

SAMBA MINERALS LIMITED

ACN 129 327 073

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

SAMBA MINERALS LIMITED
CONTENTS

	Page
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	7
Statement of Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Directors' Declaration	34
Independent Auditor's Report	35

**SAMBA MINERALS LIMITED
CORPORATE DIRECTORY**

DIRECTORS

Robert Chanson
Nigel Ferguson
Paul Jurman

COMPANY SECRETARY

Paul Jurman

**PRINCIPAL AND REGISTERED
OFFICE**

30 Ledger Road
Balcatta WA 6021

Telephone: (08) 9240 2836
Facsimile: (08) 9240 2406
Website: www.sambaminerals.com

LEGAL ADVISERS

Australia
Cullen Babington Hughes Pty Ltd
229 Stirling Highway
Claremont WA 6010

Brazil
Luis Mauricio F Azevedo
Av. das Americas, 700 Citta America
Bloco 8 – Loja 215A Barra da Tijuca
Rio de Janeiro RJ-CEP 22640-100
Brazil

AUDITORS

HLB Mann Judd
Level 4 130 Stirling Street
PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

SAMBA MINERALS LIMITED DIRECTORS' REPORT

The directors of Samba Minerals Limited submit herewith the annual financial report of Samba Minerals Limited ("Company") and its controlled entities ("Consolidated Entity") for the year ended 30 June 2010 and the auditor's report thereon. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names and particulars of the directors of the Company during or since the end of the financial period are as follows. Directors were in office for the entire period unless otherwise stated.

Dr. Robert Chanson

Non Executive Chairman

Appointed 30 September 2008

Dr. Robert Chanson is a Non Executive Chairman of Samba Minerals. Dr. Chanson is a seasoned Swiss entrepreneur and financier. Following a successful career with Zurich Financial Services and serving as a multi-term member of Parliament, he turned his focus to launching innovative SME's in an international setting in the last two decades. In this role he has gained extensive experience in legal and corporate finance matters as well as managing private and publicly traded companies in Switzerland and overseas. His professional career spans both the resource as well as the biotech industries. Dr. Chanson is a results-driven director who aims to safeguard the interests of investors and shareholders and his track record in this field has led him to become a respected non-executive board member.

Nigel Ferguson, BSc,MAusIMM

Managing Director

Appointed 22 January 2008

Mr. Ferguson is a geologist with over 23 years of experience. Mr Ferguson has held senior management positions for the past 10 years and has experience in precious and base metal mineral resources in overseas locations including Saudi Arabia, South East Asia, South and Central America and Africa. Mr. Ferguson was Country Manager - Tanzania for Ashanti Goldfields, being instrumental in assessing the acquisition of the now multi-million ounce Geita Gold Project. Mr. Ferguson was instrumental in listing Condor Resources plc on the London Stock Exchange - AIM market and served as CEO for the company between 2003 and 2008. Mr. Ferguson also holds Non Executive directorships with Burey Gold Ltd (ASX) and African Metals Corp (TSX_V).

Paul Jurman, BCom, CPA

Non Executive Director and Company Secretary

Appointed 22 January 2008

Mr Jurman is a Certified Practising Accountant with over 10 years experience and has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles. He is also company secretary of LIndian Resources Limited, Verus Investments Limited, Carnavale Resources Limited and Erongo Energy Limited.

Directors' interests

The interests of each Director in the shares and options of the consolidated entity at the date of this report are as follows:

<i>Name</i>	<i>Ordinary shares</i>	<i>Options over Ordinary shares</i>
R Chanson	250,000	1,000,000
N Ferguson	1,300,000	1,000,000
P Jurman	260,000	1,000,000

Options granted to directors' and officers and analysis of share-based payments granted as remuneration

The Company did not grant any options over unissued ordinary shares during or since the end of the financial year to any Directors or officers as part of their remuneration

SAMBA MINERALS LIMITED

DIRECTORS' REPORT

SHARE OPTIONS

As at the date of this report, there are 5,000,000 options over unissued ordinary shares in the Company outstanding with an exercise price of \$0.20 and an expiry date of 30 June 2013.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. There are no options to subscribe for shares in any controlled entity.

There were no options issued after 30 June 2010 and up to the date of this report.

Shares issued on exercise of options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

PRINCIPAL ACTIVITIES

The principal activity of the Group is mineral exploration in Brazil.

RESULTS AND REVIEW OF OPERATIONS

The result of the Group for the financial year ended 30 June 2010 after income tax was a profit of \$463,675 (for the period 22 January 2008 to 30 June 2009 : loss of \$835,891).

LIKELY DEVELOPMENTS

The Company's focus over the next financial year will be on its key projects, being the Sao Joao and the Comandante Arara Projects. The Company will also assess new project opportunities with a view to expanding its asset portfolio.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- The Company issued 3,385,000 shares at an issue price of \$0.10 to raise \$338,500 in gross proceeds for the purposes of funding the acquisition and exploration of the Brazilian projects and for working capital.
- In October 2009, the Company entered into an agreement with AGC which extinguished the \$750,000 loan with AGC in exchange for 5,000,000 AGC shares.
- The Company entered into an agreement to dispose of 5,000,000 AGC shares at a price of US\$0.30 to raise gross proceeds before costs of US\$1,500,000. During the financial year, cash proceeds of US\$300,000 were received for the disposal of 1,000,000 shares. At balance date, the proceeds from the sale of 4,000,000 shares totalling US\$1,200,000 remained outstanding.

SUBSEQUENT EVENTS

Since the end of the financial year and to the date of this report no other matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulation when carrying out exploration work.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS' MEETINGS

There were no directors' meetings held during the period. There were 3 circulatory resolutions signed by the board during the financial year..

SAMBA MINERALS LIMITED

DIRECTORS' REPORT

REMUNERATION REPORT – AUDITED

Remuneration policy

The remuneration policy of Samba Minerals Limited has been designed to align directors' objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Samba Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company.

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

- The remuneration policy and setting the terms and conditions for the Executive Director and other senior staff members is developed and approved by the Board based on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained when considered necessary to confirm that executive remuneration is in line with market practice and is reasonable within Australian executive reward practices.
- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation.
- The Consolidated Entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives may be issued particularly as the Consolidated Entity moves from an exploration to a producing entity and key performance indicators such as profit and production and reserves growth can be used as measurements for assessing executive performance.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align Directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Details of specified directors and specified executives

Directors

R Chanson	Non-Executive Chairman	Appointed 30 September 2008
N Ferguson	Managing Director	Appointed 22 January 2008
P Jurman	Non-Executive Director	Appointed 22 January 2008

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Consolidated Entity or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Consolidated Entity.

SAMBA MINERALS LIMITED
DIRECTORS' REPORT

Remuneration of specified directors and specified executives

Remuneration for the year ended 30 June 2010

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$				
Directors						
R Chanson	10,000	-	-	-	10,000	-
N Ferguson	60,000	-	-	-	60,000	-
P Jurman	-	-	-	-	-	-
Total	70,000	-	-	-	70,000	

Remuneration for the period ended 30 June 2009

	Short-term benefits		Post-employment Super-annuation	Equity-based compensation	Total	Proportion related to performance
	Directors' fees	Consulting fees				
	\$	\$				
Directors						
R Chanson	-	-	-	75,917	75,917	-
N Ferguson	55,000	-	-	-	55,000	-
P Jurman	-	-	-	-	-	-
Total	55,000	-	-	75,917	130,917	

Options granted as part of remuneration

	Value of options granted as remuneration	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Remuneration represented by options for the period
	\$	\$	\$	\$	%
	Directors :				
R Chanson					
2010	-	-	-	-	-
2009	75,917	-	-	75,917	100
N Ferguson					
2010	-	-	-	-	-
2009	-	-	-	-	-
P Jurman					
2010	-	-	-	-	-
2009	-	-	-	-	-
G Le Page (resigned 30 September 2008)					
2009	-	-	-	-	-
Total, all specified Directors					
2010	-	-	-	-	
2009	75,917	-	-	75,917	

During the period ended 30 June 2009, 4,000,000 incentive share options were granted as remuneration to directors and 1,000,000 incentive share options were cancelled upon the resignation of Mr Le Page on 30 September 2008.

**SAMBA MINERALS LIMITED
DIRECTORS' REPORT**

The terms and conditions of incentive options granted affecting remuneration in the prior reporting period is as follows:

Grant date	Expiry date	Number granted	Exercise price	Value per option at grant date
2 April 2008	30 June 2013	3,000,000	\$0.20	\$0.00
30 September 2008	30 June 2013	1,000,000	\$0.20	\$0.0759

The amounts disclosed for compensation relating to incentive options above are the assessed fair values at grant date of options granted to directors, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes-Merton option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. For details on the valuation of options, including models and assumptions used, refer to Note 17.

Employment contracts of directors and executives

On 1 August 2008, the Company entered into a services agreement with Mr Nigel Ferguson (Services Agreement). Under the Services Agreement, Mr Ferguson is engaged by the Company to provide services to the Company in the capacity of Managing Director.

Mr Ferguson is to be paid AUD\$5,000 per month up until the listing of the Company and AUD\$12,000 per month thereafter plus statutory superannuation. Mr Ferguson will also be reimbursed for reasonable expenses incurred in carrying out his duties.

The Services Agreement has no expiration date. The Services Agreement contains standard termination provisions under which either party must give 3 months notice of termination, or alternatively, the Company may make payment in lieu of service.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Consolidated Entity shall be indemnified out of the property of the Consolidated Entity against any liability incurred by him in his capacity as Officer or agent of the Consolidated Entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and forms part of the directors' report and can be found on page 7 of the financial report.

NON AUDIT SERVICES

There have been no non-audit services provided by the Company's auditor during the year (2009: \$10,000).

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

On behalf of the Directors.



NIGEL FERGUSON

Director

Dated this 13th day of August 2010.
Perth, Western Australia

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Samba Minerals Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Samba Minerals Limited.

**Perth, Western Australia
13 August 2010**

**L DI GIALONARDO
Partner, HLB Mann Judd**

SAMBA MINERALS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	3	895,547	151,684
		895,547	151,684
Expenditure			
Administrative expenses	4	(278,376)	(945,964)
Project generation expenses written off	4	-	(41,399)
Depreciation expense	4	(361)	(212)
Impairment of loans to subsidiaries	4	-	-
Foreign exchange gain / (loss)		11,364	-
		628,174	(835,891)
Profit / (Loss) before income tax		628,174	(835,891)
Income tax expense	5	(164,499)	-
Net profit / (loss) attributable to members of the Company		463,675	(835,891)
Other comprehensive income / (loss)			
Exchange differences on translation of foreign operations		17,125	(16,072)
Income tax relating to components of other comprehensive income		-	-
Other comprehensive income / (loss) for the year, net of tax		17,125	(16,072)
Total comprehensive income / (loss) for the year		480,800	(851,963)

The accompanying notes form part of these financial statements

SAMBA MINERALS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Current assets			
Cash and cash equivalents	16(a)	400,947	210,004
Receivables	8	1,423,262	851,462
Other	9	10,412	-
Total current assets		<u>1,834,621</u>	<u>1,061,466</u>
Non-current assets			
Plant and equipment	10	3,149	3,459
Deferred exploration and evaluation expenditure	11	1,027,379	895,125
Total non-current assets		<u>1,030,528</u>	<u>898,584</u>
Total assets		<u>2,865,149</u>	<u>1,960,050</u>
Current liabilities			
Trade and other payables	12	81,166	154,366
Income tax payable		164,499	-
Total current liabilities		<u>245,665</u>	<u>154,366</u>
Total liabilities		<u>245,665</u>	<u>154,366</u>
Net assets		<u>2,619,484</u>	<u>1,805,684</u>
Equity			
Issued capital	13	2,909,730	2,576,730
Reserves	14	81,970	64,845
Accumulated losses	15	(372,216)	(835,891)
Total equity		<u>2,619,484</u>	<u>1,805,684</u>

The accompanying notes form part of these financial statements

SAMBA MINERALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated

2009	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Opening Balance	-	-	-	-	-
Loss attributable to members of the parent entity	-	-	-	(835,891)	(835,891)
Exchange differences arising on translation of foreign operations	-	-	(16,072)	-	(16,072)
Total comprehensive loss for the year	-	-	(16,072)	(835,891)	(851,963)
Shares issued, net of costs	2,576,730	-	-	-	2,576,730
Options issued, net of costs	-	80,917	-	-	80,917
Closing Balance at 30 June 2009	2,576,730	80,917	(16,072)	(835,891)	1,805,684

2010	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$
Opening Balance	2,576,730	80,917	(16,072)	(835,891)	1,805,684
Profit attributable to members of the parent entity	-	-	-	463,675	463,675
Exchange differences arising on translation of foreign operations	-	-	17,125	-	17,125
Total comprehensive income for the year	-	-	17,125	463,675	480,800
Shares issued, net of costs	333,000	-	-	-	333,000
Closing Balance at 30 June 2010	2,909,730	80,917	1,053	(372,216)	2,619,484

The accompanying notes form part of these financial statements

SAMBA MINERALS LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Cash flows from operating activities			
Payments to suppliers		(322,875)	(899,069)
Interest received		5,720	65,588
Net cash outflows from operating activities	16(b)	<u>(317,155)</u>	<u>(833,481)</u>
Cash flows from investing activities			
Purchase of plant and equipment		-	(3,740)
Proceeds from disposal of investments		336,889	-
Advances to third parties		-	(750,000)
Exploration expenditure		(158,061)	(778,952)
Net cash inflows / (outflows) from investing activities		<u>178,828</u>	<u>(1,532,692)</u>
Cash flows from financing activities			
Issue of shares		338,500	2,667,231
Share issue costs paid		(5,500)	(90,501)
Net cash inflows from financing activities		<u>333,000</u>	<u>2,576,730</u>
Net increase in cash and cash equivalents held		194,673	210,557
Net foreign exchange differences		(3,730)	(553)
Cash and cash equivalents at the beginning of the financial year		210,004	-
Cash and cash equivalents at the end of the financial year	16(a)	<u>400,947</u>	<u>210,004</u>

The accompanying notes form part of these financial statements

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. CORPORATE INFORMATION

The financial report of Samba Minerals Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 13 August 2010. Samba Minerals Limited is a company limited by shares, incorporated in Australia.

The nature of the operations and principal activity of the Group is mineral exploration.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

Going Concern

The Company has a consolidated cash balance of \$400,947 at balance date. The financial report has been prepared on a going concern basis, as the directors are of the opinion that the Company will be able to collect the funds outstanding in relation to its agreement to dispose of its shares in Aurora Gold Limited as well as raise additional capital, sufficient to enable the Company to meet its commitments for the period of 12 months from the date of signing the financial report.

(b) Adoption of new and revised standards

In the year ended 30 June 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(c) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Samba Minerals Limited ("Company" or "Parent") and its subsidiaries as at 30 June each year (the "Group" or "Consolidated Entity"). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Exploration, evaluation and development expenditure*

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(g) *Revenue*

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

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(h) *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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other 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.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

(j) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Earnings per share

Basic earnings per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("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 in the statement of financial position are shown inclusive of GST.

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 Cash Flow Statement 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.

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

(n) Financial assets and liabilities

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred and no longer controlled by the entity. A financial liability is removed from the statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

Financial assets and financial liabilities classified as held for trading are measured at fair value through profit or loss.

Upon initial recognition a financial asset or financial liability is designated as at fair value through profit or loss when:

- (a) an entire contract containing one or more embedded derivatives is designated as a financial asset or financial liability at fair value through profit or loss.
- (b) doing so results in more relevant information, because either:
 - (i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains or losses on them on different bases; or
 - (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to key management personnel.

Investments in equity instruments that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured are not designated as at fair value through profit or loss.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Financial assets and liabilities (continued)

A gain or loss arising from a change in the fair value of a financial asset or financial liability classified as at fair value through profit or loss is recognised in profit or loss.

Financial assets not measured at fair value comprise:

- (a) loans and receivables being non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate method.
- (b) held-to-maturity investments being non-derivative financial assets with fixed or determinable payments and fixed maturity that will be held to maturity. These are measured at amortised cost using the effective interest method.
- (c) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost together with derivatives that are linked to and must be settled by the delivery of such investments.

Available-for-sale financial assets are non-derivative financial assets which are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or financial assets as at fair value through profit or loss.

A gain or loss arising from a change in the fair value of an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the financial asset is derecognised at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

Purchases of financial assets are accounted for as follows:

- financial assets held for trading – at trade date
- held-to-maturity investments – at trade date
- loans and receivables – at trade date
- available-for-sale financial assets – at trade date

Except for the following all financial liabilities are measured at amortised cost using the effective interest rate method.

- (a) financial liabilities at fair value through profit and loss and derivatives that are liabilities measured at fair value.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or are accounted for using the continuing involvement approach.

The amortised cost of a financial asset or a financial liability is the amount initially recognised minus principal repayments, plus or minus cumulative amortisation of any difference between the initial amount and maturity amount and minus any write-down for impairment or uncollectability.

(o) Foreign currency translation

Both the functional and presentation currency of Samba Minerals Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency translation

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the foreign operations, Samba Minerals Mineração Ltda is Brazilian Reals (BRL). As at the reporting date the assets and liabilities of this subsidiary are translated into the presentation currency of Samba Minerals Limited at the rate of exchange ruling at the balance date and its statement of financial performance at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(p) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:

Plant and equipment – 4 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(q) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year that are unpaid and arise when the consolidated entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(s) Contributed equity

Ordinary shares and options are classified as contributed equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Samba Minerals Limited.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change in the number of reportable segments presented by the Group as operating segments are reported in a manner that is consistent with internal reporting provided to the chief operating decision maker.

(u) Significant accounting estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation expenditure

The Board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions:

The consolidated entity measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a Black-Scholes model, using the assumptions detailed in Note 18.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

3. REVENUE

	Consolidated	
	2010	2009
	\$	\$
Other revenue		
Interest earned	20,104	151,684
Profit on disposal of investment	875,443	-
Interest earned	895,547	151,684

4. EXPENSES

Depreciation of plant and equipment	361	212
Directors' remuneration	70,000	55,000
Director / Consultant options	-	80,917

5. INCOME TAX

(a) Prima facie tax expense / (benefit) at 30% on profit / (loss) from ordinary activities is reconciled to the income tax provided in the financial statements

Profit / (Loss) before income tax	628,174	(835,891)
Prima facie income tax expense / (benefit) at 30%	188,452	(250,767)
Tax effect of amounts which are not tax deductible/(taxable) in calculating taxable income:		
Current year capital losses utilised	(14,651)	-
Tax effect of capitalised share issue costs	(20,798)	(11,345)
Losses of overseas subsidiary not brought to account	(9,043)	-
Various timing items	26,429	-
Various non-deductible items	43,674	36,695
Income tax (expense) / benefit adjusted for non deductible / (taxable) items	214,063	(225,417)
Deferred tax asset not brought to account	-	225,417
Prior year tax losses recouped	(49,564)	-
Income tax expense / (benefit)	(164,499)	-

(b) Deferred tax assets

The potential deferred tax asset arising from tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet considered sufficiently probable.

	Consolidated	
	2010	2009
	\$	\$
Carry forward revenue losses	154,749	304,562
Carry forward capital losses	-	12,420
Capital raising costs	58,344	69,667
	213,093	386,649

The benefits will only be obtained if:

- (i) The companies derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the losses to be realised;
- (ii) The companies continue to comply with the conditions for deductibility imposed by the Law; and
- (iii) No changes in tax legislation adversely affect the companies in realising the benefits from the deductions for the losses.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

6. AUDITOR'S REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
The auditor of Samba Minerals Limited is HLB Mann Judd.		
Amounts received or due and receivable by the Company's auditors for:		
Auditing or reviewing the Company's financial statements	10,425	6,000
Other services to the Company	-	10,000
	10,425	16,000
Amounts received or due and receivable by non HLB Mann Judd audit firms for:		
Auditing or reviewing the financial statements of the overseas subsidiary	9,092	9,107

7. KEY MANAGEMENT PERSONNEL

(a) Details of key management personnel

Directors

R Chanson (appointed 30 September 2008)

N Ferguson (appointed 22 January 2008)

P Jurman (appointed 22 January 2008)

G Le Page (appointed 22 January 2008, resigned 30 September 2008)

(b) Compensation of key management personnel

Short-term	70,000	55,000
Post-employment	-	-
Share-based remuneration	-	75,917
	70,000	130,917

The Company has applied the option under Corporations Amendments Regulation 2006 to transfer key management personnel remuneration disclosures required by AASB 124 Related Party Disclosures paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(c) Shareholdings of key management personnel

Year ended 30 June 2010

	Balance at 1 July 2009	Granted as remuneration	Net other change	Balance at 30 June 2010
Directors				
R Chanson	250,000	-	-	250,000
N Ferguson	1,300,000	-	-	1,300,000
P Jurman	260,000	-	-	260,000
Total	1,810,000	-	-	1,810,000

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

7. KEY MANAGEMENT PERSONNEL (continued)

Period ended 30 June 2009

	Balance at 22 January 2008	Granted as remuneration	Net other change	Balance at 30 June 2009
Directors				
R Chanson	-	-	250,000	250,000
N Ferguson	-	-	1,300,000	1,300,000
P Jurman	-	-	260,000	260,000
G Le Page	-	-	-	-
Total	-	-	1,810,000	1,810,000

(d) Optionholdings of key management personnel

Year ended 30 June 2010

	Balance at 1 July 2009	Granted as remuneration	Net other change	Balance at 30 June 2010
Directors				
R Chanson	1,000,000	-	-	1,000,000
N Ferguson	1,000,000	-	-	1,000,000
P Jurman	1,000,000	-	-	1,000,000
Total	3,000,000	-	-	3,000,000

Period ended 30 June 2009

	Balance at 22 January 2008	Granted as remuneration	Net other change	Balance at 30 June 2009
Directors				
R Chanson	-	1,000,000	-	1,000,000
N Ferguson	-	1,000,000	-	1,000,000
P Jurman	-	1,000,000	-	1,000,000
G Le Page	-	1,000,000	(1,000,000)	-
Total	-	4,000,000	(1,000,000)	3,000,000

(e) Other key management personnel transactions

There were no other key management personnel transactions during the financial year.

8. RECEIVABLES

	Consolidated	
	2010 \$	2009 \$
Current		
Other receivables (i)	22,539	15,366
Sundry debtors – amounts due from third parties (ii)	1,400,723	836,096
	<u>1,423,262</u>	<u>851,462</u>

- (i) Other receivables include amounts outstanding for goods and services tax (GST). These amounts are non-interest bearing and have repayment terms applicable under the relevant government authorities.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

8. RECEIVABLES (continued)

- (ii) The Company advanced \$0.75 million to Aurora Gold Limited during the prior period. Interest was charged at 10% per annum. The loan was repaid during the year through the issue of 5,000,000 shares in Aurora Gold (AGC) Limited. The Company entered into an agreement to dispose of 5,000,000 AGC shares at a price of US\$0.30 to raise gross proceeds before costs of US\$1,500,000. During the financial year, cash proceeds of US\$300,000 were received for the disposal of 1,000,000 shares. At balance date, the proceeds from the sale of 4,000,000 shares totalling US\$1,200,000 remained outstanding.
- (iii) Amounts receivable from group entities are non-interest bearing, with no fixed terms of repayment. An impairment loss has been recognised against the loan to subsidiary on the basis that the subsidiary has incurred losses during the year and it is considered prudent to provide for the possibility of these loans not being recoverable to the extent of those losses. The impairment loss has been eliminated on consolidation.

9. OTHER

	Consolidated	
	2010	2009
	\$	\$
Current		
Prepayments	10,412	-
	10,412	-
	10,412	-

10. PLANT AND EQUIPMENT

	\$	\$
Plant and equipment, at cost	3,734	3,667
Less: accumulated depreciation	(585)	(208)
	3,149	3,459
Balance at beginning of year		-
Additions	3,459	3,740
Depreciation expense	(361)	(212)
Net foreign currency exchange differences	51	(69)
	3,149	3,459
	3,149	3,459

11. EXPLORATION AND EVALUATION EXPENDITURE

	\$	\$
Exploration and evaluation costs carried forward in respect of exploration areas of interest	1,027,379	895,125
Opening balance	895,125	-
Exploration expenditure incurred on acquiring assets	100,225	547,878
Exploration expenditure	12,004	363,256
Net foreign currency exchange differences	20,025	(16,009)
	1,027,379	895,125
	1,027,379	895,125

The ultimate recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2010	2009
	\$	\$
Current		
Trade and other payables (i)	21,166	54,366
Amount due for acquisition of mineral project (ii)	60,000	100,000
	81,166	154,366

- (i) Trade and other payables amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.
- (ii) The Company is required to issue 300,000 shares at a deemed price of \$0.20 as vendor payments for the Comandante Arara project.

13. ISSUED CAPITAL

(a) Issued capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in share capital

	2010	2009	2010	2009
	Number	Number	\$	\$
Balance at beginning of period	29,889,801	-	2,576,730	-
Issued during the year				
Subscriber Shares issued at \$1.00 on 22 January 2008	-	1	-	1
Shares issued at \$0.001 to directors and advisors on 15 April 2008	-	3,250,000	-	3,250
Shares issued at \$0.01 as seed capital on 15 April 2008	-	17,100,000	-	171,000
Shares issued at \$0.10 as seed capital on 7 May 2008	-	24,929,800	-	2,492,980
Reduction of share capital on 7 April 2009 (i)	-	(15,390,000)	-	-
Shares issued at \$0.10 in December 2009	3,385,000	-	338,500	-
Share issue costs	-	-	(5,500)	(90,501)
Balance at end of year	33,274,801	29,889,801	2,909,730	2,576,730

(c) Share Options

During the previous period, the Company granted 3,000,000 options to Messrs Ferguson, Jurman and Le Page on 2 April 2008 with an exercise price per option of \$0.20. The options were provided at no cost to the recipients. All options expire on the earlier of their expiry date of 30 June 2013 or termination of the individual's employment. 1,000,000 options were cancelled upon the resignation of Mr Le Page on 30 September 2008.

During the previous period, the Company granted 1,000,000 options with an exercise price per share of \$0.20 to Mr Chanson as a condition of his appointment to the Board on 30 September 2008. The options were provided at no cost to Mr Chanson. All options expire on the earlier of their expiry date of 30 June 2013 or termination of the individual's employment.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14. RESERVES

	Consolidated	
	2010	2009
	\$	\$
Current		
Foreign currency translation reserve (a)	1,053	(16,072)
Share based payment reserve (b)	80,917	80,917
Total	81,970	64,845

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of year	(16,072)	-
Gain / (loss) on translation of foreign controlled entities	17,153	(16,072)
Balance at end of year	1,053	(16,072)

(b) Share-based payment reserve

The share-based payment reserve records items recognised as expenses on valuation of director and consultant share options

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of year	80,917	-
Options issued to Directors (Note 18)	-	75,917
Options issued to consultants	-	5,000
Balance at end of year	80,917	80,917

(c) Movement in Options over ordinary shares

Options to subscribe for ordinary shares in the capital of the Company have been granted as follows:

Exercise Period	Exercise Price	Opening Balance 1 July 2009	Options Issued 2009/10	Options Exercised/ Cancelled/ Expired 2009/10	Closing Balance 30 June 2010
		<i>Number</i>	<i>Number</i>	<i>Number</i>	<i>Number</i>
On or before 30 June 2013	\$0.20	5,000,000	-	-	5,000,000

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

15. ACCUMULATED LOSSES

	Consolidated	
	2010	2009
	\$	\$
Accumulated losses at the beginning of the year	(835,891)	-
Profit / (Loss) for the year	628,174	(835,891)
Accumulated losses at the end of the year	<u>(207,717)</u>	<u>(835,891)</u>

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

	Consolidated	
	2010	2009
	\$	\$
Cash at bank	<u>400,947</u>	<u>210,044</u>

(b) Reconciliation of loss after tax to net cash flows from operations

	Consolidated	
	2010	2009
	\$	\$
Profit / (Loss) after income tax	463,675	(835,891)
Add back / (Subtract) non-cash items:		
Interest Received - Aurora	(14,384)	(86,095)
Depreciation	361	212
Profit on disposal of investment	(875,443)	-
Foreign exchange loss / (gain)	(11,364)	-
Stock option compensation	-	80,917
(Increase) / decrease in assets		
Trade and other receivables	(7,045)	(15,638)
Other	(4,580)	-
Exploration and Evaluation Expenditure	-	(32,183)
Increase / (decrease) in liabilities		
Trade and other payables	(32,874)	55,197
Income tax payable	164,499	-
	<u>(317,155)</u>	<u>(833,481)</u>

(c) Non-cash financing of investing activities

There were no non-cash financing of investing activities during the financial year.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

17. SHARE BASED PAYMENT PLANS

The Company makes share based payments to consultants and/or service providers from time to time, not under any specific plan. The Company also may issue options to directors of the parent entity. The expense recognised in the statement of financial performance in relation to share-based payments is disclosed in Note 4.

The Company did not make any share based payments to consultants and/or service providers during the year. The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the previous period:

	Weighted average exercise price	Number of options
	2009	2009
Outstanding at the beginning of the period	-	-
Forfeited / Expired during the period	\$0.20	(1,000,000)
Exercised during the period	-	-
Granted during the period	\$0.20	6,000,000
Outstanding at the end of the period	\$0.20	5,000,000
Exercisable at the end of the period		5,000,000

The outstanding balance as at 30 June 2010 is shown in Note 14 (c) above.

The fair value of the equity-settled share options is estimated as at the date of grant using a Black-Scholes-Merton model taking into account the terms and conditions upon which the options were granted. The fair value of shares issued is calculated by reference to the market value of the shares as determined by the latest capital raising performed by the Company during the period, on or around the date of grant.

The following table lists the inputs to the model used for the period ended 30 June 2009:

	2009
Volatility (%) - range	107% - 117%
Risk-free interest rate (%) - range	7%
Expected life of option (years)	4.75 to 5.25 years
Exercise price	20 cents
Weighted average share price at grant date	1.75 cents

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.

There were no other share based payments, not under any plans during the financial year.

18. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Project acquisition commitments

	Consolidated		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Within one year	87,545	124,254	-	-
After one year but not more than five years	1,108,906	1,273,608	-	-

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1,196,451	1,397,862	-	-
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18. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingent liabilities

The consolidated entity does not have any contingent liabilities at balance date.

19. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year and to the date of this report no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Overview

The activities of the Company expose it to a variety of financial risks, including:

- market risk,
- credit risk, and
- liquidity and capital 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 business. Samba will use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Brazilian Reals (BRL).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The Australian dollar is the reporting currency for the Group and the functional currency for the parent company; however the Group's Brazilian entity uses the Brazilian Reals as the functional currency.

At 30 June 2010, had the Australian Dollar weakened / strengthened by 10% against the Brazilian Reals with all other variables held constant, post-tax loss for the year would be \$1,944 higher / \$1,944 lower, mainly as a result of the change in value of the net loss incurred by entities in the group with the Brazilian Reals as the functional currency. Equity would have been \$100,999 higher / \$100,999 lower had the Australian dollar weakened / strengthened by 10% against the Brazilian Real arising mainly as a result of the change in value of the net equity including intercompany loans of entities in the group with the Brazilian Real as their functional currency.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(ii) Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2010		30 June 2009	
	Assets	Liabilities	Assets	Liabilities
Brazilian Real	49,140	9,674	59,389	64,716

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

	30 June 2010		30 June 2009	
	Assets	Liabilities	Assets	Liabilities
United States Dollar	2,104,833	-	732,500	-

(ii) Interest rate risk

The Group is exposed to movements in market interest rates on short term deposits.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2010						
Financial assets						
Cash and cash equivalents	17(a)	400,947	-	-	400,947	3.34
Trade and other receivables	8	-	-	1,423,262	1,423,262	-
		400,947	-	1,423,262	1,824,209	
Financial liabilities						
Trade and other payables	12	-	-	81,166	81,166	-
	Note	Floating interest rate	Fixed interest rate	Non- interest bearing	Total	Weighted average interest rate %
		\$	\$	\$	\$	
2009						
Financial assets						
Cash and cash equivalents	17(a)	210,004	-	-	210,004	2.28
Trade and other receivables	8	-	836,096	15,366	851,462	10
		210,004	836,096	15,366	1,061,466	
Financial liabilities						
Trade and other payables	12	-	-	154,366	154,366	-

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below, where interest is applicable. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

Consolidated	Profit or (Loss)		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp decrease \$
30 June 2010				
Variable rate instruments	3,716	(3,716)	3,716	(3,716)
Cash flow sensitivity (net)	3,716	(3,716)	3,716	(3,716)
30 June 2009				
Variable rate instruments	1,641	(1,641)	1,641	(1,641)
Cash flow sensitivity (net)	1,641	(1,641)	1,641	(1,641)

Financial assets

Trade receivables from other entities are carried at nominal amounts less any allowance for doubtful debts. Other receivables are carried at nominal amounts due. Interest is recorded as income on an accruals basis.

Financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the group.

Net fair value of financial assets and liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

(iii) Commodity price risk

As Samba is exploring for a variety of minerals including gold and copper, it will be exposed to the risks of fluctuation in prices for those minerals. The market for all of these minerals has a history of volatility, moving not only with the standard forces of supply and demand, but also in the case of gold, to investment and disinvestment. Prices fluctuate widely in response to changing levels of supply and demand but, in the long run, prices are related to the marginal cost of supply.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and investment deposits. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The main risks the Group is exposed to through its financial instruments are the depository banking institution itself, holding the funds, and interest rates. Other than the term deposit with NAB, the Group does not have significant exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

20. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(c) Liquidity and capital risk

The Group's total capital is defined as the shareholders' net equity plus any net debt. The objectives when managing the Company's capital is to safeguard the business as a going concern, to maximise returns to shareholders and to maintain an optimal capital structure in order to reduce the cost of capital.

The Group does not have a target debt / equity ratio, but has a policy of maintaining a flexible financing structure so as to be able to take advantage of investment opportunities when they arise. There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The table below analyses the Group's financial liabilities into maturity groupings based on the remaining period from the balance date to the contractual maturity date.

2010	Within 1 year \$	Between 1 and 5 years \$	After 5 years \$
Financial liabilities			
Trade and other payables	81,166	-	-
Total Financial Liabilities	81,166	-	-

2009	Within 1 year \$	Between 1 and 5 years \$	After 5 years \$
Financial liabilities			
Trade and other payables	154,366	-	-
Total Financial Liabilities	154,366	-	-

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

If the Company anticipates a need to raise additional capital in the next 12 months to meet forecasted operational activities, then the decision on how the Company will raise future capital will depend on market conditions existing at that time.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

21. INVESTMENT IN CONTROLLED ENTITIES

Entity	Country of incorporation	Equity holding	Contribution to consolidated result 2010 \$	Contribution to consolidated result 2009 \$
Samba Minerals Mineração Ltda	Brazil	100 %	(19,439)	(82,096)
			<u>(19,439)</u>	<u>(82,096)</u>

22. SEGMENT REPORTING

The directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that during the half-year, Samba Minerals Limited operated in the mineral exploration industry. Historically, these have been reported on a geographical basis with segments being Australia and Brazil.

23. PARENT ENTITY DISCLOSURES

(a) Summary financial information

Financial Position

	2010 \$	2009 \$
Current assets	1,785,481	1,002,078
Non-current assets	1,016,184	910,164
Total assets	<u>2,801,665</u>	<u>1,912,242</u>
Current liabilities	235,990	113,098
Total liabilities	<u>235,990</u>	<u>113,098</u>
Net assets	<u>2,565,675</u>	<u>1,799,144</u>
Equity		
Issued capital	2,909,730	2,576,730
Share-based payment reserve	80,917	80,917
Accumulated losses	(424,972)	(858,503)
Total equity	<u>2,565,675</u>	<u>1,799,144</u>

Financial performance

	2010 \$	2009 \$
Profit / (Loss) for the year after income tax	433,531	(858,503)
Other comprehensive income / (loss)	-	-
Total comprehensive income / (loss)	<u>433,531</u>	<u>(858,503)</u>

b) Guarantees entered into by the parent entity in relation to the debts of its subsidiary

Samba Minerals Limited has not entered into any guarantees in relation to the debts of its subsidiary.

**SAMBA MINERALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

23. PARENT ENTITY DISCLOSURES (continued)

c) Contingent liabilities of the parent

The parent entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2010 (30 June 2009 – \$Nil), the parent entity did not have any contractual commitments for the acquisition of property, plant or equipment.

**SAMBA MINERALS LIMITED
DIRECTORS' DECLARATION**

In the opinion of the Directors:

- (a) The accompanying financial statements and the notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended that date; and
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2010.

Signed in accordance with a resolution of the Directors made pursuant to s 295(5) of the Corporations Act 2001.

On behalf of the Board.



NIGEL FERGUSON
Director

Dated this 13th day of August 2010
Perth, Western Australia

INDEPENDENT AUDITOR'S REPORT

To the members of SAMBA MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Samba Minerals Limited, ("the company"), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Samba Minerals Limited Group ("the consolidated entity") as set out on pages 8 to 34. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Samba Minerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(c).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 6 of the directors' report for the year ended 30 June 2010. 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 Samba Minerals Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

L Di Giallonardo

Perth, Western Australia
13 August 2010

L DI GIALLONARDO
Partner