 0.15 | 31 Oct 2014 |
| Peter Eaton | 1,000,000 | 25 Nov 2010 | 25 Nov 2010 | 0.0135 | 0.20 | 31 Oct 2014 |
| Ian Buchhorn | 2,000,000 | 25 Nov 2010 | 25 Nov 2010 | 0.0184 | 0.10 | 31 Oct 2014 |

There were no amounts payable on the issue of the options, and there are no performance conditions attached. All options previously issued are now fully vested and are exercisable at any time subject to employment being maintained. When exercisable, each option is convertible into one ordinary share of Rubicon Resources Limited.

## AUDITORS' INDEPENDENCE DECLARATION

Section 370C of the *Corporations Act 2001* requires the Company's auditors Butler Settineri (Audit) Pty Ltd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached and forms part of this Directors' Report.

## NON-AUDIT SERVICES

The external auditors have not undertaken any non-audit work during the financial year.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not party to any such proceedings during the year.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Annual Report.

DATED at Perth this 21st day of September 2011
Signed in accordance with a resolution of the Directors

**P Eaton**
**Managing Director**

## RUBICON RESOURCES LIMITED

# STATEMENT OF COMPREHENSIVE INCOME

### For the year ended 30 June 2011

| | | THE COMPANY | |
|---|---|---|---|
| | **NOTES** | **2011** | **2010** |
| | | **$** | **$** |
| Other income | 2 | **182,039** | 132,892 |
| | | | |
| Employee expenses | | **736,187** | 828,128 |
| Non-Executive Directors' fees | | **111,949** | 110,040 |
| Insurance expenses | | **21,473** | 22,470 |
| Company Secretarial fees | | **48,980** | 57,882 |
| Corporate expenses | | **79,578** | 70,122 |
| Depreciation | 3 | **23,118** | 56,523 |
| Rent | | **103,006** | 101,764 |
| Recruitment | | **-** | 42,087 |
| Employee costs recharged to capitalised exploration | | **(657,216)** | (753,003) |
| Expense of share-based payments | 3 | **147,150** | 75,140 |
| Exploration Written off | 3 | **1,096,620** | 2,039,920 |
| Other expenses | | **138,309** | 104,116 |
| Loss before income tax | | **1,667,115** | 2,622,297 |
| Income tax | 5 | **-** | - |
| Net loss attributable to members of the Company | 13 | **1,667,115** | 2,622,297 |
| Other Comprehensive Loss net of tax | | **-** | - |
| Total Comprehensive Loss | | **1,667,115** | 2,622,297 |
| Basic earnings/(loss) per share (cents per share) | 19 | (1.36) cents | (2.94) cents |
| Diluted earnings/(loss) per share (cents per share) | 19 | (1.36) cents | (2.94) cents |

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## STATEMENT OF FINANCIAL POSITION

**As at 30 June 2011**

| | NOTES | 2011 | 2010 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 20(a) | **2,760,616** | 2,640,356 |
| Other receivables | 6 | **3,430** | 25,399 |
| Other assets | 7 | **15,333** | 19,883 |
| **TOTAL CURRENT ASSETS** | | **2,779,379** | 2,685,638 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment and motor vehicles | 8 | **38,099** | 59,421 |
| Capitalised mineral exploration expenditure | 9 | **3,488,405** | 3,479,375 |
| **TOTAL NON-CURRENT ASSETS** | | **3,526,504** | 3,538,796 |
| **TOTAL ASSETS** | | **6,305,883** | 6,224,434 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | **59,103** | 292,278 |
| Provisions | 11 | **32,703** | 98,114 |
| **TOTAL CURRENT LIABILITIES** | | **91,806** | 390,392 |
| **TOTAL LIABILITIES** | | **91,806** | 390,392 |
| **NET ASSETS** | | **6,214,077** | 5,834,042 |
| **EQUITY** | | | |
| Contributed equity | 12(a) | **14,741,596** | 12,841,596 |
| Share Option Reserve | 14 | **586,640** | 439,490 |
| Accumulated losses | 13 | **(9,114,159)** | (7,447,044) |
| **TOTAL EQUITY** | | **6,214,077** | 5,834,042 |

*The above Statement of Financial Position should be read in conjunction with the accompanying notes.*

## STATEMENT OF CHANGES IN EQUITY

**For the year ended 30 June 2011**

| | Notes | Contributed Equity | Share Based Payment Reserve | Losses | Total |
|---|---|---|---|---|---|
| **BALANCE AT 1 JULY 2009** | | 11,868,496 | 364,350 | (4,824,747) | 7,408,099 |
| **TOTAL COMPREHENSIVE INCOME** | | - | - | (2,622,297) | (2,622,297) |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | | | | | |
| Shares issued during the year | 12(b) | 973,100 | - | - | 973,100 |
| Directors and Employees options | | - | 75,140 | - | 75,140 |
| **BALANCE AT 30 JUNE 2010** | | 12,841,596 | 439,490 | (7,447,044) | 5,834,042 |
| **TOTAL COMPREHENSIVE INCOME** | | - | - | (1,667,115) | (1,667,115) |
| **TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS** | | | | | |
| Shares issued during the year | 12(b) | 1,900,000 | - | - | 1,900,000 |
| Directors and Employees options | | - | 147,150 | - | 147,150 |
| **BALANCE AT 30 JUNE 2011** | | 14,741,596 | 586,640 | (9,114,159) | 6,214,077 |

*The above statements of changes in equity should be read in conjunction with the accompanying notes.*

## STATEMENT OF CASHFLOWS

**For the year ended 30 June 2011**

| | NOTES | 2011 | 2010 |
|---|---|---|---|
| | | $ | $ |
| **Cash flows from operating activities** | | | |
| Interest received | | **140,289** | 132,892 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(496,153)** | (613,650) |
| **Net cash used in operating activities** | 20(b) | **(355,864)** | (480,758) |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | **(2,096,943)** | (1,947,416) |
| Funds received from sale of exploration tenement | | **-** | - |
| Funds received from joint venture partners | | **674,863** | 823,862 |
| Payments for plant and equipment and motor vehicles | | **(1,796)** | (10,187) |
| **Net cash used in investing activities** | | **(1,423,876)** | (1,133,741) |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of shares | | **1,900,000** | 960,600 |
| **Net cash provided by financing activities** | | **1,900,000** | 960,600 |
| **Net increase (decrease) in cash held** | | **120,260** | (653,899) |
| **Cash at the beginning of the financial year** | | **2,640,356** | 3,294,255 |
| **Cash at the end of the financial year** | 20(a) | **2,760,616** | 2,640,356 |

*The above Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Rubicon Resources Limited ("Rubicon" or "Company"), are stated to assist in a general understanding of the financial report. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Rubicon Resources Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the official list of the Australian Stock Exchange. The financial statements are presented in Australian dollars which is the Company's functional currency.

### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial report was authorised for issue by the Directors on 21 September 2011.

### (b) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. None of the balances reported have been derived from estimates.

### (c) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred asset or liability is recognised in relation to those temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and future tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### (d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Interest income***

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

### (f) Plant and equipment and motor vehicles

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

***Plant and equipment and motor vehicles***

Plant and equipment and motor vehicles are stated at cost less accumulated depreciation and any impairment in value.

The carrying values of plant and equipment and motor vehicles are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

***Depreciation***

Depreciable non-current assets are depreciated over their expected economic life using either the straight line or the diminishing value method. Profits and losses on disposal of non-current assets are taken into account in determining the operating loss for the year. The depreciation rate used for each class of assets is as follows:

- Plant & equipment 20 - 33%
- Motor vehicles 22.5%

### (g) Employee Entitlements

Liabilities for wages and salaries, annual leave and other current employee entitlements expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Contributions to employee superannuation plans are charged as an expense as the contributions are paid or become payable.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Exploration and Evaluation Expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and is subject to impairment testing. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. 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.

Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to development costs. Once production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration and rehabilitation are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability, and
(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then re-classified from intangible assets to mining property and development assets within property, plant and equipment.

#### (i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). 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 are stated with the amount of GST included. GST incurred is claimed from the ATO when a valid tax invoice is provided. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Payables

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

### (k) Contributed Equity

Issued capital is recognised as the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (l) Earnings per Share

Basic earnings per share ("EPS") are calculated based upon the net loss divided by the weighted average number of shares. Diluted EPS are calculated as the net loss divided by the weighted average number of shares and dilutive potential shares.

### (m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight- line basis over the term of the lease.

### (n) Share-based payment transactions

The Company provides benefits to employees (including Directors and consultants) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("Equity–settled transactions").

There is currently one plan in place to provide these benefits being an Employee Share Option Plan ("ESOP") which provides benefits to Directors, consultants and senior executives.

The cost of these equity-settled transactions is measured by reference to fair value at the date at which they are granted. The fair value is determined by an external valuer using the either the Black -Scholes or Binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Rubicon Resources Ltd ("market conditions").

The cost of equity settled securities is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date").

Where the Company acquires some form of interest in an exploration tenement or an exploration area of interest and the consideration comprises share-based payment transactions, the fair value of the equity instruments granted is measured at grant date. The cost of equity securities is recognised within capitalised mineral exploration and evaluation expenditure, together with a corresponding increase in equity.

### (o) Comparative Figures

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the Company. These risks include credit risk, liquidity risk and market risk from the use of financial instruments. The Company has only limited use of financial instruments through its cash holdings being invested in short term interest bearing securities. The primary goal of this strategy is to maximise returns while minimising risk through the use of accredited Banks with a minimum credit rating of A1 from Standard & Poors. The Company has no debt, and working capital is maintained at its highest level possible and regularly reviewed by the full board.

### (q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods, and have not been adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is that they will have no material impact and will only effect disclosure provisions in the December 2011 half year and 2012 full year accounts.

## 2. OTHER INCOME

| | 2011 $ | 2010 $ |
|---|---|---|
| Other Income | | |
| Interest | **140,289** | 132,892 |
| Rental/Office recharges | **41,750** | - |
| | **182,039** | 132,892 |

## 3. EXPENSES

| | 2011 $ | 2010 $ |
|---|---|---|
| Contributions to employees superannuation plans | **62,345** | 91,047 |
| Depreciation - Plant and equipment | **16,563** | 39,181 |
| - Motor vehicles | **6,555** | 17,342 |
| Exploration Written off | **1,096,620** | 2,039,920 |
| Share Based Payment expense | **147,150** | 75,140 |
| Provision for employee entitlements | **(18,411)** | 11,656 |

## 4. AUDITORS' REMUNERATION

| | 2011 $ | 2010 $ |
|---|---|---|
| **Audit – Butler Settineri (Audit) Pty Ltd** | | |
| Audit and review of the financial statements | **16,891** | 16,761 |

## 5. INCOME TAX

No income tax is payable by the Company as it has incurred losses for income tax purposes for the year, so current tax, deferred tax and tax expense is $Nil (2010 - $Nil).

### (a) Numerical reconciliation of income tax expense to prima facie tax payable

| | 2011 $ | 2010 $ |
|---|---|---|
| Loss from continuing operations | **(1,667,115)** | (2,622,297) |
| Tax at the tax rate of 30% (2010: 30%) | **(500,135)** | (786,689) |
| Tax effect of amounts which are deductible in calculating taxable income: | | |
| Non-deductible expenses | **44,145** | 22,542 |
| Other allowable expenditure | **(66,481)** | (40,366) |
| Deferred tax asset not brought to account | **522,471** | 804,513 |
| Income tax expense | **-** | - |

### (b) Tax losses

| | 2011 $ | 2010 $ |
|---|---|---|
| Unused tax losses for which no deferred tax asset has been recognised | **6,471,019** | 6,335,371 |
| Potential tax benefit at 30% | **1,941,306** | 1,900,611 |

### (c) Unbooked Deferred Tax Assets and Liabilities

**Unbooked deferred tax assets comprise:**

| | 2011 $ | 2010 $ |
|---|---|---|
| Provisions/Accruals/Other | **9,411** | 22,718 |
| Tax losses available for offset against future taxable income | **2,269,332** | 1,924,330 |
| | **2,278,743** | 1,947,048 |

**Unbooked deferred tax liabilities comprise:**

| | 2011 $ | 2010 $ |
|---|---|---|
| Capitalised mineral exploration and evaluation expenditure | **2,278,743** | 1,947,048 |

### (d) Franking credits balance

The Company has no franking credits available as at 30 June 2011 (2010: $Nil).

## 6. OTHER RECEIVABLES

**Current**

| | 2011 $ | 2010 $ |
|---|---|---|
| GST recoverable | **3,430** | 25,399 |

## 7. OTHER ASSETS

**Current**

| | 2011 $ | 2010 $ |
|---|---|---|
| Prepayments | **15,333** | 19,883 |

| | 2011 $ | 2010 $ |
|---|---|---|
| **8. PLANT AND EQUIPMENT AND MOTOR VEHICLES** | | |
| Plant and office equipment | | |
| At cost | **164,309** | 162,514 |
| Accumulated depreciation | **(146,210)** | (129,649) |
| | **18,099** | 32,865 |
| Motor vehicles | | |
| At cost | **78,831** | 78,831 |
| Accumulated depreciation | **(58,831)** | (52,275) |
| | **20,000** | 26,556 |
| | **38,099** | 59,421 |

**Reconciliation**
Reconciliation of the carrying amounts for each class of plant and equipment and motor vehicles are set out below:

| | 2011 $ | 2010 $ |
|---|---|---|
| *Plant and office equipment* | | |
| Carrying amount at beginning of the year | **32,865** | 61,859 |
| Additions | **1,796** | 10,187 |
| Depreciation | **(16,562)** | (39,181) |
| Carrying amount at the end of the year | **18,099** | 32,865 |
| *Motor vehicles* | | |
| Carrying amount at beginning of the year | **26,556** | 43,898 |
| Additions | **-** | - |
| Depreciation | **(6,556)** | (17,342) |
| Carrying amount at the end of the year | **20,000** | 26,556 |

## 9. CAPITALISED MINERAL EXPLORATION EXPENDITURE

**Non-Current**

***In the exploration phase***

| | 2011 $ | 2010 $ |
|---|---|---|
| Cost brought forward | **3,479,375** | 4,202,256 |
| Add: Expenditure incurred during the year (at cost) | **1,780,513** | 2,140,901 |
| Less Joint venture contributions | **(674,863)** | (823,862) |
| Exploration expenditure written off | **(1,096,620)** | (2,039,920) |
| | **3,488,405** | 3,479,375 |

The recoupment of costs carried forward is dependent on the successful development and/or commercial exploitation or alternatively sale of the respective areas of interest.

## 10. TRADE AND OTHER PAYABLES

| | 2011 $ | 2010 $ |
|---|---|---|
| **Current (Unsecured)** | | |
| Trade creditors | **6,119** | 233,622 |
| Other creditors and accruals | **52,984** | 58,656 |
| | **59,103** | 292,278 |

Included within trade and other creditors and accruals is an amount of $2,994 (2010- $207,427) relating to exploration expenditure.

## 11. PROVISIONS

| | 2011 $ | 2010 $ |
|---|---|---|
| **Current** | | |
| Rehabilitation | **-** | 47,000 |
| Employee entitlements | **32,703** | 51,114 |
| | **32,703** | 98,114 |
| Number of employees at year end | **4** | 8 |

## 12. CONTRIBUTED EQUITY

### (a) Ordinary Shares

| | 2011 $ | 2010 $ |
|---|---|---|
| 142,304,498 (2010: 94,804,498) fully paid ordinary shares | **14,741,596** | 12,841,596 |

### (b) Share Movements During the Year

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | **Number of Shares** | **$** | **Number of Shares** | **$** |
| Beginning of the financial year | **94,804,498** | **12,841,596** | 80,000,000 | 11,868,496 |
| ***New share issues during the year*** | | | | |
| Share Purchase Plan at 4 cents | **25,000,000** | **1,000,000** | - | - |
| Share Placement at 4 cents | **22,500,000** | **900,000** | - | - |
| Share Issue at 5 cents (tenement purchase) | **-** | **-** | 250,000 | 12,500 |
| Share Purchase Plan at 6.6 cents | **-** | **-** | 14,554,498 | 960,600 |
| | **142,304,498** | **14,741,596** | 94,804,498 | 12,841,596 |

### (c) Unlisted Options

During the financial year the Company granted the following unlisted options over unissued shares:

| ***Number of Options Granted*** | ***Exercise Price*** | ***Expiry Date*** |
|---|---|---|
| 6,000,000 | 10 cents | 31 October 2014 |
| 1,500,000 | 15 cents | 31 October 2014 |
| 1,000,000 | 20 cents | 31 October 2014 |

In addition to the above there were 5,500,000 unlisted options lapsed during the year (2010 – 1,750,000) as a result of time expiry, staff movements and no longer meeting employment conditions. As a consequence the numbers of Unlisted options on issue at 30 June 2011 and at the date of this report were 12,100,000 (2010 – 9,100,000). There were no options issued to staff under the Rubicon Share Option Plan (refer Note 15).

## 12. CONTRIBUTED EQUITY (Continued)

### (d) Share Based Payments

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3. The average remaining contractual life for the share options outstanding as at 30 June 2011 is between 2.5 and 3.4 years (2010: 0.4 and 3.6 years). The range of exercise prices for options outstanding at the end of the year was between 10 cents and 25 cents (2010: between 14 cents and 40 cents). The fair value of options granted during the year was $147,150 (2010 - $75,140).

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes and Binomial models taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the options issued during the year ended 30 June 2011 and 30 June 2010:

| Date of Issue | 25 Nov 2010 | 25 Nov 2010 | 25 Nov 2010 | 13 Jan 2010 |
|---|---|---|---|---|
| Number of Options | 6,000,000 | 1,500,000 | 1,000,000 | 2,600,000 |
| Volatility (%) | 90% | 90% | 90% | 100% |
| Risk-free interest rate (%) | 5.24% | 5.24% | 5.24% | 5.10% |
| Expected life of option (years) | 3.93 | 3.93 | 3.93 | 4.0 |
| Exercise price (cents) | 10 | 15 | 20 | 14 |
| Share price at grant date (cents) | 5.0 | 5.0 | 5.0 | 6.1 |
| Value per option (cents) | 1.84 | 1.55 | 1.35 | 2.89 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

### (e) Terms and Conditions of Contributed Equity

***Ordinary Shares***

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held.

Ordinary shares which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

## 12. CONTRIBUTED EQUITY (Continued)

### (f) Capital Risk Management

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2011 and 30 June 2010 are as follows:

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Cash and cash equivalents | **2,760,616** | 2,640,356 |
| Trade and other receivables | **3,430** | 25,399 |
| Other assets | **15,333** | 19,883 |
| Trade and other payables | **(59,103)** | (292,278) |
| Provisions | **(91,806)** | (98,114) |
| Working capital position | **2,687,573** | 2,295,246 |

## 13. ACCUMULATED LOSSES

| | 2011 | 2010 |
|---|---|---|
| Accumulated losses at the beginning of the year | **7,447,044** | 4,824,747 |
| Net loss attributable to members | **1,667,115** | 2,622,297 |
| Accumulated losses at the end of the year | **9,114,159** | 7,447,044 |

## 14. RESERVES

| **Share Option Reserve** | | |
|---|---|---|
| Balance at the beginning of the year | **439,490** | 364,350 |
| Add: Amounts expensed in current year | **147,150** | 75,140 |
| Balance at the end of the year | **586,640** | 439,490 |

**Share Option reserve**
The share option reserve comprises any equity settled share based payment transactions. The reserve will be reversed against share capital when the underlying share options are exercised.

## 15. OPTION PLAN

The establishment of the Rubicon Resources Limited Employee Share Option Plan ("the Plan") was approved by special resolution at a General Meeting of shareholders of the Company held on 25 November 2010. All eligible Directors, executive officers, employees and consultants of Rubicon Resources Limited who have been continuously employed by the Company are eligible to participate in the Plan.

The Plan allows the Company to issue free options to eligible persons. The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan.

Options issued under the Plan have up to a 24 month vesting period prior to exercise, except under certain circumstances whereby options may be capable of exercise prior to the expiry of the vesting period.

## 16. RELATED PARTIES

Full remuneration details for Directors and Executives are included in the Directors report where the information has been audited. During the current financial year there were no other transactions with Directors or Executives (2010 - $Nil).

### Movement in Shares

The aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors and Executive Officers of the Company or their personally-related entities are as follows:

| 2010/2011 | Ordinary Shares | | | | Unlisted Options | |
|---|---|---|---|---|---|---|
| | 1 July 2010 | Purchases | Disposals/ Other * | 30 June 2011 | 30 June 2011 | 30 June 2010 |
| Mr I Macpherson | - | 12,831,630 | - | 12,831,630 | 2,500,000 | - |
| Mr P Eaton | 1,100,000 | 375,000 | - | 1,475,000 | 4,000,000 | 4,000,000 |
| Mr I Buchhorn | 6,976,064 | 1,883,713 | - | 8,859,777 | 2,000,000 | 250,000 |
| Mr R Middlemas | 881,368 | 875,000 | - | 1,756,368 | 1,000,000 | 1,000,000 |
| Mr A Ford | - | - | - | - | 1,000,000 | 1,000,000 |
| 2009/2010 | 1 July 2009 | Purchases | Disposals | 30 June 2010 | 30 June 2010 | 30 June 2009 |
| Mr J Shipp | 350,000 | 151,515 | 501,515 | - | - | 1,250,000 |
| Mr P Eaton | 853,226 | 246,774 | - | 1,100,000 | 4,000,000 | 4,000,000 |
| Mr I Buchhorn | 6,513,181 | 462,883 | - | 6,976,064 | 250,000 | 250,000 |
| Mr R Middlemas | 408,521 | 472,847 | - | 881,368 | 1,000,000 | 250,000 |
| Mr A Ford | - | - | - | - | 1,000,000 | - |
| Mr K Cassidy | 50,000 | - | 50,000 | - | - | 1,000,000 |

* Other includes Director or Executive Officer that have left the Company, and consequently the Shares or Option holdings are reduced to Nil, as they are no longer required to be disclosed at year end

## 17. EXPENDITURE COMMITMENTS

### (a) Exploration

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and those which cover the following twelve month period amount to $1,235,547 (2010: $781,067). These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

### (b) Operating Lease Commitments

| | 2011 $ | 2010 $ |
|---|---|---|
| Total operating lease expenditure contracted for at balance date but not provided for in the financial statements, payable: | | |
| Not later than one year | **79,948** | 87,216 |
| Between one and five years | **-** | 79,948 |
| More than five years | **-** | - |
| | **79,948** | 167,164 |

The operating lease relates to the Company's registered office premises in West Perth. The operating lease is for a five year period expiring on 31 May 2012. The operating lease entitles the Company to renew the term of the lease for a further period of five years after the expiry date. During the term of the operating lease the rent is reviewed annually on each successive anniversary date.

### (c) Capital Commitments

The Company had no capital commitments at 30 June 2011 (2010 - $Nil).

## 18. SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically the Company is domiciled and operates in one segment being Australia.

## 19. EARNINGS/ (LOSS) PER SHARE

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| The following reflects the loss and share Data used in the calculations of basic and diluted earnings/ (loss) per share: | | |
| Earnings/ (loss) used in calculating basic and diluted earnings/ (loss) per share | **(1,667,115)** | (2,622,297) |

| | Number of Shares<br>2011 | Number of Shares<br>2010 |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic earnings/ (loss) per share: | **122,174,361** | 89,187,019 |
| *Effect of dilutive securities* | | |
| Share options* | **-** | - |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings/ (loss) per share | **122,174,361** | 89,187,019 |
| Basic and Diluted loss per share (cents per share) | **1.36 cents** | 2.94 cents |

***Non-dilutive securities**

As at balance date, 12,100,000 unlisted options (30 June 2010: 9,100,000) which represent potential ordinary shares were not dilutive as they would decrease the loss per share.

## 20. NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Cash and Cash Equivalents

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Cash on hand | **200** | 200 |
| Cash at bank | **20,994** | 41,861 |
| Deposits at call | **2,739,422** | 2,598,295 |
| | **2,760,616** | 2,640,356 |

### (b) Reconciliation of the loss from ordinary activities after income tax to the net cash flows used in operating activities

| | 2011<br>$ | 2010<br>$ |
|---|---|---|
| Loss from ordinary activities after income tax | **(1,667,115)** | (2,622,297) |
| *Non-cash items:* | | |
| Depreciation | **23,118** | 56,523 |
| Exploration written-off | **1,096,620** | 2,039,920 |
| Expense of share-based payments | **147,150** | 75,140 |
| *Change in operating assets and liabilities*: | | |
| Decrease (Increase) in prepayments | **4,549** | (5,115) |
| Decrease (Increase) in receivables | **21,969** | (18,614) |
| Increase in trade creditors and accruals | **36,256** | (17,970) |
| Increase in employee entitlements | **(18,411)** | 11,655 |
| Net cash outflows used in operating activities | **(355,864)** | (480,758) |

### (c) Stand-By Credit Facilities

As at 30 June 2011 the Company has a business credit card facility available totalling $20,000 of which $11,702.17 (2010 - $2,411) was utilised.

### (d) Non Cash Financing and Investing Activities

There were no non cash financing or investing activities undertaken during the financial year.

## 21. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks and market risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

### (a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market, interest rates and the effective weighted average interest rates on those financial assets, is as follows:

**2011**

| | Note | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate $ | Fixed Interest Rate $ | Assets/ (Liabilities) Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | 20(a) | 5.52% | 660,564 | 2,099,852 | 200 | 2,760,616 |
| Other receivables | 6 | - | - | - | 3,430 | 3,430 |
| Total Financial Assets | | | 660,564 | 2,099,852 | 3,630 | 2,764,046 |
| Financial Liabilities | | | | | | |
| Payables | 10 | - | - | - | (59,103) | (59,103) |
| Total Financial Liabilities | | | - | - | (59,103) | (59,103) |
| Net Financial Assets | | | 660,564 | 2,099,852 | (55,473) | 2,704,943 |

**2010**

| | Note | Weighted Average Effective Interest % | Funds Available at a Floating Interest Rate $ | Fixed Interest Rate $ | Assets/ (Liabilities) Non Interest Bearing $ | Total $ |
|---|---|---|---|---|---|---|
| Financial Assets | | | | | | |
| Cash and cash equivalents | 20(a) | 5.02% | 542,956 | 2,097,200 | 200 | 2,640,356 |
| Other receivables | 6 | - | - | - | 25,399 | 25,399 |
| Total Financial Assets | | | 542,956 | 2,097,200 | 25,599 | 2,665,755 |
| Financial Liabilities | | | | | | |
| Payables | 10 | - | - | - | (292,278) | (292,278) |
| Total Financial Liabilities | | | - | - | (292,278) | (292,278) |
| Net Financial Assets | | | 542,956 | 2,097,200 | (266,679) | 2,373,477 |

### (b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and in the notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

## 21. FINANCIAL INSTRUMENTS (Continued)

### (c) Commodity Price Risk and Liquidity Risk

At the present state of the Company's operations it has minimal commodity price risk and limited liquidity risk due to the level of payables and cash reserves held. The Company's objective is to maintain a balance between continuity of exploration funding and flexibility through the use of available cash reserves.

### (d) Net Fair Values

For assets and other liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

## 22. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

***Employee Entitlements***

The aggregate employee entitlement liability is disclosed in Note 11.

***Directors, Officers, Employees and Other Permitted Persons Option Plan***

Details of the Company's Directors, Officers, Employees and Other Permitted Persons Option Plan are disclosed in Note 15.

***Superannuation Commitments***

The Company contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, to provide benefits to employees on retirement, death or disability.

Accordingly no actuarial assessments of the plans are required.

Funds are available for the purposes of the plans to satisfy all benefits that would have been vested under the plans in the event of:

- termination of the plans;
- voluntary termination by all employees of their employment; and
- compulsory termination by the employer of the employment of each employee.
- during the year employer contributions (including salary sacrifice amounts) to superannuation plans totaled $66,246 (2010: $91,047).

## 23. CONTINGENT LIABILITIES

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2011 other than:

**Native Title and Aboriginal Heritage**

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

## 24. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## 25. INTERESTS IN JOINT VENTURES

### Interests in Joint Ventures

Rubicon has the following Joint Venture Interests:

**Peters Dam Joint Venture (Integra Mining Limited (“Integra”) earning 51% to 70%)**

The Peters Dam Joint Venture comprises approximately 200km$^2$ of Rubicon tenements at the southern end of the Yindarlgooda project. Integra can earn an initial 51% by spending $1.5m over 3 years and an additional 19% (at Rubicon’s election) by spending an additional $1.0m over a further 2 years. Integra manages the joint venture and sole funds it.

**Queen Lapage Joint Venture (Integra Mining Limited ("Integra") earning 51% to 70%)**

The Queen Lapage Joint Venture comprises approximately 100km$^2$ of Rubicon tenements at the northern end of the Yindarlgooda project. Integra can earn an initial 51% by spending $1.0m over 3 years and an additional 19% (at Rubicon’s election) by spending an additional $1.0m over a further 2 years. Integra manages the joint venture and sole fund it, with a minimum spend of $335,000 in the first year of operation of the joint venture.

**Mt McLeay Joint Venture Agreement (Brimstone Resources Ltd earning 51% to 70%)**

The Mt McLeay Project covers Rubicon tenements to the northwest of the Rocky Dam Yindarlgooda tenements. During the year, Empire Resources Ltd transferred its interest in the joint venture to private company, Brimstone Resources Ltd. Brimstone can earn an initial 51% by spending $300,000 within 30 months. At Rubicon's election Brimstone may earn an additional 19% by expenditure of an additional $500,000 over two years. Brimstone manages and sole funds the joint venture.

**Bentley Joint Venture (Kingsgate Consolidated ("Kingsgate") earning 70%)**

The Bentley Joint Venture comprises Rubicon tenements (E69/2578 and 2656) at the Warburton project. Kingsgate can earn 70% by spending $0.81m over 5 years. Kingsgate will manage the joint venture and sole fund it, with a minimum spend of $162,000 in the first year of operation of the joint venture, following granting of Native title Access. Two additional tenement applications (in ballot) will be include in the joint venture if the ballot tenements are granted to Rubicon.

**Caesar Hill Joint Venture (Traka Resources Ltd ("Traka") earning 70%)**

The Caesar Hill Joint Venture comprises Rubicon tenement E69/2253 at the Warburton project. Traka can earn 70% by spending $0.80m over 5 years. Traka will manage the joint venture and sole fund it, with a minimum spend of $150,000 in the first year of operation of the joint venture, following granting of Native Title Access.

The joint ventures are not separate legal entities. They are contractual arrangements between the participants under the signed JV agreements.

The Joint Ventures do not hold any assets and accordingly the Company’s share of exploration, evaluation and development expenditure is accounted for in accordance with the policy set out in note 1.

There are no capital commitments or contingent liabilities associated with any of the Company’s Joint Venture arrangements.

## DIRECTORS' DECLARATION

In the opinion of the Directors of Rubicon Resources Limited ("the Company"):

(a) the financial statements and notes, set out on pages 10 to 29, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the financial position of the Company as at 30 June 2011 and of its performance, as represented by the results of its operations, for the financial year ended on that date.

(b) there are reasonable grounds to believe that Rubicon Resources Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Managing Director and the Company Secretary for the financial year ended 30 June 2011.

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

Signed at Perth this 21st day of September 2011.

**P Eaton**
**Managing Director**

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Rubicon Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 21 September 2011

Chartered Accountants

BUTLER SETTINERI

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**Paul Chabrel**
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**Lucy Gardner**
CA
**Marius van der Merwe**
CA

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## INDEPENDENT AUDITOR REPORT
## TO THE MEMBERS OF RUBICON RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Rubicon Resources Limited which comprises the statement of financial position as at 30 June 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report which gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### 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. Those 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 of the financial report which gives a true and fair view 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 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.

Chartered Accountants

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Directors:

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FCA

**Paul Chabrel**
FCA

**Lucy Gardner**
CA

**Marius van der Merwe**
CA

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**Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

**Auditor's Opinion**

In our opinion, the financial report of Rubicon Resources Limited is in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards the Corporations Regulations 2001.

**Report on the Remuneration Report**

We have audited the remuneration report included on pages 6 to 8 of the directors' report for the year ended 30 June 2011.

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 Rubicon Resources Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

BUTLER SETTINERI (AUDIT) PTY LTD

LUCY P GARDNER
Director

Perth
Date: 21 September 2011