

Notes to the Financial Statements

For the Year Ended 30 June 2011

1. Corporate Information

This Annual Report of Golden Rim for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 21 September 2011.

Golden Rim is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activity of Golden Rim is mineral exploration focused on the discovery of significant gold, copper and iron ore resources.

Separate financial statements for Golden Rim as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*. However, required financial information for Golden Rim as an individual entity is included in note 11.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

This Annual Report is a general purpose report that has been prepared in accordance with *Australian Accounting Standards and Interpretations*, and the *Corporations Act 2001*. Compliance with *Australian Accounting Standards and Interpretations* ensures that the financial statements and notes also comply with *International Financial Reporting Standards*.

This Annual Report covers the economic entity of Golden Rim and its controlled entities, and Golden Rim as an individual parent entity. Golden Rim is a listed public company, incorporated and domiciled in Australia.

This Annual Report is prepared on an accruals basis and based on historical costs except for certain financial assets which have been measured at fair value. Cost is based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

(b) Going Concern

The consolidated financial statements have been prepared on a going concern basis.

The Group incurred a net loss after tax of \$11.6 million (2010: \$5.9 million) and experienced net cash outflows from operations of \$1.65 million (2010: \$1.17 million) and as at 30 June 2011 the Company has net assets and net current assets of \$6.1 million and \$5.3 million, respectively (2010: \$3.7 million, \$3.4 million). The directors have concluded that these accounts should be prepared on a going concern basis. In making this determination the directors have considered that once all discretionary expenditure is removed the group has sufficient cash to continue as a going concern for at least the next 12 months. To meet the ongoing discretionary expenditure, further capital raisings will be required.

(c) Statement of Compliance

Adoption of New and Revised Accounting Standards

In the current year, the company and consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these Standards and Interpretations has resulted in some disclosure changes being made.

Standards and Interpretations issued not yet effective

(i) New standards and Interpretations Adopted

The company and consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2010.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the company and consolidated entity are as follows. The adoption of these amendments has not resulted in any changes to the groups accounting policies and has no effect on the amounts reported for the current or prior periods.

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.
- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project:
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

(ii) Accounting Standards and Interpretations issued but not yet effective

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the company and consolidated entity for the year ended 30 June 2011. The impact of these standards and interpretations on the group are not yet known.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets"	1 January 2012	30 June 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation	1 July 2011	30 June 2012
AASB 127 - Amendments to Australian Accounting Standards - Separate Financial Statements	1 January 2013	1 January 2013
AASB 128 – Amendments to Australian Accounting Standards – Investments in Associates and Joint Ventures	1 January 2013	1 January 2013
AASB 10 Consolidated Financial Statements	1 January 2013	30 June 2014
AASB 11 Joint Arrangements	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
AASB 13 Fair Value Measurement	1 January 2013	30 June 2014

(d) Principles of Consolidation

A controlled entity is any entity Golden Rim has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in note 22 to the financial statements.

The following controlled entities have a 30 June financial year end:

- Associated Gold Mines of Victoria Pty Ltd
- Rimfire Resources Ltd.

The following controlled entities have a 31 December financial year end:

- Golden Rim SAR Exploration SARL
- Golden Rim Mali SA

- Golden Rim Resources Burkina SARL.

Basis of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Golden Rim at the end of the reporting period. A controlled entity is any entity over which Golden Rim has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed, in addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquires.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability off equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement comprehensive income.

(e) Exploration Expenditure

Exploration, evaluation and development expenditure incurred is capitalised in respect of each identifiable area of interest. These costs are reviewed and written off in the year they are incurred until such time that the development and exploitation of the area of interest is certain.

When 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.

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

(f) Interests in Joint Ventures

The economic entity reports its interest in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 „Non-current Assets Held for Sale and Discontinued Operations“. The economic entity’s share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the economic entity’s interest in a jointly controlled entity is accounted for in accordance with the Group’s accounting policy for goodwill arising in a business combination.

When a group entity transacts with a jointly controlled entity of the economic entity, unrealised profits and losses resulting from the transactions with the jointly controlled entity are recognised in the economic entity’s consolidated financial statements only to the extent of interest in the jointly controlled entity that are not related to the economic entity.

(g) Plant and Equipment

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

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

The depreciable amount of all fixed assets is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use, except for fitouts where it is based on the term of the lease of the premises and depreciated on a straight line basis. The depreciation rates used for plant and equipment vary between 2.5% and 40%.

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(h) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, that is not part of a business combination, the value of the shares is determined having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

(i) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales financial assets are recognised on the trade date, that is, the date that the Group commits to purchase the asset. Regular way

purchases or sales are purchases and sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category „financial assets at fair value through profit and loss“. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains or losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non derivatives financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another

instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(k) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

(l) Earnings Per Share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

(m) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(n) Foreign Currency Translation

(i) Functional and presentation currency

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

The functional currency of the subsidiaries, Golden Rim SAR Exploration SARL; Golden Rim Mali SA; and Golden Rim Resources Burkina, is CFA Franc.

The functional currency of Rimfire Resources Limited is Vanuatu Vatu.

(ii) Transaction and balances

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

(iii) Group Companies

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

- Assets and Liabilities are translated at year end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

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

(o) Impairment of Assets

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

(p) Revenue

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Revenue from the sale of assets is recognised at the date that the contract is entered into.

All revenue is stated net of the amount of goods and services tax (GST).

(q) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid

when the liability is settled, plus related on costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(r) Share Based Payment Transactions

The Group provides benefits to the directors and senior executives in the form of share based payment transactions, whereby services are rendered in exchange for shares or rights over shares (**equity settled transactions**).

The cost of these equity settled transactions with directors is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Trinomial option pricing model (2011) and the Black-Scholes option pricing model (2010), further details of which are given in the remuneration report.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to price of the shares of the Group.

The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the vesting period, based on the group's estimate of equity instrument that will eventually vest.

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that in the opinion of the directors will ultimately vest. The opinion is formed on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition.

Where the terms of an equity settled transaction are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity settled transaction is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the transaction is recognised immediately. However, if a new transaction is substituted for the cancelled equity settled transaction and designated as a replacement transaction on the date that it is granted, the cancelled and new equity settled transaction is treated as if it were a modification of the original transaction, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Provisions

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

(t) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the statement of financial position.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(v) Comparative Figures

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

3. Significant Accounting Judgements, Estimates and Assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(a) Significant accounting judgments

(i) Classification of and valuation of investments

The Group has decided to classify investments in listed and unlisted securities, other than investments in subsidiaries, as „held for trading“ investments and movements in fair value are recognised directly in the income statement. The fair value of listed shares has been determined by reference to published price quotations in an active market.

(ii) Impairment of non financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that

may lead to impairment. These include prospectivity of an area of interest and economic and political environments. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

The Group's accounting policy is stated at note 2(e). There is some subjectivity involved in the carrying forward as capitalised or writing off to the income statement exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

(b) Significant accounting estimates and assumptions

(i) Accounting for share based payments

The Group's accounting policy is stated at note 2(r). The value of these option payments are based on reasonable estimates using a recognised option pricing model.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Trinomial model, with the assumptions detailed in note 17. The accounting estimates and assumptions relating to equity-settled transactions would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(ii) Allowance for impairment loss on receivables and inter-company loans

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management. A provision has been raised for all inter-company receivables.

(c) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment and fitout) and turnover policies (for motor vehicle). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 10.

4. Revenue

	Consolidated	
	2011	2010
	\$	\$
Revenue from outside the operating activities		
Interest	302,602	105,016
Other Income	321	1,125
	321	1,125

	Consolidated	
	2011	2010
	\$	\$
Revenue	302,923	106,141

5. Operating Loss

	Consolidated	
	2011	2010
	\$	\$
The loss before income tax includes the following specific expenses:		
Exploration expenditure written off	6,249,164	4,098,407
Depreciation	205,799	61,633

6. Income Tax

	Consolidated	
	2011	2010
	\$	\$
Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from ordinary activities before income tax expense	(11,612,007)	(5,884,334)
Prima facie tax benefit on loss from ordinary activities at 30% (2010 30%)	(3,483,602)	(1,765,300)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Directors' Options	717,599	142,267
Share Based Payments	192,409	21,202
Fines & Penalties	20	20
Superannuation	5,542	-
Entertainment	2,815	2,491
	(2,565,217)	(1,599,320)
Movement in temporary differences not recognised	8,092	(46,188)

	Consolidated	
	2011	2010
	\$	\$
Tax effect of current year tax losses for which no deferred tax asset has been recognised	2,557,125	1,645,508
Income tax expense	-	-
Unrecognised temporary differences		
Deferred Tax Asset (30%)		
Loans (provisions)	19,139	19,139
Investments (provisions)	75,302	75,302
Capital raising costs	238,445	135,394
Foreign exchange loss	73,142	1,995
Legal fees	20,838	17,226
Accruals	30,897	15,951
Plant & equipment	7,213	6,686
Provisions	30,483	2,662
Carry forward tax losses	9,128,755	6,571,630
	9,624,214	6,845,985
Deferred Tax Liabilities (30%)		
Receivables (interest)	28,964	4,072
	28,964	4,072

A deferred tax liability of \$28,964 arises from interest receivable at 30 June 2011. The deferred tax liability has been offset against the deferred tax assets that existed as disclosed above at 30 June 2011.

No income tax is payable by the Company. The consolidated entity has estimated unrecouped income tax losses of approximately \$12 million, foreign tax losses of approximately \$15.5 million and capital losses of approximately \$2.9 million.

Such benefits have not been included and will only be obtained if:

- the consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the losses are transferred to an eligible entity in the consolidated entity;
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in taxation legislation adversely affect the economic entity in realising the benefit from the deductions for the losses.

7. Trade and Other Receivables

	Consolidated	
	2011	2010
	\$	\$
Current		
GST refundable	16,898	60,908
Interest receivable	96,545	13,574
Joint venture entity receivable	88,827	29,310
Other receivables	3,893	-
	206,163	103,792

The amounts within trade and other receivables do not contain impaired assets and are not past overdue.

8. Other Assets

	Consolidated	
	2011	2010
	\$	\$
Current		
Bank guarantee	11,052	11,989
Cash advances	9,555	10,409
Prepayments	153,649	22,816
	<u>174,256</u>	<u>45,214</u>

9. Other Financial Assets

	Consolidated	
	2011	2010
	\$	\$
Non Current		
Investments in other entities	251,006	251,006
Less provision for diminution	(251,006)	(251,006)
Subtotal	-	-
Other loans	63,797*	63,797
Less provision for doubtful debts	(63,797)	(63,797)
Subtotal	-	-
Bonds – rental	30,303	30,303
Subtotal	30,303	30,303
Total	<u>30,303</u>	<u>30,303</u>

*This loan is made up of \$47, 514 which was advanced in 2003 and \$16, 283 which was advanced in 2004.

10. Plant and Equipment

	Consolidated	
	2011	2010
	\$	\$
Office equipment, at cost	380,269	293,860
Less: accumulated depreciation	(189,139)	(85,405)
	<u>191,130</u>	<u>208,455</u>
Motor vehicles, at cost	391,756	122,531
Less: accumulated depreciation	(85,252)	(40,102)
	<u>306,504</u>	<u>82,429</u>
Field equipment, at cost	219,031	30,394
Less: accumulated depreciation	(29,719)	(4,197)
	<u>189,312</u>	<u>26,197</u>
	<u>686,946</u>	<u>317,081</u>

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below.

	Office Equipment \$	Motor Vehicles \$	Field Equipment \$	Total \$
Consolidated Group				
Carrying amount at 1 July 2009	61,441	17,649	34,831	113,921
Additions	191,028	79,352	1,319	271,699
Disposals	(951)	-	-	(951)
Depreciation	(43,105)	(15,582)	(2,946)	(61,633)
Foreign exchange movement	42	1,010	(7,007)	5,955
Carrying amount at 30 June 2010	<u>208,455</u>	<u>82,429</u>	<u>26,197</u>	<u>317,081</u>
Consolidated Group				
Carrying amount at 1 July 2010	208,455	82,429	26,197	317,081
Additions	86,634	313,122	189,509	589,265
Disposals	-	(10,600)	-	(10,600)
Depreciation	(103,759)	(76,401)	(25,639)	(205,799)
Foreign exchange movement	(200)	(2,046)	(755)	(3,001)
Carrying amount at 30 June 2011	<u>191,130</u>	<u>306,504</u>	<u>189,312</u>	<u>686,946</u>

11. Parent Entity Disclosures

	Parent Entity	
Financial Position	2011 \$	2010 \$
Current Assets		
Cash and cash equivalents	5,229,360	3,243,542
Trade and other receivables	115,713	106,437
Other Assets	162,934	
Total Current Assets	<u>5,508,007</u>	<u>3,349,979</u>
Non Current Assets		
Other financial assets	30,303	30,303
Plant and equipment	245,456	205,320
Investment in joint venture entity	49,819	192,983
Total Non Current Assets	<u>325,578</u>	<u>428,606</u>
Total Assets	<u>5,833,585</u>	<u>3,778,585</u>
Current Liabilities		
Trade and other payables	371,851	336,309
Provisions	101,609	4,359
Non interest-bearing liabilities		-
Total Current Liabilities	<u>473,460</u>	<u>340,668</u>
Total Liabilities	<u>473,460</u>	<u>340,668</u>

Financial Position	Parent Entity	
	2011 \$	2010 \$
Net Assets	5,360,125	3,437,917
Equity		
Parent Equity Interest		
Issued capital	39,148,398	27,975,337
Reserves	7,146,607	4,074,096
Accumulated losses	(40,934,880)	(28,611,516)
Total Parent Equity/(Deficit)	5,360,125	3,437,917

Financial Performance	Parent Entity	
	2011 \$	2010 \$
Loss for the year	(12,323,364)	(6,162,506)
Other comprehensive income	-	-
Total Comprehensive Income	(12,323,364)	(6,162,506)

The parent entity did not enter into any guarantees in relation to the debts of its subsidiaries for 2010 or 2011.

The parent entity did not have any contingent liabilities for 2010 or 2011.

The parent entity did not enter into any commitments for the acquisition of property, plant and equipment for 2010 or 2011.

Investment in Joint Venture Entity (for the purposes of this Annual Report, Royal Falcon is treated as a joint venture company)

Non Current	Parent Entity	
	2011 \$	2010 \$
Investment in joint venture entity	41,434	41,434
Advances to joint venture entity	1,808,287	1,716,723
Less provision for doubtful debts	(1,799,902)	(1,565,174)
	49,819	192,983

12. Mining Exploration Expenditure

Costs brought forward	Consolidated	
	2011 \$	2010 \$
	-	188,299

	Consolidated	
	2011	2010
	\$	\$
Expenditure incurred during the year	6,249,164	3,910,108
Expenditure written off during the year	(6,249,164)	(4,098,407)
Costs carried forward	-	-

For those areas of interest which are still in the exploration phase, the ultimate recoupment of the stated costs is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

13. Investment in Joint Venture Entity

During the year ended 30 June 2009 the Company together with PAL Technology Services LLC set up a purpose specific alliance company, Royal Falcon (Golden Rim 35% and PAL Technology Services LLC 65% equity interest respectively). Golden Rim is responsible for the management of the alliance company. The alliance company is accounted for as a joint venture entity in terms of AASB 131 *Interests in Joint Ventures*.

The consolidated group's 35% share of the joint venture entity's assets and liabilities are:

	2011	2010
	\$	\$
Current Assets	46,895	183,526
Non-current Assets	5,276	9,764
Total Assets	52,171	193,290
Current Liabilities	1,763,247*	1,729,155
Non-current Liabilities	-	-
Total Liabilities	1,763,247	1,729,155
Total Shareholder's Equity/(Deficit)	(1,711,076)	(1,535,865)

The consolidated group's 35% share of the joint venture entity's income and expenses are:

	2011	2010
	\$	\$
Income	2,670	1,586
Expenses	(177,881)	(1,258,257)
	(175,211)	(1,250,671)

* This represents funding from the parent entity.

14. Trade and Other Payables

	Consolidated	
	2011	2010
	\$	\$
Current		
Trade creditors	157,308	203,952
Accrued expenses	133,643	89,796
Other creditors	85,313	44,996

Consolidated	
2011	2010
\$	\$
376,264	338,744

15. Provisions

Consolidated	
2011	2010
\$	\$
Provision for employee entitlements	
101,609	4,359
101,609	4,359

16. Issued Capital

Consolidated	
2011	2010
\$	\$
Issued Capital	
Fully paid shares 359,396,731 (2010: 275,463,761)	
39,148,398	27,975,337

Movements in ordinary share capital of the Company during the past 2 years were as follows:

		Number of Shares	Cents	\$
01/07/09	Opening Balance	225,013,812		21,726,206
30/11/09	Placement	33,750,000	13.0	4,387,500
21/12/09	Share Purchase Plan	8,499,949	13.0	1,104,986
24/02/10	Placement	8,200,000	13.0	1,066,000
	Cost of share issues			(309,355)
30/06/10		275,463,761		27,975,337
29/09/10	Placement	40,000,000	14.0	5,600,000
09/11/10	Rights Issue	39,432,970	14.0	5,520,616
	Cost of share issues			(622,555)
29/12/10	Exercise of Options	4,500,000	15.0	675,000
30/06/11		359,396,731		39,148,398

(a) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Options

At 30 June 2011, the Company had the following options on issue:

- 11,150,000 unlisted Class D options with a vesting period of 12 months from 23 November 2007, exercisable at 15 cents each on or before the expiry date of 31 December 2011.

- 1,000,000 unlisted Class D options with a vesting period of 12 months from 16 September 2008, exercisable at 15 cents each on or before the expiry date of 31 December 2011.
- 600,000 unlisted Class E Options with a vesting period of 12 months from 6 October 2010, exercisable at 21 cents each on or before the expiry date of 5 October 2014
- 7,000,000 unlisted Class F Options with a vesting period of 12 months from 23 November 2010, exercisable at 26 cents each on or before the expiry date of 22 November 2014.
- 1,000,000 unlisted Class G Options with no vesting period, exercisable at 21 cents each on or before the expiry date of 10 July 2015.
- 15,000,000 unlisted Class H Options with no vesting period, exercisable at 29 cents each on or before the expiry date of 21 November 2015.
- 3,900,000 unlisted ESOP Options with no vesting period, exercisable at 29 cents each on or before the expiry date of 21 November 2015

Movements in options of the Company during the past two years were as follows:

		Number of Options	Cents	\$
01/07/09	Opening Balance	33,150,000		3,527,185
	Option issue – D Class			13,942
6/10/09	Option issue – E Class	600,000	13.39 ¹	58,747
23/11/09	Option issue – F Class	7,000,000	11.29 ¹	474,222
30/06/10	Options expired – A Class	(8,750,000)		-
30/06/10	Options expired – B Class	(7,750,000)		-
		24,250,000		4,074,096
	Option issue – E Class			21,563
	Option issue – F Class			316,148
22/11/10	Option issue – G Class	1,000,000	14.40 ²	144,000
22/11/10	Option issue – H Class	15,000,000	14.10 ²	2,115,000
22/11/10	Options issue - ESOP	3,900,000	12.20 ²	475,800
29/12/10	Options exercised – C Class	(4,500,000)		-
30/06/11		39,650,000		7,146,607

1. Being the portion of the fair value of the options brought to account as at 30 June 2010
2. Being the portion of the fair value of the options brought to account as at 30 June 2011

(c) Foreign Currency Translation Reserve

Movement in the foreign currency translation reserve during the past 2 years was as follows:

		Consolidated
		\$
01/07/09	Opening balance	26,984
	Movement	35,201
30/06/10		62,185
	Movement	(248,210)
30/06/11		<u>(186,025)</u>

(d) Reserves

The Reserves balance at 30 June 2011 comprises:

	Consolidated	
	2011	2010
	\$	\$
Options Reserve	7,146,607	4,074,096
Goodwill on Acquisition Reserve	(870,599)	(224,217)
Foreign Currency Translation Reserve	(186,025)	62,135
	<u>6,089,983</u>	<u>3,912,064</u>

17. Share Based Payments Plan

The following table illustrates the number (No) and weighted average exercise price (WAEP) of and movements in share options issued during the year:

	2011		2010	
	No	WAEP Cents	No	WAEP Cents
Outstanding at the beginning of the year	24,250,000	18.32	33,150,000	26.12
Granted during the year	1,000,000	21.00	7,000,000	26.00
Granted during the year	15,000,000	29.00	600,000	21.00
Granted during the year	3,900,000	29.00	-	-
Exercised during the year	(4,500,000)	15.00	-	-
Expired during the year	-		(8,750,000)	35.00
Expired during the year	-		(7,750,000)	40.00
Outstanding at the end of the year	<u>39,650,000</u>	<u>23.86</u>	<u>24,250,000</u>	<u>18.32</u>
Exercisable at the end of the year	<u>19,750,000</u>		<u>16,650,000</u>	

The weighted average remaining contractual life for the options, outstanding as at 30 June 2011, is 3.04 years (2010: 2.29 years).

The following share options were exercised during the year:

Option Series	Number exercised	Exercise date	Share price at exercise date \$
Class C, granted 23/11/06	4,500,000	29/12/10	0.17

The outstanding balance exercisable as at 30 June 2011 is represented by:

- 12,150,000 unlisted Class D options over ordinary shares with an exercise price of 15 cents each, exercisable until 31 December 2011

- 600,000 unlisted Class E Options with a vesting period of 12 months from 6 October 2010, exercisable at 21 cents each on or before the expiry date of 5 October 2014
- 7,000,000 unlisted Class F Options with a vesting period of 12 months from 23 November 2010, exercisable at 26 cents each on or before the expiry date of 22 November 2014.

During the year, the Company granted a total of 1,000,000 unlisted Class G options to consultants at an exercise price of 21 cents each and an expiry date of 10 July 2015. The options were fair valued at 14.4 cents per option, and vest on the grant date of 22 November 2010.

The fair value of the options has been calculated using the Trinomial option pricing model as follows:

Exercise Price	21 cents
Underlying share price	23.5 cents
Maximum Life	4.6 years
Expected volatility	100%
Risk free interest rate	5.28%
Exercise multiple	2.8 times
Dividend % pa	Nil

Historical volatility has been the basis of determining the basis of expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of options is based on the historical exercise patterns, which may not eventuate in the future.

During the year, the Company also granted a total of 15,000,000 unlisted Class H options to directors at an exercise price of 29 cents each and an expiry date of 21 November 2015. The options were fair valued at 12.2 cents per option, and vest on the grant date of 22 November 2010.

The fair value of the options has been calculated using the Trinomial option pricing model as follows:

Exercise Price	29 cents
Underlying share price	23.5 cents
Maximum Life	5 years
Expected volatility	100%
Risk free interest rate	5.28%
Exercise multiple	2.8 times
Dividend % pa	Nil

Historical volatility has been the basis of determining the basis of expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of options is based on the historical exercise patterns, which may not eventuate in the future.

During the year, the Company also granted a total of 3,900,000 unlisted Employee Share Option Plan options to employees at an exercise price of 29 cents each and an expiry date

of 21 November 2015. The options were fair valued at 12.2 cents per option, and vest on the grant date of 22 November 2010.

The fair value of the options has been calculated using the Trinomial option pricing model as follows:

Exercise Price	29 cents
Underlying share price	23.5 cents
Maximum Life	5 years
Expected volatility	100%
Risk free interest rate	5.28%
Exercise multiple	2.2 times
Dividend % pa	Nil

Historical volatility has been the basis of determining the basis of expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of options is based on the historical exercise patterns, which may not eventuate in the future.

Exercise multiple defines the conditions under which employees are expected to exercise their options. In the absence of a history to estimate the likely exercise date over the life of the option, we have assumed that Class G and H options will be exercised if, after the vesting date (and before the expiry date), the market price of Golden Rim shares reaches a multiple of 2.8 times the exercise price. A lower exercise multiple of 2.2 was chosen for ESOP options. These estimates are based on empirical evidence of exercise behaviour.

During the year ended 30 June 2010, the Company granted a total of 600,000 unlisted Class E options to a consultant at an exercise price of 21 cents each and an expiry date of 5 October 2014. The options were fair valued at 13.39 cents per option, and vest 12 months from the date of grant being 5 October 2011.

The fair value of the options has been calculated using the Black Scholes option pricing model as follows:

Weighted average exercise price	21 cents
Underlying share price	16 cents
Days to expiration	1,825
Expected volatility	125%
Risk free interest rate	5.14%

Historical volatility has been the basis of determining the basis of expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of options is based on the historical exercise patterns, which may not eventuate in the future.

During the year ended 30 June 2010, the Company also granted a total of 7,000,000 unlisted Class F options to directors at an exercise price of 26 cents each and an expiry date of 22 November 2014. The options were fair valued at 11.29 cents per option, and vest 12 months from the date of grant being 22 November 2011.

The fair value of the options has been calculated using the Black Scholes option pricing model as follows:

Weighted average exercise price	26 cents
Underlying share price	14 cents
Days to expiration	1,825
Expected volatility	125%
Risk free interest rate	5.12%

Historical volatility has been the basis of determining the basis of expected share price volatility and it is assumed that this is indicative of future trends, which may not eventuate.

The life of options is based on the historical exercise patterns, which may not eventuate in the future.

18. Key Management Personnel Disclosure

Names and positions of key management personnel of economic and parent entity in office at any time during the financial year are:

Key Management Personnel	Position
R Crabb	Chair, Non Executive
C Mackay	Director, Managing Director
G Rodgers	Executive Director (Finance)
G Lamont	Director, Non Executive
N Alhammadi	Director, Non Executive
P Olubas	Exploration Manager
H Butcher	Company Secretary

Compensation for Key Management Personnel

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	901,613	857,907
Post employment benefits	65,520	21,852
Other long-term benefits	-	-
Termination benefits	-	-
Share based payment	2,769,911	532,969
	3,737,044	1,412,728

Shareholdings of Key Management Personnel

The number of shares in the Company held by each director of Golden Rim as at 30 June 2011, including their personally related entities, is set out below:

Year ended 30 June 2011

Number of Shares held by Key Management Personnel

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
R Crabb	18,253,516	-	2,281,692	20,535,208
C Mackay	3,519,384	2,500,000	476,663	6,496,047

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
G Rodgers	949,529	2,000,000	118,693	3,068,222
G Lamont	288,461	-	36,058	324,519
N Alhammadi	-	-	-	-
P Olubas	330,000	-	142,500	472,500
H Butcher	-	-	100,000	100,000
Total	1,567,990	2,000,000	397,251	3,965,241

Year ended 30 June 2010
Number of Shares held by Key Management Personnel

Name	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
R Crabb	17,638,132	-	615,384	18,253,516
C Mackay	3,380,000	-	139,384	3,519,384
G Rodgers	872,606	-	76,923	949,529
G Lamont	250,000	-	38,461	288,461
N Alhammadi	-	-	-	-
P Olubas	330,000	-	-	330,000
H Butcher	-	-	-	-
Total	22,470,738	-	870,152	23,340,890

Options

The number of options over ordinary shares in the Company held during the financial year by each director of Golden Rim, including their personally related entities, is set out below.

Option Holdings of Personnel

Year ended 30 June 2011
Number of Options held by Key Management Personnel

Name	Balance at start of the year	Granted during the year as remuneration	Options exercised during the year	Options which have expired during the year	Balance at end of the year	Vested and exercisable at the end of the year
R Crabb	4,000,000	3,000,000	-	-	7,000,000	7,000,000
C Mackay	8,000,000	5,000,000	(2,500,000)	-	10,500,000	10,500,000
G Rodgers	7,500,000	4,000,000	(2,000,000)	-	9,500,000	9,500,000
G Lamont	2,000,000	1,500,000	-	-	3,500,000	3,500,000
N Alhammadi	-	1,500,000	-	-	1,500,000	1,500,000
P Olubas	1,000,000	1,100,000	-	-	2,100,000	2,100,000
H Butcher	600,000	1,500,000	-	-	2,100,000	2,100,000
Total	23,100,000	17,600,000	(4,500,000)	-	36,200,000	36,200,000

Year ended 30 June 2010
Number of Options held by Key Management Personnel

Name	Balance at start of the year	Granted during the year as remuneration	Options exercised during the year	Options which have expired during the year	Balance at end of the year	Vested and exercisable at the end of the year
R Crabb	7,500,000	-	-	(3,500,000)	4,000,000	4,000,000
C Mackay	8,000,000	3,500,000	-	(3,500,000)	8,000,000	4,500,000
G Rodgers	7,500,000	3,500,000	-	(3,500,000)	7,500,000	4,000,000
G Lamont	2,000,000	-	-	-	2,000,000	2,000,000
N Alhammadi	-	-	-	-	-	-
P Olubas	1,000,000	-	-	-	1,000,000	1,000,000
H Butcher	-	-	-	-	600,000	-
Total	26,000,000	7,000,000	-	(10,500,000)	23,100,000	15,500,000

Other Transactions with Directors

All transactions between related parties are on normal commercial terms and conditions and are conducted on an arms' length basis.

From time to time depending on the cash and cash equivalents available at a given date, the Chair of the Board advances funds on a short term loan basis with a fixed rate of interest attached to the borrowed funds. During the year ended 30 June 2011 there were no funds advanced by the Chair of the Board since the Company had sufficient cash resources.

During part of the 2011 financial year Craig Mackay provided consultancy services to Golden Rim through Earth Science Solutions Pty Ltd.

During part of the 2011 financial year Peter Olubas provided consultancy services to Golden Rim through Indicatrix Mining Pty Ltd.

Similarly, Gilbert Rodgers provided consultancy services personally.

These consultancy services are included as remuneration in the remuneration report.

19. Remuneration of Auditors

	Consolidated	
	2011	2010
	\$	\$
Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity	42,104	65,657
Non audit services	10,500	
	<u>42,104</u>	<u>65,657</u>

20. Related Parties

Directors and Key Management Personnel

Disclosures relating to directors and key management personnel are set out in the Directors' Report and Note 18.

Wholly Owned Group

The wholly owned Group consists of Golden Rim and its wholly controlled entities, Associated Gold Mines of Victoria Pty Ltd, Rimfire Resources Ltd, Golden Rim Mali SA, and Golden Rim Resources Burkina SARL. Golden Rim owns 90% of Golden Rim SAR Exploration SARL while the other 10% relates to non controlling interests.

During November 2010 Golden Rim paid \$144,928 to acquire an additional 15% in Golden Rim SAR Exploration SARL (**SAR**), a company incorporated in Mali, increasing its ownership from 75% to 90%. The carrying amount of SAR's net assets in the consolidated financial statements on the date of the acquisition was a deficiency of \$3,279,753. The Group recognised a decrease in non-controlling interest of \$501,454 and an increase in accumulated losses of \$646,382.

The following summarises the effect of changes in the Group's (parent) ownership interest in SAR:

Cost of acquisition of 15%	144,928
Effect of increase in parent's ownership interest	501,454
Goodwill recognised on acquisition	<u>646,382</u>

Transactions between Golden Rim and subsidiaries in the Group during the year 30 June 2011 consisted of loans on an interest free basis with no fixed term and no specific repayment arrangements. No amounts were included in the determination of operating loss before tax of the parent entity that resulted from transactions with related parties in the wholly owned Group. Golden Rim made an additional provision for doubtful debts of \$6,512,139 in its accounts for the year ended 30 June 2011 (2010: \$2,748,794) in relation to the loans made to its subsidiaries. Golden Rim also made a provision for diminution of \$144,928 in its accounts for the year ended 30 June 2011 (2010: \$118,822) in relation to the investment in its subsidiaries.

Aggregate amounts receivable from controlled entities in the wholly owned Group at balance date were as follows:

	2011	2010
	\$	\$
Non current receivables	9,906,880	3,950,883
Provision for doubtful debts	<u>(9,906,880)</u>	<u>(3,950,883)</u>
	-	-

Aggregate amounts receivable from the alliance company Royal Falcon (for the purposes of this Annual Report, Royal Falcon is treated as a joint venture company) at balance date are disclosed in note 13. During the reporting period, Golden Rim made an additional provision for doubtful debts of \$234,728 in its accounts for the alliance company, Royal Falcon and also \$279 in its accounts for its subsidiary Associated Gold Mines of Victoria Pty Ltd.

21. Expenditure Commitments

Exploration Commitments

The Group has the following expenditure commitments under joint venture agreements or other agreements for the acquisition of exploration interests.

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	2,321,879	905,045
Later than one year, but not later than 5 years	972,420	2,252,686
	<u>3,294,299</u>	<u>3,157,731</u>

The above amounts are the Australian dollar (**AUD**) equivalent of the United States of America dollar (**USD**) commitments converted at the year end exchange rate of 1USD=0.9438AUD.

The joint venture agreements or other agreements for the acquisition of exploration interests noted above, all provide that Golden Rim may withdraw at any time, without minimum expenditure commitments.

Alliance Company Commitment

Royal Falcon is an alliance company, registered in Abu Dhabi, United Arab Emirates. It is jointly owned by PAL Technology Services LLC (65% equity interest), a member of the Royal Group in Abu Dhabi, and Golden Rim (35% equity interest). Royal Falcon was specifically formed to acquire and develop new projects. Golden Rim is the Manager of Royal Falcon.

On 7 April 2009, Royal Falcon executed a Farmin and Joint Venture Heads of Agreement with Drake Resources Limited (**Drake**).

Under the terms of the agreement, Royal Falcon has the right to earn a 51% interest in the Falun and Bersbo licences by spending USD3 million within three years. Royal Falcon then has the right to spend a further USD3 million to increase its interest to 75%. Royal Falcon must spend at least USD1 million on the licences before it can elect to withdraw from the Bergslagen Joint Venture.

Following Royal Falcon's earn in of a 51% or 75% interest, Drake may elect to contribute its applicable share of joint venture expenditure or, if Drake's interest falls below 5%, then Drake's interests converts to a 2% Net Smelter Royalty payable by Royal Falcon.

Currently Royal Falcon has earned a 51% interest and has elected to proceed to increase this interest to 75%.

The total amount advanced by Royal Falcon under the agreement, as at 30 June 2011, is AUD3,643,180 (2010: AUD3,354,079).

Operating Lease Commitments

Non cancellable leases contracted for the lease of premises that have not been capitalised in the financial statements.

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	119,557	58,126
Later than one year, but not later than 5 years	316,741	67,905
	<u>436,298</u>	<u>126,031</u>

Service and Contractual Commitments

Service and contractual commitments in relation to consulting fees for executive directors and geologists and other service contracts that exist at the end of the financial year are as follows:

	Consolidated	
	2011	2010
	\$	\$
Not later than one year	89,645	849,096
Later than one year but not later than 5 years	-	-
	<u>89,645</u>	<u>849,096</u>

22. Investments in Controlled Entities

Controlled Entities	Cost of Parent Entity's Investment		Equity Holding	
	2011	2010	2011	2010
	\$	\$		
Associated Gold Mines of Victoria Pty Ltd	116,974	116,974	100%	100%
Rimfire Resources Ltd	150,000	150,000	100%	100%
Golden Rim SAR Exploration SARL	338,834	193,907	90%	75%
Golden Rim Mali SA	22,602	22,602	100%	100%
Golden Rim Resources Burkina SARL	2,141	2,141	100%	100%
	<u>630,551</u>	<u>485,624</u>		

23. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows cash and cash equivalents includes cash on hand and at call deposits with banks, and investments in money market instruments net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

Reconciliation of cash and cash equivalents

	Consolidated	
	2011	2010
	\$	\$
Cash at Bank	5,442,653	3,579,321
	<u>5,442,653</u>	<u>3,579,321</u>

(b) Reconciliation of Loss after Income Tax to Net Cash Flow from Operating Activities

	Consolidated	
	2011	2010
	\$	\$
Operating loss after income tax	(11,612,007)	(5,884,334)

	Consolidated	
	2011	2010
	\$	\$
Non Cash Items		
Depreciation	205,799	61,633
Loss/(Gain) on sale of non-current assets	(321)	951
Exploration costs written off	6,249,164	4,098,407
Directors' remuneration options	2,431,148	474,222
Share based payments	641,363	72,690
Effect of foreign currency translation	237,159	(29,329)
Change in operating assets and liabilities		
Increase in trade and other creditors	165,820	147,948
Increase in receivables	(39,319)	(28,143)
Decrease/(increase) in prepayments	11,094	(12,646)
(Decrease)/increase in accruals	57,437	(66,532)
Net cash outflow from operating activities	(1,652,663)	(1,165,133)

24. Earnings Per Share

	2011	2010
	Cents	Cents
Basic and diluted loss per share	(3.41)	(2.12)
Weighted average number of shares outstanding during the year used in the calculation of basic loss per share	332,810,013	251,895,155

As disclosed in note 16(b) the Company has on issue 39,650,000 unlisted options to subscribe for fully paid ordinary shares exercisable between 15 cents and 29 cents each at any time on or before the expiry dates 31 December 2011, 5 October 2014, 22 November 2014, 10 July 2015 or 21 November 2011. As the exercise price of these options at balance date was greater than the market price of the shares, it is considered the options are unlikely to be exercised and consequently have not been considered dilutive.

None of the options have been included in the determination of basic earnings per share. Details relating to options are set out in note 16(b).

Reconciliation of loss used in the calculating basic loss per share

	Consolidated	
	2011	2010
	\$	\$
Net loss attributable to the owners of the company	(11,337,462)	(5,341,173)
Loss used in calculating basic loss per share	(11,337,462)	(5,341,173)

25. Financial Instruments

Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Group approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Consolidated Statement of Financial Position and in the notes to and forming part of these financial statements.

Net Fair Value of Financial Assets and Liabilities for the Consolidated Group

	Fixed Interest Rate		Floating Interest Rate		Non interest Bearing		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets								
Cash and cash equivalents	4,069,916	2,062,977	51,585	152,324	1,321,152	1,364,020	5,442,653	3,579,321
Trade and other receivables	-	-	11,052	11,989	369,367	137,017	380,419	149,006
Other financial assets	-	-	-	-	30,303	30,303	30,303	30,303
Total Financial Assets	4,069,916	2,062,977	62,637	164,313	1,720,822	1,531,340	5,853,375	3,758,630
Interest Rate	6.36%	4.66%	0.52%	1.48%				
Financial Liabilities								
Trade and other payables	-	-	-	-	376,264	338,744	376,264	338,744
Interest bearing liabilities	-	-	-	-	-	-	-	-
Non interest-bearing loans	-	-	-	-	-	-	-	-
Total Financial Liabilities	-	-	-	-	376,264	338,744	376,264	338,744

The fixed interest rate cash and cash equivalents are held in two term deposits of one month and 6 months.

Interest Rate Risk

The economic entity's exposure to interest rate risk 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 rate on classes of financial assets and liabilities. The Group does not have a major exposure in this area as the interest rate earned on deposited funds does not vary greatly from month to month.

Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Consolidated	
	2011	2010
	\$	\$
Change in profit		
- Increase interest rate by 1% (one basis point)	41,057	22,273
- Decrease interest rate by 1% (one basis point)	(40,699)	(22,273)
Change in equity		
- Increase interest rate by 1% (one basis point)	41,057	22,273
- Decrease interest rate by 1% (one basis point)	(40,699)	(22,273)

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Consolidated Statement of Financial Position and notes to and forming part of the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the economic entity.

Foreign Currency Risk and Sensitivity

The consolidated entity undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. There is currently no risk hedging system in place to manage exchange rate fluctuations.

The Group is exposed to fluctuations in foreign currencies arising from costs incurred on overseas mineral exploration tenements. Overseas expenses are paid at the spot rate applicable on the date the invoice is paid. The Group does not hedge to reduce the foreign exchange risk as the directors believe the risk is not significant. The carrying amount of the Group's foreign currency denominated assets and liabilities at the reporting date in AUD is as follows:

	Consolidated Liabilities		Consolidated Assets	
	2011	2010	2011	2010
	\$	\$	\$	\$
Australia Dollars	9,965,992	3,477,552	1,112,715	1,172,213

The table below details financial assets and liabilities of the consolidated entity exposed to foreign currency risk.

	Consolidated	
	2011 \$	2010 \$
Cash and cash equivalents		
- USD	1,112,715	1,172,213
Trade and other payables		
- USD	12,270	80,281
- CFA	23,090	2,530
- EURO	23,752	-

Sensitivity Analysis

The table below summarises the impact of a 10% weakening/strengthening of the AUD against both the USD and the CFA Franc in the movement of the financial assets and liabilities listed in the previous table.

	AUD	Consolidated	
		2011 \$	2010 \$
Change in profit			
- Increase in USD rate by 10%	+10%	(100,034)	(98,674)
- Decrease in USD rate by 10%	-10%	120,919	122,051
- Increase in CFA rate by 10%	+10%	2,203	229
- Decrease in CFA rate by 10%	-10%	(2,439)	(202)
- Increase in EURO rate by 10%	+10%	2,541	-
- Decrease in EURO rate by 10%	-10%	(2,172)	-
Change in equity			
- Increase in USD rate by 10%	+10%	(100,034)	(98,674)
- Decrease in USD rate by 10%	-10%	120,919	122,051
- Increase in CFA rate by 10%	+10%	2,203	229
- Decrease in CFA rate by 10%	-10%	(2,439)	(282)
- Increase in EURO rate by 10%	+10%	2,541	-
- Decrease in EURO rate by 10%	-10%	(2,172)	-

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and receiving short term loans, if required, from the Chair of the Board.

The Company does not conduct any sensitivity analysis on credit, interest rate or foreign currency as the amounts are not material.

Market Price Risk

The consolidated entity is not exposed to any significant material market price risk.

26. Events Occurring after Balance Date

Since the end of the financial year, no significant event has occurred, except as stated below and elsewhere in this Annual Report.

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, or the state of affairs of the consolidated entity in future financial years.

27. Contingent Liabilities

The consolidated entity did not have any contingent liabilities at 30 June 2011 or 30 June 2010.

28. Segment Information

The Group operates in one business, namely exploration for mineral resources in various geographical regions. The financial results from this business are presented to the Board on a geographical basis. Information on a geographical segment basis is presented below:

The geographical segments of the consolidated entity are as follows:

2011

	Australia	Europe	Africa	South Pacific	Eliminations / Unallocated	Economic Entity
Segment revenue	-	-	-	-	302,924	302,924
Segment result	(95,226)	(113,786)	(6,014,016)	(13,735)	(5,375,244)*	(11,612,007)
Income tax expense	-	-	-	-	-	-
Segment assets	164,153	-	731,913	27,735	5,616,520*	6,540,321
Segment liabilities	-	-	98,031	-	379,841	477,873
Mineral exploration expenditure written off	-	113,786	5,905,307	11,871	218,201	6,249,164
Depreciation expense	95,226	-	108,709	1,864	-	205,799
Additions to non current assets	58,645	-	530,620	-	-	589,265

*This includes cash held by the parent entity in Australia

* This includes Directors' remuneration options, Share based payments and consultancy and employee expenses

2010

	Australia	Europe	Africa	South Pacific	Eliminations / Unallocated	Economic Entity
Segment revenue	-	-	-	-	106,141	106,141
Segment result	(16,104)	(1,191,157)	(2,513,007)	(29,519)	(2,134,547)*	(5,884,334)
Income tax expense	-	-	-	-	-	-
Segment assets	200,734	-	298,697	31,644	3,544,636*	4,075,711
Segment liabilities	-	-	93,571	2,347	247,185	343,103
Mineral exploration expenditure written off	-	1,191,157	2,510,639	26,453	370,158	4,098,407
Depreciation expense	42,332	-	13,222	6,079	-	61,633
Additions to non current assets	183,781	-	87,918	-	-	271,699

*This includes cash held by the parent entity in Australia

* This includes Directors' remuneration options, Share based payments and consultancy and employee expenses

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the

chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

The consolidated entity operates predominantly in the mineral exploration industry. There are therefore no business segments requiring disclosure.

29. Acquisition of Non Controlling Interest

During November 2010 Golden Rim paid AUD144,928 to acquire an additional 15% in Golden Rim SAR Exploration SARL (**SAR**), a company incorporated in Mali, increasing its ownership from 75% to 90%. The carrying amount of SAR's net assets in the consolidated financial statements on the date of the acquisition was a deficiency of \$3,279,753. The Group recognised a decrease in non-controlling interest of \$501,454 and an increase in accumulated losses of \$646,382.

The following summarises the effect of changes in the Group's (parent) ownership interest in SAR:

	\$
Cost of acquisition of 15%	144,928
Effect of increase in parent's ownership interest	<u>501,454</u>
Goodwill recognised on acquisition	<u>646,382</u>