ALTONA MINING LIMITED

Annual Report 2011

Corporate Directory

Directors:
Mr Kevin Maloney
Chairman

Dr Alistair Cowden
Managing Director

Mr Jason Brewer
Non-Executive Director

Ms Fiona Harris
Non-Executive Director

Mr Peter Ingram
Non-Executive Director

Mr Heikki Solin
Non-Executive Director

Company Secretary:
Mr Eric Hughes

Principal & Registered Office:
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Finland
Telephone: +358 10 271 0090
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Share Registry:
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Level 2, Reserve Bank Building
45 St Georges Terrace
Perth 6000, Western Australia
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Auditor:
Australia
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco 6008, Western Australia
Telephone: +61 8 6382 4600
Facsimile: +61 8 6382 4601

Finland
Ernst & Young
Elielinaukio 5B
FIN-00100 Helsinki
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Stock Exchanges:
Australian Stock Exchange Limited
Frankfurt Stock Exchange
Norwegian OTC

Company Codes:
ASX: AOH
FSE: A20
NOTC: ALTM

Issued Capital:

518,687,704	Fully paid ordinary shares
80,000	$1.50, 5 September 2011, options
100,000	$1.50, 12 March 2012, options
500,000	$1.50, 27 December 2012, options
365,000	$1.50, 30 June 2013, options
500,000	$1.50, 16 December 2013, options
2,500,000	$0.44, 18 November 2013, options
5,000,000	Share rights expiring 5 February 2013
4,550,000	Share rights expiring 2 July 2013
780,000	Share rights expiring 2 July 2012

Website: www.altonamining.com

Contents

Directors' Report

1. Introduction

The Directors present their report together with the financial statements of the Group consisting of Altona Mining Limited (Altona or the Company) and its subsidiaries (together the Group), for the financial year ended 30 June 2011 and the auditor's report thereon.

Section 6 of this report has been subject to audit.

This report describes our corporate governance practices, which unless otherwise stated, comply with the ASX Corporate Governance Council recommendations.

2. Altona's Business in 2010/2011

2.1 Principal activities

The principal activities during the year were the development, evaluation and exploration of our base metal mining projects in Finland and Australia.

2.2 Operating and financial review

Profit and loss

The Group's loss after income tax for the year was $12,209,674 and for 2010 the Group earned a profit after income tax of $5,467,208.

Table 1: Shareholder returns

	2011	2010	2009	2008	2007
Profit/(loss) attributable to members of the Company	**(12,209,674)**	5,467,208	(15,297,367)	(7,069,841)	(9,517,218)
Basic earnings per share	**(3.83)**	2.46	(1.54)	(2.25)	(2.09)
Dividends paid	**nil**	nil	nil	nil	nil
Share price	**0.28**	0.096	0.016	0.074	0.096

Net profit/(loss) amounts for 2007-2011 have been calculated in accordance with Australian Accounting Standards.

Liquidity and capital resources

The Group's principal source of liquidity as at 30 June 2011 is cash of $58,201,930 (2010:$12,699,818) of which $55,696,640 (2010: $10,880,910) has been placed on short term deposit. The Group has also been awarded grants of $5,867,486 (€4,321,000) (2010: nil) from the Finnish government to assist in the construction of the Outokumpu Project. Grant funding takes the form of reimbursement of eligible expenditure and cash funds are expected to be received during the year ended 30 June 2012.

Shares issued during the year

During the year Altona issued 225,804,476 ordinary shares to raise $65,759,139 (net of fees) from an Institutional Placement and Entitlements Issue. Funds raised from this issue will be applied to the development of the Outokumpu Project located in Finland, advancement of the Roseby Project located in Queensland Australia and working capital. In addition, a further 47,605,811 ordinary shares were issued on conversion of the Converting Note which had a maturity date of 30 June 2011.

2.3 Review of principal business

Since 1 July 2010, significant progress has been made towards copper production in Finland and advancing the Roseby Project in Australia. Highlights for the year include:

- Increase in Resources of the Kylylahti deposit (part of the Outokumpu Project) from 8.1mt at 1.18% copper to 8.4mt at 1.25% copper (23 July 2010).
- The Board of Directors approved the development of the Outokumpu Project (2 August 2010).
- Shareholders approved a change of name to Altona Mining Limited. Altona Mining Limited commenced trading with symbol AOH on ASX on 11 August 2010.
- Ground preparation work commenced at the Kylylahti mine site. The first major step towards developing the Outokumpu Project (17 September 2010).
- Altona announced the divestment of non-core assets (23 August and 22 December 2010).
- Underground development commenced at the Kylylahti mine site (2 December 2010).
- The Finnish Government granted additional funds towards the construction of the Outokumpu Project (11 January 2011).
- Completion of A$70m Entitlement and Institutional Placement on 14 March 2011 (31 January 2011).
- Commencement of Roseby Feasibility Study (7 April 2011).
- Commencement of a major drilling campaign at the Roseby Project (25 May 2011).
- Drilling results from the Roseby Project confirm the potential of Little Eva Resource (28 June 2011).
- A 5 year off-take agreement for copper-gold concentrate from the Outokumpu Project was agreed with local Finnish copper smelter, New Boliden (June 2011 quarterly report).
- Agreement was reached with Credit Suisse for the provision of a US$20M debt facility to assist with the development of the Outokumpu Project thereby freeing up equity to further advance other group activities (June 2011 Quarterly Activities Report). Subsequent to 30 June 2011 this facility was documented and executed by all parties.
- Upgrade of Resources at the Little Eva deposit at the Roseby Project (June 2011 Quarterly Report).
- Conversion of all outstanding Converting Notes to shares at 30 June 2011.

2.4 Dividends

No amounts have been paid or declared by way of dividend since the end of the previous financial period and up until the date of this report. The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2011.

2.5 Significant changes in the state of affairs

During the year the Group both approved and commenced the development of its Outokumpu Project located in eastern Finland. At 30 June 2011 both the construction of the Kylylahti copper mine and the refurbishment of the Luikonlahti mill were well advanced. It is anticipated that production from the Outokumpu Project will commence in the quarter ended 31 March 2012.

2.6 Likely developments and expected results

In the next financial year the Company is likely to commence copper-gold-zinc production from its Outokumpu Project in Finland and to complete a Feasibility Study on its Roseby Project in Queensland, Australia. Further information regarding likely developments has not been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Directors' Report

2.7 Events subsequent to reporting date

Drilling results from the Roseby Copper Project located in Queensland continued to deliver increases to the Little Eva Resource. In addition, the Term Sheet agreed with Credit Suisse for the provision of a US$20M Fully Secured Facility to assist in construction funding of the Outokumpu Project located in eastern Finland was executed. The provision of this facility will result in equity funds previously allocated for the development of the Outokumpu Project to be available for use elsewhere in the Group. At the date of this report no funds had been drawn on this facility.

2.8 Unissued shares

At the date of this report there were 3,965,000 unissued shares under option and 10,330,000 share rights.

No option holder or holder of share rights has any right by virtue of such option or share right to participate in any other share issue of the Company or of any other entity.

During the year there were no shares issued as a consequence of options being exercised or of the conditions relating to share rights being achieved.

3. Board of Directors

3.1 Composition of the Board

There are six directors of the Company. The Chairman is Mr Kevin Maloney, who also chairs the Remuneration and Nomination Committee, the lead independent Non-Executive Director and Chairman of the Audit and Risk Management Committee is Ms Fiona Harris. In addition, the Board comprises a further three Non-Executive Directors, Mr Jason Brewer, Mr Peter Ingram and Mr Heikki Solin. The Managing Director is Dr Alistair Cowden. The Company Secretary is Mr Eric Hughes.

The composition of the Board is determined using the following principles:

- Expertise in the jurisdictions in which we operate.
- A majority of independent non-executive directors.
- A majority of directors having extensive knowledge of the mining industry, combined with expertise in auditing and financial reporting, and risk management.
- A non-executive director as Chairman.
- Sufficient directors to serve on various committees without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.
- Subject to re-election every three years (except for the Managing Director).
- Have the capability to enhance shareholder value and form our strategic objectives.

The qualifications and experience of directors and officers of the Company during or since the end of the financial year are given below:

Mr Kevin Maloney (appointed 20 July 2009, Non-Executive Chairman)

Mr Maloney has had an extensive career in retail banking, finance and resources. He joined Elders Resources in 1981 after spending twenty years with the ANZ Bank. During his time at Elders Resources, Mr Maloney held numerous positions including Chief Executive Officer of Elders Resources Finance Ltd. Mr Maloney has a wealth of experience in the resources and finance industries and has been involved with a number of public companies as an executive and Non-Executive Director.

Directors' Report

Other directorships of listed companies held by Mr Maloney in the past three years are:

Current: THEMAC Resources Group Limited (appointed 2 September 2005)
Former: Queensland Mining Corporation Limited (appointed 25 July 2007, resigned 14 August 2009)
Northern Energy Corporation Limited (appointed 24 May 2007, resigned 17 March 2011)
The MAC Services Group Limited (appointed 5 June 1991, resigned 31 December 2011)

Dr Alistair Cowden BSc (Hons), PhD, MAusIMM, MAIG (appointed 19 February 2010, Managing Director)

Dr Cowden has degrees in geology from the universities of London and Edinburgh and has spent 30 years in the Australian mining industry, initially with majors and in the last seventeen years with junior companies. Dr Cowden spent six years with WMC at Kambalda in both nickel and gold.

Dr Cowden was part of the discovery and development teams for several large gold mines in Australia and platinum mines in Zimbabwe whilst with Delta Gold and was subsequently instrumental in the listing of a number of junior companies which made discoveries in Australia.

Dr Cowden was founding Chairman of Vulcan Resources Limited (company delisted 23 February 2010 after merger) and subsequently Managing Director until the merger with Altona Mining Limited. Dr Cowden has held no other directorships of listed companies in the last three years.

Mr Jason Brewer M.Eng (Hons), ARSM, LLB (appointed 1 October 2007, Independent Non-Executive Director)

Mr Brewer has over fifteen years international experience in the natural resources sector and in investment banking. He is a mining engineer with a master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in gold and base metals mines having worked at the Kidd Creek Copper and zinc mine in Canada for Falconbridge, the Lanfranchi Nickel Mine in Western Australia for WMC and the Kinross Gold Mine in South Africa for Gencor.

Other directorships of listed companies held by Mr Brewer in the past three years are:

Current: Continental Coal Limited (appointed 16 December 2009)
De Grey Mining Limited (appointed 3 December 2010)
Former: Terrain Minerals Limited (appointed 13 December 2007, resigned 23 May 2008)
Zambezi Resources Limited (appointed 3 August 2009, resigned 14 September 2009)

Ms Fiona Harris BCom, FCA, FAICD (appointed 19 February 2010, Independent Non-Executive Director and Lead Independent Director)

Ms Harris has been a professional non-executive director for the past sixteen years. Prior to this she spent fourteen years with KPMG, in Perth, San Francisco and Sydney specialising in financial services and superannuation.

Ms Harris is a member of the national board of the Australian Institute of Company Directors and was previously Western Australian State President. She is Non-Executive Chairman of Barrington Consulting Group Pty Ltd, a company providing consulting services in the areas of strategic and business planning, and is a Director of Perron Group Limited (and PG Holdings Ltd).

Other directorships of listed companies held by Ms Harris in the past three years:

Current: Sundance Resources Limited (appointed 12 July 2010)
Aurora Oil & Gas Limited (appointed 1 October 2010)
Infigen Energy Limited group (appointed 21 June 2011)
Former: Territory Resources Limited (appointed 4 August 2008, resigned 31 July 2011)
Vulcan Resources Limited (company delisted 23 February 2010 after merger)

Mr Peter Ingram BSc, FAusIMM, MGSA, FAICD (appointed Executive Director 8 November 1999 and on 19 February 2010 accepted an appointment as Non-Executive Director)

Mr Ingram is a geologist with over forty years experience in the mining and mineral exploration industries within Australia, including over thirty years experience in public company management. In addition to previously being the Managing Director of Metana Minerals NL, Eastmet Limited and Australia Oriental Minerals NL, Mr Ingram was a founding councillor of the Association of Mining and Exploration Companies (AMEC). He is an Honorary Life Member and past President of AMEC.

Mr Ingram has held no other directorships of ASX listed companies in the last three years.

Mr Heikki Solin LLM (appointed 19 February 2010, Independent Non-Executive Director)

Mr Solin has over forty years experience in the international mining industry which he has served in various capacities, mainly for Finland's mining major Outokumpu, but also as an independent business consultant.

Although widely travelled, and except for a period of fourteen years in the United Kingdom, Mr Solin has been based in the Helsinki area in Finland, his native country, where in addition to his mining related activities he spearheaded national initiatives in areas of cross-border licensing, international contract practices and Finnish-Latin American trade relations.

Mr Solin is Honorary Chairman of the Finnish-Latin American Chamber of Commerce, Past President and Honorary Member of Industrial Lawyers Association in Finland and the first President of Licensing Executives Society, Scandinavia Region. He is also a member of The Finnish Institute of Mining and Metallurgy.

Other directorships of listed companies held by Mr Solin the past three years:

Former: Vulcan Resources Limited (company delisted 23 February 2010 after merger)

Mr Eric Hughes CPA, BBus (appointed 19 February 2010, Company Secretary)

Mr Hughes is an accountant with some twenty years' experience in both corporate, corporate secretarial and practice environments. During the last fifteen years he has been directly involved in the management of petroleum and mining companies as a senior manager, executive and non-executive director of listed companies. Mr Hughes is experienced in the evaluation, development and operation of resource projects and companies both in Australia and overseas.

Ms Ann Nahajski BA Bus, F Fin, ACIS, GAICD (appointed 10 May 2010 as Company Secretary, resigned 24 February 2011)

Ms Nahajski has experience in corporate finance, global financial markets, investor relations and corporate governance. She is a Fellow of the Financial Services Institute of Australia (Finsia), an Associate of Chartered Secretaries Australia (CSA) and is a Graduate member of the Australian Institute of Company Directors (AICD).

3.2 Directors interests

As at the date of this report, the interests of the Directors in the shares, options and share rights of Altona were as follows:

Table 2: Directors shares, options and share rights

Director	Ordinary shares	Options	Share rights
K. Maloney	35,348,000	500,000	-
A. Cowden	5,000,000	-	5,000,000
J. Brewer	-	600,000	-
F. Harris	191,800	500,000	-
P. Ingram	1,000,000	1,000,000	-
H. Solin	1,678,250	500,000	-
P. Ingram and M. Hoyle as tenants in common	11,214	-	-
	43,229,264	**3,100,000**	**5,000,000**

3.3 Meetings

The Board holds seven scheduled meetings each year, plus a strategy meeting and additional meetings as required. The agenda for meetings is prepared by the Chairman, Managing Director and Company Secretary. Standing items include the Managing Director's report, financial reports, risk management, governance and compliance. Submissions are circulated in advance. Executives are involved in board discussions and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

The Board has two committees; a Remuneration and Nomination Committee and an Audit and Risk Management Committee.

Table 3: Tabulation of directors meetings and attendance

Director	Board		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	A	**B**	**A**	**B**	**A**	**B**
K. Maloney	12	12	-	-	1	1
A. Cowden	12	12	-	-	-	-
J. Brewer	10	12	3	4	-	-
F. Harris	12	12	4	4	1	1
P. Ingram	12	12	4	4	1	1
H. Solin	12	12	2	4	-	-

A – Meetings attended.

B – Number of meetings eligible to attend.

3.4 Independence

When determining the independence of a director the Board considers the following factors:

- Is the Director a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company?

- Is the Director employed, or has previously been employed in an executive capacity by the Company or another group member, within three years between ceasing such employment and serving on the Board?
- Has the Director within the last three years been a principal of a material* professional advisor or a material consultant to Altona, or an employee materially associated with the service provider?
- Is the Director a material* supplier or customer of Altona, or associated directly or indirectly with a material supplier or customer?
- Does the Director have a material* contractual relationship with the Company other than as a Director?

* The Board considers 'material' in this context, to be where any Director-related business relationship is, or is likely to represent, at least 5 percent of the Director-related business's revenue.

As Mr Kevin Maloney's interests in Altona exceed 5 percent of the issued capital of the Company and Mr Peter Ingram has been an executive of Altona within the past three years, neither Non-Executive Director satisfies the independence guidelines as set out above. The Board notes that these facts have not impaired either Director from acting in an independent manner and in the best interests of the Company.

3.5 The role of the Board

The Board's primary role is to act on behalf of shareholders to set the Company's strategic goals and objectives and to oversee management and company performance. Details of the Board's charter are located on the Company's website (www.altonamining.com). In particular the Board is responsible for:

- Formulating strategic direction.
- Approving and monitoring capital expenditure.
- Setting remuneration of senior executives.
- Appointing, removing and creating succession policies for directors and the Managing Director.
- Establishing and monitoring the achievement of management's goals.
- Monitor and review the policies and risk management systems and reports designed by the Company to manage material business risk including risk management, internal control, legal compliance and management information systems.
- Approving and monitoring financial and other reporting.

The Board delegates responsibility for operation and administration to the Managing Director and Senior Executives. Responsibilities are delineated by formal authority delegations.

Altona educates new directors and senior executives about its business, strategy, values, and expectations concerning performance of directors. The induction program includes reviewing the Company's structure, strategy, operations, financial position and risk management policies.

Each Director has the right of access to all relevant information and to executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense.

3.6 Indemnification and insurance of directors, officers and auditors

During the year insurance premiums were paid to insure the Directors and specified executives against certain liabilities arising out of their conduct while acting as a director or an officer of Altona. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

4. Audit and Risk Management Committee

4.1 How the Committee operates

The Committee Charter is posted on www.altonamining.com along with information on procedures for the selection and appointment of external auditors, and for the rotation of audit partners.

All members must be non-executive directors with a majority being independent. The Committee Chairman may not be the Chairman of the Board. The Committee advises on the establishment and maintenance of a framework of risk management, internal control and appropriate ethical standards.

The members of the Audit Committee during the year were: Ms Fiona Harris (Chairman), Mr Peter Ingram, Mr Heikki Solin, and Mr Jason Brewer.

The external auditors, the Managing Director and the Chief Financial Officer are invited to committee meetings at the discretion of the Committee. The Committee met four times during the year and committee members' attendance record is disclosed in the table of directors' meetings on page 7.

The Managing Director and the Chief Financial Officer declared in writing to the Board that, for the financial year ended 30 June 2011 the financial records of the Company have been properly maintained and the Company's financial reports comply with accounting standards and present a true and fair view of the Company's financial conditions and operational results. This statement is required annually.

The responsibilities of the Committee include:

- Reviewing the annual and half-year financial reports.
- Reviewing accounting policies and significant financial reporting judgements.
- Assessing whether the financial information is consistent with committee members' information and is adequate for shareholder needs.
- Assessing management processes for external reporting and risk management.
- Establishing procedures for selecting, appointing and if necessary, removing the external auditor.
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit review.
- Providing advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.
- Reviewing reports on the internal control framework and considering the need for an internal audit function.
- Monitoring the procedures to ensure compliance with the Corporations Act 2001, the ASX Listing Rules, other regulatory requirements in relation to financial reporting and the Company's Code of Ethical Standards.

The Committee reviews the performance of the external auditor on an annual basis and met with them twice during the year without management being present. The Committee meets to:

- Discuss the external audit plans, identifying any significant changes in structure, operation, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed.

- Review the half-year and full-year financial reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, and to recommend board approval of these documents, prior to lodgement with the ASX.
- Review the results and findings of the auditor as to the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made.

4.2 Non-audit services

During the year BDO Audit (WA) Pty Ltd (BDO) was the Group's auditor. BDO performed services in addition to their statutory duties.

The Board has considered the non-audit services that were provided during the year by the auditor and, in accordance with written advice provided by the Audit and Risk Management Committee, is satisfied that the provision of those services during the year by the auditor is compatible with, and did not compromise, the auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were considered in accordance with the Policy on auditor other services and have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Table 4: Payment to auditors

	2011 $	2010 $
Audit services		
Audit and review of financial reports (BDO)	**61,129**	40,557
Audit and review of financial report (Overseas auditors other than BDO)	**46,900**	37,713
Other Services		
Due diligence services (BDO practices)	**750**	-
Taxation compliance services (BDO Australia)	**28,731**	12,705
Corporate advice (BDO Australia)	**3,800**	51,504

4.3 Altona's approach to risk management

The Board oversees the establishment, implementation, and annual review of the Company's Risk Management System.

Altona has implemented a Risk Management System which assesses, monitors and manages risks. The Managing Director and the Chief Financial Officer have provided assurance in writing to the Board that they believe that the Company's material business risks are being managed effectively. They have also provided assurance in writing to the Board that the Company's financial reporting, risk management and associated compliance and controls have been assessed and are operating effectively so far as they relate to the financial report.

Risk is incorporated into each board meeting as a standing agenda item thereby ensuring the Board regularly considers and monitors Altona's most significant risks. Management also regularly report on the risk profile to the Audit and Risk Management Committee. Risk reporting includes changes to the status of risks and actions to be undertaken with the aim of ensuring risks are identified, assessed and appropriately managed.

The Risk Management Policy is available on www.altonamining.com.

Material business risks may arise from such matters as government policy change, commodity price movements, exchange rate movements, price of raw materials, occupational health and safety and environment.

Our mining and exploration activities in Australia and Finland are subject to environmental regulation and based on enquiries made by the Board, the Board is not aware of any significant breaches during the period covered by this report.

5. Remuneration and Nomination Committee

The Committee comprised Mr Kevin Maloney (Chairman), Ms Fiona Harris and Mr Peter Ingram, all of whom are Non-Executive Directors.

The ASX Corporate Governance Council Principles and Recommendations, recommend the Committee be chaired by an independent director and comprise a majority of independent directors. Paragraph 3.4 of this report notes that Mr Maloney and Mr Ingram do not meet all the criteria for independence recommended by ASX Corporate Governance Principles and Recommendations but the Board is of the opinion that their ability to act in an independent manner and best interests of the Company is not impaired.

The Committee makes recommendations to the Board on the appropriate skill mix, personal qualities, expertise and diversity for the Board and committees. When a vacancy exists or there is a need for particular skills, the Committee in consultation with the Board determines the selection criteria based on the skills deemed necessary. The Board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The Committee oversees the induction process for new directors, the succession plan for the Board, and the selection, appointment and succession planning process for the Managing Director.

The Committee is responsible for the development of a process for evaluation of the performance of the Board, its committees, Managing Director and senior executives. Findings from these annual performance reviews are reported to the Board.

The Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the executive officers and directors of the Company. It is also responsible for employee incentive plans, incentive performance packages, superannuation entitlements, retirement and termination entitlements and fringe benefits policies.

The Committee plan to meet approximately three times per year and as required. The Committee met once during the year (and has met again since year end) and committee members' attendance record is disclosed in the table of directors' meetings on page 7.

The terms and conditions of the appointment and retirement of non-executive directors are set out in a letter of appointment, including expectations of attendance and preparation for all board meetings, and appointment to other boards, the procedures for dealing with conflicts of interest, and the availability of independent professional advice.

The Committee plans to review its performance in September of each year and report its findings to the Board. During the year, the Committee did not conduct a formal review of its activities, however the Board did undertake a combined performance review of the Board and its sub-committees. The Committee is scheduled to conduct a further performance review in conjunction with the Board before November 2011.

Further details of the Remuneration and Nomination Committee's charter and policy including those for selecting and appointing directors, senior executives and diversity are available on the Company's website.

6. Remuneration Report (Audited)

6.1 Principles of remuneration

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of Altona. The remuneration reported on here addresses the remuneration of key management personnel and the five most highly remunerated executives. Key management personnel comprise the directors of the Company and senior executives of the Group. Whilst the Group has an obligation to disclose the remuneration of its five most highly remunerated executives, due to the Groups size and activity it only employs four senior executives and this report is reflective of those facts.

The Remuneration and Nomination Committee obtains independent data on the levels of remuneration in comparable companies.

The remuneration structures explained below are designed to attract and retain suitably qualified directors, executives and staff and reward the achievement of strategic objectives. Altona considers:

- Capability and experience.
- An ability of the key management personnel to control performance.
- Share price performance.
- The amount of incentives within each key management person's remuneration.

Remuneration packages are a mix of:

- Fixed remuneration.
- Short-term performance - based incentives.
- Long-term performance - based incentives.

6.2 Executive employment contracts

Altona's policy is that service contracts for executives are unlimited in term but capable of termination with between 3 and 6 months' notice and that the Company retains the right to terminate the contract immediately, by making a payment equal to between 3 and 6 months' pay in lieu of notice.

The Group has entered into service contracts with each senior executive. These contracts are capable of being terminated and the Group also retains the right to terminate a contract immediately by making payment in accordance with the policy stated above.

The executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service contract outlines the components of remuneration paid to the senior executives but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account change in the scope of the role performed by key management personnel and the senior executive and any changes required to meet the principles of the Remuneration Policy.

Directors' Report

The Managing Director has a contract of employment dated 4 February 2010, which specifies his duties and obligations and provides that the Board and Managing Director will consult and agree upon objectives for each financial year.

The service contract automatically terminates on the Managing Director's 65th birthday. At any time prior to his 65th birthday the service contract can be terminated either by the Group or the Managing Director providing 6 months' notice. The Group may make a payment in lieu of notice of 6 months, equal to 100 percent of base salary. This payment represents market practice at the time the terms were agreed.

The Managing Director has no entitlement to termination payment in the event of removal for misconduct.

6.3 Remuneration structure

Fixed remuneration consists of base remuneration which includes any statutory or fixed charges related to employee benefits.

Fixed remuneration levels are reviewed annually by the Remuneration and Nomination Committee through a process that considers the individual's performance, Altona's performance and market conditions.

Performance linked remuneration comprises both short-term and long-term incentives. They are designed to reward key management personnel for meeting or exceeding their objectives or key performance indicators (KPI's). The short-term incentive (STI) is an 'at risk' incentive provided in the form of cash, while the long-term incentive (LTI) is provided as share rights or options over ordinary shares of the Company under the rules of the Employee Award Plan as approved by shareholders on 6 August 2010.

6.4 Short term incentives

Each year the Remuneration and Nomination Committee sets the KPI's for the Managing Director.

The Managing Director sets the KPI's for key management personnel other than himself. The KPI's generally include measures relating to individual and corporate performance and are aligned to Altona's strategy and performance.

At the end of the financial year the Committee assesses performance against the KPI's set at the beginning of the financial year. A portion of the pre-determined maximum amount is awarded depending on results. The performance evaluation in respect of the year end 30 June 2011 has taken place in accordance with this process.

The Committee recommends to the Board the incentive to be paid to the individual.

6.5 Equity remuneration (long term incentives)

Share rights and options are issued under the Employee Awards Plan approved by shareholders on 6 August 2010. Share rights or options are issued for no consideration, however the vesting of the share rights or options are conditional on achieving specific measurable performance hurdles that are aligned with Altona's strategic objectives. In measurement of these performance hurdles, equal weighting is given to:

- Shareholder returns, and
- Delivery of specific objectives and strategies extracted from the Group's Strategic Plan.

Vesting of the Long Term Incentive is measured over a three year interval at three points being 12, 24 and 36 months after the initial grant.

The Committee considers that this performance-linked structure is effective as it is linked to improvement in share price and the delivery of strategic goals set by the Board. This has resulted in key management personnel being awarded less than the maximum Long-Term Incentive payment and no share rights or options vesting.

Currently, the performance linked component of remuneration comprises approximately 44 percent of total payments to key management personnel.

In December 2010, the Group amended its Remuneration Policy so as to prohibit those that are granted share-based payments as a part of the remuneration from entering into arrangements that limit their exposure to losses that would result from share price decreases. This policy also requires directors, executives and certain other staff members to seek approval from the Company prior to that individual buying or selling any company securities.

All share rights refer to share rights over ordinary shares of Altona which vest on a one-for-one basis under the Employee Award Plan. All share rights expire on the earlier of the expiry date or termination of the individual's employment. The share rights will vest over a three year period subject to achieving KPI's which are aligned with the Company's strategy. Details of the performance criteria are given above.

For options granted in the current year, the earliest vesting date is 18 November 2011. The terms of any options or share rights granted this year have not been altered or modified by the Altona during the reporting period or the prior period.

During the reporting period, no shares were issued on the vesting of share rights previously granted as remuneration. There are no amounts unpaid on the shares issued as a result of the exercise of options or vesting of shares in the 2011 financial year.

Statutory disclosure follows in Section 6.7.

6.6 Non-executive director remuneration

Total remuneration for all non-executive directors (who form a component of key management personnel), last voted upon by shareholders at the 2010 Annual General Meeting, is not to exceed $500,000 per annum and is set based on data from external advisors regarding fees paid to non-executive directors of comparable companies. Non-executive directors' base fees were $87,200 per annum for the Chairman of the Board and $54,500 for non-executive directors of the Board for the year ended 30 June 2011.

Directors' fees cover all main board activities and membership of committees. Non-executive directors who are also Chairman of the Audit and Risk Management Committee and who are chairmen of active overseas subsidiary companies receive a further allowance of $10,000 per annum for the year ended 30 June 2011. Non-executive directors are not entitled to receive retirement or termination benefits.

In addition, non-executive directors received equity based remuneration comprising options approved by shareholders at the 18 November 2010 Annual General Meeting which are disclosed in Tables 8 and 10. In reaching a decision to issue the options to directors the Group has taken into account the guidelines for non-executive director remuneration as set out in Box 8.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) ("Principles"). Paragraph 2 of those guidelines provides non-executive directors should not receive options or bonus payments. The Group considers the issue of options or share rights to non-executive directors is appropriate as the quantum of cash fees that the Group believes it is prudent to pay in the current circumstances does not represent an adequate reward and does not provide an adequate incentive to enable the Group to attract and keep non-executive directors of the requisite level of experience and qualifications to assist with the development of the Group. In accordance with the Principles, non-executive director's remuneration is not linked to individual performance targets nor do non-executive directors receive bonus payments.

6.7 Statutory tabulations relating to remuneration

Table 5: Summary of actual cash benefits to key management personnel employed at 30 June 2011.

	Office	Gross cash benefit	Superannuation and pension contributions	Total $
Directors				
K. Maloney	Non-Executive Chairman	83,600	3,600	87,200
A. Cowden	Managing Director	500,801	15,199	516,000
J. Brewer	Non-Executive Director	50,000	4,500	54,500
F. Harris	Non-Executive Director	60,000	5,400	65,400
P. Ingram	Non-Executive Director	50,000	4,500	54,500
H. Solin	Non-Executive Director	65,400	-	65,400
Executives				
E. Hughes	Company Secretary / Chief Financial Officer	370,000	15,199	385,199
J. Vesanto	General Manager, Finland	295,259	53,600	348,859
I. Scott	Chief Operating Officer	362,500	15,199	377,699

Table 6: Remuneration of key management personnel and executives in 2011 and 2010

	Short term			Post-employment		Share based payments			
	Salary and fees $	STI cash payment (A) $	Non-cash benefits $	Super-annuation $	Termination benefits $	Options and rights(B) $	Total $	Equity compensation value %	Performance related %
2011									
Directors									
K. Maloney	83,600	-	-	3,600	-	54,247	**141,447**	38.4	38.4
A. Cowden	414,801	86,000	-	15,199	-	200,387	**716,387**	28.0	40.0
J. Brewer	50,000	-	-	4,500	-	54,247	**108,747**	49.9	49.9
F. Harris	60,000	-	-	5,400	-	54,247	**119,647**	45.3	45.3
P. Ingram	50,000	-	-	4,500	-	54,247	**108,747**	49.9	49.9
H. Solin	65,400	-	-	-	-	54,247	**119,647**	45.3	45.3
Executives									
E. Hughes	310,000	60,000	-	15,199	-	84,305	**469,504**	18.0	30.7
J. Vesanto	249,029	46,230	-	53,600	-	56,204	**405,063**	13.9	25.3
I. Scott	302,500	60,000	-	15,199	-	84,305	**462,004**	18.2	31.2
Total	**1,585,330**	**252,230**	**-**	**117,197**	**-**	**696,436**	**2,651,193**	**35.9**	**42.4**
2010									
Directors									
K. Maloney	58,170	-	-	-	-	-	**58,170**	-	-
A. Cowden	137,500	125,000	-	20,833	-	-	**283,333**	-	44.1
J. Brewer	46,801	-	-	4,212	-	-	**51,013**	-	-
F. Harris	21,607	-	-	1,945	-	-	**23,552**	-	-
P. Ingram(1)	90,548	-	17,236	34,673	414,563	-	**557,020**	-	-
H. Solin	23,552	-	-	-	-	-	**23,552**	-	-
B. Fulton(2)	35,313	-	-	-	-	-	**35,313**	-	-
M. Hoyle(3)	190,775	-	14,500	50,000	-	49,206	**304,481**	16.2	16.2
Executives									
E. Hughes	95,566	62,500	-	8,601	-	-	**166,667**	-	37.5
J. Vesanto	64,084	-	-	11,086	-	-	**75,170**	-	-
I. Scott	-	-	-	-	-	-	**-**	-	-
D. Kelly(4)	52,905	-	-	-	60,000	-	**112,905**	-	-
Total	**816,821**	**187,500**	**31,736**	**131,350**	**474,563**	**49,206**	**1,691,176**	**-**	**-**

(A) The short-term incentive payment is for performance during the respective financial year using the criteria set out on page 13. The amount of incentive for the year ended 30 June 2011 was determined on 3 May 2011 after performance reviews were completed and approved by the Remuneration and Nomination Committee.

(B) The value of the share based payments are calculated at the date of grant and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed was determined by an independent expert and is the portion of the fair value of the share based payments recognised in this reporting period.

(1) P. Ingram stepped down as Managing Director of Universal Resources Limited on 19 February 2010 and took up the role of Non-Executive Director.

(2) B. Fulton resigned 19 February 2010.

(3) M. Hoyle resigned as a Director 19 February 2010 but continued as Australian Exploration Manager.

(4) D. Kelly resigned 31 March 2010.

Table 7: Vesting of short term incentives to Managing Director and executives

	Included in remuneration[(A)] $	% vested in year	% forfeited in year[(B)]
Directors			
A. Cowden	$86,000	95%	5%
Executives			
E. Hughes	$60,000	97%	3%
I. Scott	$60,000	93%	7%
J. Vesanto	$46,230	91%	9%

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of personal goals and satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the short term incentive plans for the 2011 financial year.

(B) The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

Table 8: Options granted to directors and vested

	Number of options granted during 2011	Grant date	Fair value of option at grant date ($)	Exercise price ($)	Expiry date	Number of options vested during 2011
K. Maloney	500,000	18 November 2010	0.1760	0.44	18 November 2013	-
J. Brewer	500,000	18 November 2010	0.1760	0.44	18 November 2013	-
F. Harris	500,000	18 November 2010	0.1760	0.44	18 November 2013	-
P. Ingram	500,000	18 November 2010	0.1760	0.44	18 November 2013	-
H. Solin	500,000	18 November 2010	0.1760	0.44	18 November 2013	-

Table 9: Share rights granted to Managing Director and executives and vesting status

Directors	Number of share rights granted during 2011	Grant date	Fair value per share right at grant date ($)	Expiry date	Number of share rights vested during 2011
A. Cowden	1,666,666	6 August 2010	0.0992	4 February 2013	-
	1,666,667	6 August 2010	0.1205	4 February 2013	-
	1,666,667	6 August 2010	0.1260	4 February 2013	-
Executives					
E. Hughes	1,500,000	18 January 2011	0.4142	1 July 2013	-
I. Scott	1,500,000	18 January 2011	0.4142	1 July 2013	-
J. Vesanto	1,000,000	18 January 2011	0.4142	1 July 2013	-

Table 10: Vesting profile of options granted

Directors	Number	% vested in year	% forfeited in year(A)	Financial years in which granted options vest
K. Maloney	500,000	-	-	30 June 2012
J. Brewer	500,000			30 June 2012
F. Harris	500,000	-	-	30 June 2012
P. Ingram	500,000	-	-	30 June 2012
H. Solin	500,000	-	-	30 June 2012

Table 11: Vesting profile of share rights granted

Directors	Number	% vested in year	% forfeited in year(A)	Financial years in which share rights vest
A. Cowden	5,000,000	-	-	4 February 2011, 2012, 2013
Executives				
E. Hughes	1,500,000	-	-	1 July 2011, 2012, 2013
I. Scott	1,500,000	-	-	1 July 2011, 2012, 2013
J. Vesanto	1,000,000	-	-	1 July 2011, 2012, 2013

(A) The percent forfeited in the year represents the reduction for the maximum number of options or share rights available to vest due to performance criteria not being achieved.

Table 12: Value of options issued during the year at grant date

Directors	Granted in year(A) $	Value of options exercised in year(B) $	Lapsed in year(C) $
K. Maloney	88,000	-	-
J. Brewer	88,000	-	-
F. Harris	88,000	-	-
P. Ingram	88,000	-	-
H. Solin	88,000	-	-

Table 13: Value of share rights issued during the year at grant date

Directors	Granted in year(A) $	Value of share rights vested in year(B) $	Lapsed in year(C) $
A. Cowden	429,400	-	-
Executives			
E. Hughes	459,568	-	-
I. Scott	459,568	-	-
J. Vesanto	306,378	-	-

(A) The total value of the options/share rights granted is included in the table above. These amounts are allocated to remuneration over the vesting period.

(B) None exercised.

(C) None lapsed.

The terms and conditions of each series of options granted in years prior to 1 July 2010 affecting remuneration in this or future periods are as follows:

Table 14: Options granted in prior periods to directors, officers and other employees

Grant date	Expiry date	Exercise price	Value(A) per option at date of grant	Date exercisable(B)
14 September 2005(C)	14 September 2010	$1.50	$0.0590	At any time after 14 September 2007
5 September 2006	5 September 2011	$1.50	$0.0200	At any time after 5 September 2007
12 March 2007	12 March 2012	$1.50	$0.0783	At any time after grant date
7 September 2007	27 December 2012	$1.50	$0.0368	At any time after 30 April 2008
30 June 2008	30 June 2013	$1.50	$0.0536	At any time after grant date
30 June 2008	30 June 2013	$1.50	$0.0536	At any time after grant date
26 November 2008	16 December 2013	$1.50	$0.0139	At any time after grant date
26 November 2008	16 December 2013	$1.50	$0.0139	At any time after grant date

(A) The value of options granted in previous years is calculated at the grant date using the Black-Scholes option pricing model.

(B) No options were exercised during the year.

(C) Lapsed during the year.

7. Key Policies and Standards

7.1 Ethical standards

All directors, managers and employees are expected to act with integrity and objectivity, striving to enhance our reputation and performance. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment. The Board reviews the Code of Conduct annually and processes are in place to promote and communicate these policies.

7.2 Conflict of interest

Directors must keep the Board advised of any interest that could potentially conflict with those of Altona. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned is not present at the meeting whilst the item is considered. Details of director related transactions are set out in Note 25 to the financial statements.

7.3 Code of conduct

The Group has advised each director, manager and employee that they must comply with the Group's Code of Conduct. The Code has been made available to each employee and covers the following:

- Aligning the behaviour of the Board and management with the Code of Conduct by maintaining appropriate core group values and objectives.
- Fulfilling responsibilities to shareholders by delivering shareholder value.
- Employment practices such as occupational health and safety. Responsibilities to the individual, such as privacy and use of privileged or confidential information.
- Compliance with legislation.
- Responsibility of the Group to the community.
- Managing actual or potential conflicts of interest.

- Corporate opportunities such as preventing directors and employees from taking improper advantage of property, information or position for personal gain.
- Procedures for reporting a breach of compliance with the Code of Conduct.
- The processes for monitoring and ensuring the compliance with the Code of Conduct.

7.4 Trading in Altona shares by directors and employees

The key elements of the Policy for Trading in Company Securities by Directors and Employees are set out in a policy and are:

- Directors, Officers and Key Management Personnel (Restricted Persons) are prohibited from dealing in the Company securities during closed periods which include:
  - between the Company's half-year (31 December) and annual reporting (30 June) periods and the release of those results to the ASX, or
  - whilst in possession of price sensitive information not yet released to the market.
- To prohibit transactions that limit economic risks related to unvested share rights or options.
- To require written clearance by the Chairman before entering into transactions such as margin loans or share loan arrangements.
- To require details to be provided of intended trading in the Company's shares.
- To require details to be provided of the subsequent confirmation of the trade.

The Policy also details the insider trading provisions of the Corporations Act 2001 and is reproduced in full on the Company's website.

7.5 Communication with shareholders

The Company's website contains all public disclosure made to ASX. All statutory reports and notices are also posted.

Every effort is made to post such information on the website as soon as possible after release. Altona provides regular briefings to investors through video updates and powerpoint presentations. Technical information relating to our activities is also posted on the site.

We encourage investors to register with us to receive electronic broadcasts of releases and video updates. Material releases are broadcast to some 1,700 investors registered with us.

Altona conducts regular briefings of shareholders and investors at conference forums, one on one meetings and all presentation materials for such briefings are lodged with ASX and posted on our website.

Records of meetings with investors and analysts are maintained, including where possible details of what was discussed, the persons present at the time and location of the meeting.

Altona has a comprehensive Continuous Disclosure Policy which is available on the website.

The Managing Director, the Chief Financial Officer/Company Secretary are responsible for identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website and issuing media releases and where necessary informing the Board. The Company Secretary is responsible for all communication with the ASX. Such matters are advised to the ASX on the day they are discovered.

The external auditor attends the Annual General Meetings to answer questions concerning the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with our strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and share to directors, the Remuneration Report and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

7.6 Diversity

The Board is committed to having an appropriate blend of diversity on the Board and in the Group's senior executive positions. The Board has established a policy regarding diversity, and details of the policy are available on the Company's website.

Table 15: Gender composition

	30 June 2011		30 June 2010	
	Female (%)	**Male (%)**	**Female (%)**	**Male (%)**
Board composition	17%	83%	17%	83%
Key management personnel composition	-	100%	-	100%

8. Statutory Representations

8.1 Environmental regulations

The Group carries out exploration, evaluation, development and construction activities at its operations in Finland and exploration activities in Australia which are subject to environmental regulations. During the financial year there has been no significant breach of these regulations.

The Group is subject to the reporting requirements of both the Energy Efficiency Opportunities Act 2006 and the National Greenhouse and Energy Reporting Act 2007.

The Energy Efficiency Opportunities Act 2006 requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the Group intends to take as a result. The Group is currently only exploring within Australia and consequently has only minimal energy usage.

The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use. The Group is not subject to the reporting requirements as this Group does not meet the current greenhouse gas thresholds.

8.2 Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 67 and forms part of the Director's Report for the financial year ended 30 June 2011.

This report is made in accordance with a resolution of the Directors:

Mr Kevin Maloney
Chairman

Dated 23 September 2011

Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	4(a)	803,879	277,362
Other income	4(b)	31,592	14,704,158
Employee benefits expense	5(a)	(3,221,193)	(1,842,862)
Depreciation and amortisation expenses		(168,861)	(101,900)
Finance costs	5(b)	(2,505,610)	(2,319,669)
Exploration and evaluation expenditure		(4,139,653)	(2,890,804)
Office and administration expenses	5(c)	(2,449,460)	(2,268,050)
Plant care and maintenance		(485,109)	(236,486)
Loss on sale of fixed assets		(8,994)	(16,622)
Loss on foreign exchange		(203,638)	(179)
Profit / (loss) before income tax		**(12,347,047)**	**5,304,948**
Income tax benefit	6	137,373	162,260
Profit / (loss) for the year		**(12,209,674)**	**5,467,208**
Profit / (loss) attributable to owners of the Group		**(12,209,674)**	**5,467,208**
Other comprehensive income / (loss)			
Net fair value gain on available-for-sale financial assets		579,621	240,236
Foreign currency translation		(467,405)	(1,509,455)
Total comprehensive income / (loss) for the year attributable to owners of the Group		**(12,097,458)**	**4,197,989**
Basic and diluted earnings / (loss) per share in cents	30	(3.83)	2.46

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

Financial Statements

Consolidated Statement of Financial Position

As at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	7	58,201,930	12,699,818
Trade and other receivables	8	4,549,789	413,353
Other assets	9	62,460	98,260
Total current assets		62,814,179	13,211,431
Non-current assets			
Available-for-sale financial assets	10	1,738,818	1,159,197
Property, plant and equipment	11	24,642,559	13,643,245
Exploration and evaluation assets	12	25,660,744	25,691,828
Other assets	13	1,414,207	1,359,683
Total non-current assets		53,456,328	41,853,953
Total assets		**116,270,507**	**55,065,384**
Current liabilities			
Trade and other payables	14	5,108,233	1,346,818
Borrowings	15	-	12,855,082
Provisions	16	139,955	207,954
Total current liabilities		5,248,188	14,409,854
Non-current liabilities			
Provisions	17	3,307,274	1,335,126
Total non-current liabilities		3,307,274	1,335,126
Total liabilities		**8,555,462**	**15,744,980**
Net assets		**107,715,045**	**39,320,404**
Equity			
Contributed equity	18	158,297,237	78,588,098
Reserves	19	913,696	18,520
Accumulated losses	20	(51,495,888)	(39,286,214)
Total equity		**107,715,045**	**39,320,404**

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

Financial Statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(11,421,604)	(8,058,618)
Interest received		832,034	230,240
Payments for security deposits		(103,337)	-
Tax offset received		162,260	337,400
Net cash outflows from operating activities	28(b)	**(10,530,647)**	**(7,490,978)**
Cash flows from investing activities			
Payments for property, plant and equipment		(8,172,496)	(307,915)
Payments for exploration and evaluation tenements		-	(2,000,000)
Proceeds from sale of fixed assets		310	36,753
Cash received on business combination		-	18,136,730
Net cash inflows / (outflows) from investing activities		**(8,172,186)**	**15,865,568**
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		69,999,387	3,960,001
Costs of share issues		(4,240,248)	(224,174)
Repayment of borrowings		(1,393,479)	(1,052,294)
Net cash inflows from financing activities		**64,365,660**	**2,683,533**
Net increase / (decrease) in cash and cash equivalents		45,662,827	11,058,123
Cash and cash equivalents at the beginning of the financial year		12,699,818	2,251,458
Effects of exchange rate changes on cash and cash equivalents		(160,715)	(609,763)
Cash and cash equivalents at the end of the financial year	7, 28(a)	**58,201,930**	**12,699,818**

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

Financial Statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Contributed equity $	Share based payments reserve $	Converting notes equity reserve $	Foreign currency translation reserve $	Asset revaluation reserve $	Accumulated losses $	Total equity $
At 1 July 2010	**78,588,098**	**706,637**	**581,102**	**(1,509,455)**	**240,236**	**(39,286,214)**	**39,320,404**
Loss for the period	-	-	-	-	-	(12,209,674)	(12,209,674)
Other comprehensive income	-	-	-	(467,405)	579,621	-	112,216
Total comprehensive income for the year	**-**	**-**	**-**	**(467,405)**	**579,621**	**(12,209,674)**	**(12,097,458)**
Equity and share based payment transactions:							
Contributions of equity (net of issue costs)	79,709,139	-	-	-	-	-	79,709,139
Share based payments expense		782,960	-	-	-	-	782,960
At 30 June 2011	**158,297,237**	**1,489,597**	**581,102**	**(1,976,860)**	**819,857**	**(51,495,888)**	**107,715,045**

At 1 July 2009	**46,764,640**	**657,431**	**581,102**	**-**	**-**	**(44,753,422)**	**3,249,751**
Profit for the period	-	-	-	-	-	5,467,208	5,467,208
Other comprehensive income	-	-	-	(1,509,455)	240,236	-	(1,269,219)
Total comprehensive income for the year	**-**	**-**	**-**	**(1,509,455)**	**240,236**	**5,467,208**	**4,197,989**
Equity and share based payment transactions:							
Contributions of equity (net of issue costs)	3,735,826	-	-	-	-	-	3,735,826
Equity issued to Vulcan Resources Limited shareholders for merger	28,087,632	-	-	-	-	-	28,087,632
Share based payments expense	-	49,206	-	-	-	-	49,206
At 30 June 2010	**78,588,098**	**706,637**	**581,102**	**(1,509,455)**	**240,236**	**(39,286,214)**	**39,320,404**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements contain the consolidated financial statements for Altona Mining Limited consisting of Altona Mining Limited ('Company' or 'Parent Entity') and its subsidiaries. Altona Mining Limited and its subsidiaries together are referred to in these financial statements as the Group.

(a) Basis of preparation of the financial statements

Going concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of asset and the settlement of liabilities in the normal course of business.

The Group's cash flow forecasts show that current resources (inclusive of cash, government grants and undrawn debt facilities) are sufficient to fund the operations.

Compliance with Accounting Standards

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'), Urgent Issues Group Interpretations and the Corporations Act 2001.

The consolidated financial statements of Altona Mining Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through Statement of Comprehensive Income, certain classes of property, plant and equipment and investment property. All amounts are presented in Australian dollars.

Critical accounting estimates and significant judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Altona Mining Limited as at 30 June 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Managing Director (chief operating decision maker) and management team. The chief operating decision maker and management team are responsible for allocating resources and assessing performance of the operating segments.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics, risk profiles and are also similar with respect to the following:

- geographical location;
- the nature of the products and services; and
- the nature of the regulatory environment.

(d) Foreign currency translation

Functional and presentation currency

Each entity in the Group determines its own functional currency based on the primary economic environment and items included in the financial statements of each entity are measured using functional currency.
The consolidated financial statements are presented in Australian dollars, which is Altona Mining Limited's functional and presentation currency.

Notes to the Financial Statements

Transactions and balances

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 a rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial statements are taken to Statement of Comprehensive Income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Statement of Comprehensive Income. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income. 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.

Group companies

The functional currencies for each of the subsidiaries within the Group are: Euros for Kylylahti Copper Oy, Kuhmo Nickel Oy, Vulcan Exploration B.V., Vulcan Hautalampi Oy, Vulcan Kotalahti Oy and Vulcan SW Finland Oy; British pounds for Kuhmo Nickel Limited, and United States dollars for Vulcan Finland (BVI) Limited.

The functional currency for these subsidiaries has been translated into Australian dollars for presentation purposes. The assets and liabilities of these subsidiaries are translated using the exchange rates prevailing at the reporting date; revenues and expenses are translated using average exchange rates for the year; and equity transactions eliminated on consolidation are translated at exchange rates prevailing at the dates of transactions. The resulting difference from translation is recognised in a foreign currency translation reserve through other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of transaction.

Interest income

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.

Notes to the Financial Statements

(f) Income tax

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

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the Statement of Comprehensive Income as a bargain purchase.

Notes to the Financial Statements

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the Statement of Comprehensive Income.

(i) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Comprehensive Income immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the Statement of Comprehensive Income immediately.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Trade receivables are generally due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements

(l) Investments and other financial assets

The Group classifies its financial assets in the following categories: recognition of financial instruments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the asset revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

(n) Plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land and buildings

Land and buildings are shown at cost, less subsequent depreciation for buildings. Land is not depreciated.

Ore processing equipment

Ore processing equipment is depreciated on a units-of-production basis consistent with the equipment's consumption pattern. As the equipment is being improved and is currently not ready for its intended use, no depreciation has been expensed.

Assets under construction

Property plant and equipment also includes 'assets under construction' expenditure which represents the costs incurred in preparing mines for production and refurbishment of the Luikonlahti mill before production commences. Once production commences, these costs will be reclassified.

Restoration and rehabilitation

The Group is obligated to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a group incurs either when the item is acquired, or as a consequence of having used the item during a particular period. The asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 the Group is required to recognise as a provision the best estimate of the present value of the expenditure required to settle the obligation at the reporting position date. The present value of the costs should be measured using a current market-discount rate. As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in carrying amount of the provision due to the passage of time is recognised as a borrowing cost in the Statement of Comprehensive Income.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation is calculated using the diminishing value method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Machinery — 10-15 years
- Motor vehicles — 3-5 years
- Furniture, fittings and equipment — 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Statement of Comprehensive Income for the period.

Notes to the Financial Statements

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within thirty days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

(p) Employee benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

Share based compensation benefits are provided to employees via the Employee Awards Plan.

The fair value of options granted under the Employee Awards Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The value of shares issued to employees for no cash consideration under the Employee Awards Plan is recognised as a share based payment expense with a corresponding increase in equity over the vesting period.

(q) Provisions

The Group recognises a provision when it has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating loss.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Notes to the Financial Statements

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(r) Financial instruments issued by the group

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Where the Group has issued converting notes the Group has assessed whether there is an equity and/or liability burden by calculating the liability as the discounted value when compared to the face value of the notes.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments and are amortised over the life of the investment using the effective interest rate method.

(s) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with 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.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred, with the exception of acquisition costs.

Where the Directors decide to progress to development in an area of interest all further expenditure incurred relating to the area will be capitalised. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Notes to the Financial Statements

Accumulated costs in relation to an abandoned area are written off in full in the Statement of Comprehensive Income in the year in which the decision to abandon the area is made.

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.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any exploration and evaluation asset may exceed its recoverable amount. Impairment indicators include:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverable amount of the exploration and evaluation asset (or 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.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and is then reclassified to mine properties and development.

(u) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

Notes to the Financial Statements

(v) Contributed equity

Ordinary shares are classified as equity (Note 18).

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a deduction, net of tax, from the proceeds.

(w) New accounting standards and interpretations

Certain new Australian Accounting Standards have been published that are not mandatory for financial reporting years ended on 30 June 2011. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* *(effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it is unlikely to affect the Group's accounting for its available-for-sale financial assets. AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in the Statement of Comprehensive Income. In the current reporting period, the Group recognised $579,621 of such gains in other comprehensive income. The Group has not yet decided when to adopt AASB 9.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011) amendments made to AASB 6 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securities, lend or otherwise transfer financial assets to other parties. They are not expected to have any impact on the Group's disclosures and have therefore not been adopted.

Note 2. Critical accounting estimates and judgments

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 entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

The Group's policy is to capitalise exploration tenement purchases, and to expense ongoing exploration and evaluation expenditure, for each area of interest, in terms of AASB 6 'Exploration for and evaluation of mineral resources'. The carrying value of tenement purchases is expensed to the Statement of Comprehensive Income when it is expected that the area of interest will not generate future economic benefits or alternatively where the amount of expected future economic benefits to be generated is less than the area of interest's carrying value, the difference is treated as an impairment. Significant judgment is applied by the Group in determining whether an area of interest will generate future economic benefits or future economic benefits in excess of its carrying value.

Restoration and rehabilitation provision – Outokumpu Project

The Group assesses its restoration and rehabilitation provision for the Outokumpu Project half-yearly. Significant judgement is required in determining the provision as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the sites. Factors that will affect this liability include future disturbances caused by further development, changes in technology, changes in regulations, price increases and changes in discount rates. When these factors change or become known in the future, such differences will impact the restoration and rehabilitation provision in the period in which they change or become known.

Share-based payments

The Group measures the cost of equity settled transactions with eligible persons by reference to the value of equity instruments at the date at which they are granted. The value is determined by an external valuer using a pricing model, using the assumptions detailed in Note 29.

Note 3. Segment information (Australia and Finland)

The Group has identified its operating segments to be Australia and Finland, based on its accounting policy as discussed in Note 1(c).

Discrete financial information about each of these operating segments, operating performance and assets are reported to the Board and Executive Management Team on a monthly basis.

Altona Mining Limited is domiciled in Australia. The Group currently does not derive revenues from external customers.

Notes to the Financial Statements

Performance of operating segments of the business in 2011

	Australia $	Finland $	Unallocated $	Total $
Revenue				
Interest revenue	-	-	803,879	803,879
Other income	-	-	31,592	31,592
Total revenue	**-**	**-**	**835,471**	**835,471**
Expenses				
Exploration and evaluation expenditure	(3,539,040)	(600,613)	-	(4,139,653)
Office and administration (excludes corporate)	-	(1,772,066)	-	(1,772,066)
Luikonlahti care and maintenance	-	(485,109)	-	(485,109)
Depreciation and amortisation	-	(41,223)	(127,638)	(168,861)
Corporate costs			(3,115,627)	(3,115,627)
Financial costs			(2,505,610)	(2,505,610)
Share based payments			(782,960)	(782,960)
Loss on sale of fixed assets			(8,994)	(8,994)
Loss on foreign exchange			(203,638)	(203,638)
Total expenses	**(3,539,040)**	**(2,899,011)**	**(6,744,467)**	**(13,182,518)**
Loss before income tax	**(3,539,040)**	**(2,899,011)**	**(5,908,996)**	**(12,347,047)**
Income tax benefit				137,373
Loss after tax as per statement of comprehensive income				**(12,209,674)**

Assets in operating segments of the business in 2011

	Australia $	Finland $	Unallocated $	Total $
Segment assets	14,986,440	40,475,401	-	55,461,841
Cash and cash equivalents			58,201,930	58,201,930
Trade and other receivables			314,599	314,599
Available-for-sale financial assets			1,738,818	1,738,818
Property, plant and equipment			398,728	398,728
Other assets			154,591	154,591
Total assets	**14,986,440**	**40,475,401**	**60,808,666**	**116,270,507**
Asset additions included above during the period:				
Property, plant and equipment	-	10,849,725	149,589	10,999,314
Exploration and evaluation	-	(31,085)	-	(31,085)
Trade and other receivables	-	4,217,452	-	4,217,452
Total assets additions	**-**	**15,036,092**	**149,589**	**15,185,681**

Notes to the Financial Statements

Performance of operating segments of the business in 2010

	Australia $	Finland $	Unallocated $	Total $
Revenue				
Interest revenue	-	-	277,362	277,362
Other income	-	-	14,704,158	14,704,158
Total revenue	**-**	**-**	**14,981,520**	**14,981,520**
Expenses				
Exploration and evaluation expenditure	(2,020,093)	(783,458)	-	(2,803,551)
Office and administration (excludes corporate)	-	(538,876)	-	(538,876)
Luikonlahti care and maintenance	-	(236,486)	-	(236,486)
Depreciation and amortisation	-	(14,647)	(87,253)	(101,900)
Corporate costs			(3,610,083)	(3,610,083)
Financial costs			(2,319,669)	(2,319,669)
Share based payments			(49,206)	(49,206)
Loss on sale of fixed assets			(16,622)	(16,622)
Loss on foreign exchange			(179)	(179)
Total expenses	**(2,020,093)**	**(1,573,467)**	**(6,083,012)**	**(9,676,572)**
Profit/(loss) before income tax	**(2,020,093)**	**(1,573,467)**	**8,898,508**	**5,304,948**
Income tax benefit				162,260
Profit after tax as per statement of comprehensive income				**5,467,208**

Assets in operating segments of the business in 2010

	Australia $	Finland $	Unallocated $	Total $
Segment assets	14,986,440	25,367,048	-	40,353,488
Cash and cash equivalents			12,699,818	12,699,818
Trade and other receivables			413,353	413,353
Available-for-sale financial assets			1,159,197	1,159,197
Property, plant and equipment			249,138	249,138
Other assets			190,390	190,390
Total assets	**14,986,440**	**25,367,048**	**14,711,896**	**55,065,384**
Asset additions included above during the period:				
Property, plant and equipment	-	13,394,107	32,501	13,426,608
Exploration and evaluation	-	10,859,303	-	10,859,303
Total assets additions	**-**	**24,253,410**	**32,501**	**24,285,911**

Notes to the Financial Statements

Note 4. Revenue

	2011 $	2010 $
(a) Revenue		
Interest received	803,879	277,362
	803,879	**277,362**
(b) Other income		
Gain on acquisition	-	14,704,158
Sundry income	31,592	-
	31,592	**14,704,158**

Note 5. Expenses

Profit/(loss) before income tax includes the following specific expenses		
(a) Employee benefits expense		
Employee benefit	2,438,233	1,793,656
Share based payments	782,960	49,206
	3,221,193	**1,842,862**
(b) Finance costs		
Accretion on rehabilitation provision	5,661	10,486
Converting notes interest	2,479,173	2,304,095
Bank fees	20,776	5,088
	2,505,610	**2,319,669**
(c) Office and administration expenditure		
Corporate expenses	2,296,321	2,112,902
Rental expense relating to operating leases	153,139	155,148
	2,449,460	**2,268,050**

Notes to the Financial Statements

Note 6. Income tax

	2011 $	2010 $
(a) Current income tax benefit		
Adjustment in respect of current income tax of prior periods	137,373	162,260
Total tax benefit	**137,373**	**162,260**
(b) Profit / (loss) from continuing operations before income tax	**(12,347,047)**	**5,304,948**
Income tax benefit (expense) calculated at 30%	3,704,114	(1,591,484)
Tax effect of amounts that are not tax deductible (taxable) in calculating taxable income:		
Share based payments	(234,888)	(14,762)
Interest on converting notes	(743,752)	(691,232)
Foreign currency translation	667,086	348,733
Other	117,238	24,849
Adjustment for prior period (deferred tax)	(32,686)	(400,318)
Deferred tax assets relating to tax losses and temporary differences not recognised	(3,477,114)	2,324,214
Overprovision in prior year	137,373	162,260
Income tax benefit reported in Statement of Comprehensive Income	**137,373**	**162,260**
The franking account balance at year end was nil. (30 June 2010: nil)		
(c) Deferred tax assets and liabilities not recognised relate to the following:		
Deferred tax assets		
Tax losses	16,482,170	15,161,588
Capital losses	9,487	9,487
Foreign losses	13,150,432	4,950,678
Other temporary differences	1,329,470	166,646
Deferred tax through equity (capital raising)	379,833	319,558
Deferred tax liabilities		
Other temporary differences	(3,088,628)	(1,544,316)
Business combination	(4,411,247)	(4,411,247)
Net deferred tax assets	**23,851,517**	**14,652,394**

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. Australian tax losses of $54,940,658 (2010: $50,538,627) are available to Altona Mining Limited subject to satisfying the provisions of the Income Tax Assessment Act 1936 and 1997 at the time of utilising the losses.

Notes to the Financial Statements

Tax Consolidation

Altona Mining Limited and its wholly owned Australian controlled entities have adopted the tax consolidation legislation.

Note 7. Current assets – cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	2,505,290	1,818,908
Deposits at call	55,696,640	10,880,910
	58,201,930	**12,699,818**

Note 8. Current assets – trade and other receivables

Other debtors[1]	1,700,915	413,353
Finnish Government Grants	2,848,874	-
	4,549,789	**413,353**

[1] Other debtors mainly consist of refunds due for Goods and Services Tax and Value Added Tax.

Note 9. Current assets – other assets

Prepayments	62,460	98,260
	62,460	**98,260**

Note 10. Non-current assets – available-for-sale financial assets

Shares in listed corporations	1,738,818	1,159,197
	1,738,818	**1,159,197**

Note 11. Non-current assets – property, plant and equipment

Land and buildings		
At cost	1,385,877	1,086,783
Less: accumulated depreciation	(1,034)	-
	1,384,843	1,086,783
Plant and equipment – Luikonlahti ore processing facility		
At cost	5,523,937	5,799,747
Less: accumulated depreciation	-	-
	5,523,937	5,799,747
Restoration and rehabilitation – Outokumpu Project		
At cost	2,812,564	855,420
Less: accumulated depreciation	-	-
	2,812,564	855,420

Notes to the Financial Statements

	2011 $	2010 $
Plant and equipment – other		
At cost	1,339,162	1,053,943
Less: accumulated depreciation	(775,441)	(734,572)
	563,721	319,371
Motor vehicles		
At cost	193,374	167,264
Less: accumulated depreciation	(102,374)	(82,598)
	91,000	84,666
Assets under construction – Outokumpu Project		
At cost	14,266,494	5,497,258
Less: accumulated depreciation	-	-
	14,266,494	5,497,258
Total property, plant and equipment	**24,642,559**	**13,643,245**

Reconciliations

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

Land and buildings		
Carrying amount at 1 July	1,086,783	-
Additions	350,550	271,108
Additions through business combination	-	934,210
Depreciation expense	(1,034)	-
Foreign currency translation movements	(51,456)	(118,535)
Carrying amount at 30 June	**1,384,843**	**1,086,783**
Plant and equipment – Luikonlahti ore processing facility		
Carrying amount at 1 July	5,799,747	-
Additions through business combination	-	6,387,167
Depreciation expense	-	-
Foreign currency translation movements	(275,810)	(587,420)
Carrying amount at 30 June	**5,523,937**	**5,799,747**
Restoration and rehabilitation – Outokumpu Project		
Carrying amount at 1 July	855,420	-
Additions	1,997,824	-
Additions through business combination	-	942,060
Depreciation expense	-	-
Foreign currency translation movements	(40,680)	(86,640)
Carrying amount at 30 June	**2,812,564**	**855,420**

Notes to the Financial Statements

	2011 $	2010 $
Plant and equipment - other		
Carrying amount at 1 July	319,371	121,238
Additions	405,095	149,951
Additions through business combination	-	194,921
Disposals	(9,304)	(59,483)
Depreciation expense	(148,052)	(77,764)
Foreign currency translation movements	(3,389)	(9,492)
Carrying amount at 30 June	**563,721**	**319,371**
Motor vehicles		
Carrying amount at 1 July	84,666	95,399
Additions	26,109	43,636
Disposals	-	(30,233)
Depreciation expense	(19,775)	(24,136)
Carrying amount at 30 June	**91,000**	**84,666**
Assets under construction – Outokumpu Project		
Carrying amount at 1 July	5,497,258	-
Additions	8,781,807	20,467
Additions through business combination	-	5,661,000
Depreciation expense	-	-
Foreign currency translation movements	(12,571)	(184,209)
Carrying amount at 30 June	**14,266,494**	**5,497,258**

Note 12. Non-current assets – exploration and evaluation

Exploration and evaluation properties		
Carrying amount at 1 July	25,352,511	14,832,525
Additions through business combination	-	10,538,511
Foreign currency translation movements	(14,947)	(18,525)
Carrying amount at 30 June	**25,337,564**	**25,352,511**
Exploration properties – restoration and rehabilitation		
Carrying amount at 1 July	339,317	-
Additions through business combination	-	373,684
Foreign currency translation movements	(16,137)	(34,367)
Carrying amount at 30 June	**323,180**	**339,317**
Total exploration and evaluation	**25,660,744**	**25,691,828**

The recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

Notes to the Financial Statements

	2011 $	2010 $
Note 13. Non-current assets – other assets		
Security deposits	246,435	333,179
Environmental bonds	1,167,772	1,026,504
	1,414,207	**1,359,683**

Note 14. Current liabilities – trade and other payables

	2011 $	2010 $
Trade creditors	3,594,137	580,993
Other creditors	182,612	76,991
Accrued expenses	1,331,484	688,834
	5,108,233	**1,346,818**

Note 15. Current liabilities - borrowings

	2011 $	2010 $
Unsecured converting notes	**-**	**12,855,082**
Reconciliation of converting note liabilities		
Converting note liability brought forward	12,855,082	11,945,987
Interest expense(1)	2,479,173	2,304,095
Interest paid	(1,384,255)	(1,395,000)
Conversion of notes to issued shares(2)	(13,950,000)	-
	-	**12,855,082**

(1) Interest expense is calculated by applying the effective interest rate of 10% (2010: 10%) to the liability component. Interest expensed for the year was $2,479,173 (2010: $2,304,095).

(2) During the year all converting notes were converted into issued shares. Further information is set out in Note 18(b) viii and ix.

Note 16. Current liabilities – provisions

	2011 $	2010 $
Employee entitlements	**139,955**	**207,954**

Note 17. Non-current liabilities – provisions

	2011 $	2010 $
Employee entitlements	156,195	130,234
Restoration and rehabilitation	3,151,079	1,204,892
	3,307,274	**1,335,126**

Notes to the Financial Statements

Note 18. Contributed equity

	2011 $	2010 $
(a) Share capital		
Ordinary shares		
518,687,704 fully paid (2010: 245,277,417)	**158,297,237**	**78,588,098**

		Number of shares	Issue price $	Value $
(b) Movements in ordinary share capital				
Balance at 1 July 2009		672,341,800	-	46,764,640
Shares issued	(i)	100,000,000	0.018	1,800,000
	(ii)	(2,207,488,363)	-	-
	(iii)	120,000,000	0.018	2,160,000
	(iv)	1,560,423,980	0.018	28,087,632
Capital raising costs				(224,174)
Balance as at 30 June 2010		**245,277,417**		**78,588,098**
Shares issued	(v)	61,135,645	0.3100	18,952,050
	(vi)	88,481,604	0.3100	27,429,297
	(vii)	76,187,227	0.3100	23,618,040
	(viii)	1,051,136	0.3520	370,000
	(ix)	46,554,675	0.2917	13,580,000
Capital raising costs				(4,240,248)
Balance as at 30 June 2011		**518,687,704**		**158,297,237**

(i) On 22 September 2009, 100,000,000 fully paid ordinary shares were issued at 1.8 cents per share by way of a placement to sophisticated investors.

(ii) On 4 November 2009, a re-organisation of capital was approved by shareholders which resulted in the Group consolidating every 10 ordinary fully paid shares into one fully paid ordinary share on 8 February 2010.

(iii) On 17 November 2009, 120,000,000 fully paid ordinary shares were issued at 1.8 cents per share by way of a placement to sophisticated investors.

(iv) On 19 February 2010, 1,560,423,980 fully paid ordinary shares were issued to Vulcan Resources Limited shareholders as part of the merger with the Group.

(v) On 11 February 2011, 61,135,645 fully paid ordinary shares were issued relating to the institutional placement at 31 cents.

(vi) On 9 March 2011, 88,481,604 fully paid ordinary shares were issued in accordance with the retail entitlement offer at 31 cents.

(vii) On 16 March 2011, 76,187,227 fully paid ordinary shares were issued in accordance with the entitlement offer at 31 cents.

(viii) On 16 March 2011, 1,051,136 fully paid ordinary shares were issued in accordance with offer made to converting note holders and approved by shareholders.

(ix) On 30 June 2011, 46,554,675 fully paid ordinary shares were issued to converting note holders on maturity of notes.

Notes to the Financial Statements

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group 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.

Details of options and share rights issued, cancelled and exercised during the year together with options and share rights outstanding at 30 June 2011 are included in Note 29 to the financial statements. Options and share rights carry no rights to dividends and no voting rights.

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain an optimal structure to reduce the cost of capital. Altona Mining Limited is dependent from time to time on its ability to raise capital from the issue of new shares and its ability to realise value from its existing assets. The Board is responsible for capital management. This involves the use of cash flow forecasts to determine future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. At 30 June 2011 the Group does not have any debt facilities and is not subject to any external capital requirements. Surplus funds are invested in term deposits and cash reserve accounts available in the short term as required.

The financial liabilities of the Group at the reporting date are trade and other payables. The trade and other payable amounts are unsecured and usually paid within thirty days of recognition.

The following table details the Groups capital:

	Notes	2011 $	2010 $
Cash and cash equivalents	7	58,201,930	12,699,818
Less borrowings	14,15	(5,108,233)	(14,201,900)
Net assets/(debt)		53,093,697	(1,502,082)
Total equity		107,715,045	39,320,404
Total capital		**160,808,742**	**37,818,322**

Notes to the Financial Statements

Note 19. Reserves

	2011 $	2010 $
Share based payments reserve		
Balance at the beginning of the financial year	706,637	657,431
Share based payment	782,960	49,206
	1,489,597	706,637
Converting notes equity reserve		
Balance at beginning of the financial year	581,102	581,102
	581,102	581,102
Foreign currency translation reserve		
Balance at beginning of the financial year	(1,509,455)	-
Foreign currency translation movement	(467,405)	(1,509,455)
	(1,976,860)	(1,509,455)
Asset revaluation reserve		
Balance at beginning of the financial year	240,236	-
Asset revaluation reserve movement	579,621	240,236
	819,857	240,236
Total reserves	**913,696**	**18,520**

Nature and purpose of reserves

The share based payments reserve is used to record the value of equity benefits provided to directors, employees and other parties as part of their remuneration and fees. Refer to Note 29 for further details of share based payments.

The converting note equity reserve records the equity portion value in relation to converting notes previously issued by the Group.

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

The asset revaluation reserve is used to recognise movements in the market valuation of assets.

Note 20. Accumulated losses

Accumulated losses at the beginning of the financial year	(39,286,214)	(44,753,422)
Profit / (loss) after income tax	(12,209,674)	5,467,208
Accumulated losses at the end of the financial year	**(51,495,888)**	**(39,286,214)**

Notes to the Financial Statements

Note 21. Key management personnel disclosures

Details of directors and other key management personnel are provided in the Remuneration Report contained within the Directors Report.

(a) Compensation of directors and other key management personnel

	2011 $	2010 $
Short-term employee benefits	1,837,560	1,036,057
Post-employment benefits	117,197	131,350
Share based payments	696,436	49,206
Termination payment	-	474,563
	2,651,193	**1,691,176**

(b) Equity instruments disclosures relating to key management personnel

Share holdings

The number of shares in the Group held during the financial year by each director and the key management personnel including their personally related entities, are set out below:

Name	Balance at start of year	Acquired during the year	Equity interest on appointment	Other changes during the year	Balance at end of year
2011					
Directors					
K. Maloney	11,820,000	23,528,000	-	-	35,348,000
A. Cowden	4,211,756	788,244	-	-	5,000,000
J. Brewer	-		-	-	-
F. Harris	137,000	54,800	-	-	191,800
P. Ingram	742,529	257,471	-	-	1,000,000
P. Ingram and M. Hoyle as tenants in common	8,010	3,204	-	-	11,214
H. Solin	1,198,750	479,500	-	-	1,678,250
Other key management personnel					
E. Hughes	300,000	320,000	-	-	620,000
J. Vesanto	194,143	-	-	-	194,143
I. Scott	-	-	-	-	-

Notes to the Financial Statements

Name	Balance at start of year		Acquired during the year	Equity interest on appointment	Other changes during the year		Balance at end of year
2010							
Directors							
K. Maloney	58,200,000		60,000,000	-	(106,380,000)	(2)	11,820,000
A. Cowden	-		-	4,211,756	-		4,211,756
J. Brewer	-		-	-	-		-
F. Harris	-		-	137,000	-		137,000
P. Ingram	7,425,281		-	-	(6,682,752)	(2)	742,529
P. Ingram and M. Hoyle as tenants in common	80,100		-	-	(72,090)	(2)	8,010
H. Solin	-		-	1,198,750	-		1,198,750
M. Hoyle	961,680	(1)	-	-	(961,680)	(1)	-
B. Fulton	-		-	-	-		-
Other key management personnel							
E. Hughes	-		300,000	-	-		300,000
M. Hoyle	961,680		-	-	(865,512)	(2)	96,168
J. Vesanto	-		-	240,000	(45,857)	(3)	194,143

(1) This is the director's relevant interest on a pre-consolidated basis when he resigned on 19 February 2010.

(2) These changes are as a result of the equity consolidation completed in February 2010.

(3) Adjustment as a result of the equity consolidation and issue of equity on cancellation of options in Vulcan Resources Limited.

(4) Mr M. Hoyle is not a Director of the Group.

Option holdings

The number of options to acquire ordinary shares in the Group held during the financial year by each director of Altona Mining Limited and the key management personnel, including their personally related entities, are set out below:

Name	Balance at start of year	Granted during the year as compensation	Exercised during the year	Other changes during the year (expired)	Balance at end of year	Vested and exercisable at end of year	Unvested
2011							
Directors							
K. Maloney	-	500,000	-	-	500,000	-	500,000
A. Cowden	-	-	-	-	-	-	-
J. Brewer	100,000	500,000	-	-	600,000	100,000	500,000
F. Harris	-	500,000	-	-	500,000	-	500,000
P. Ingram	500,000	500,000	-	-	1,000,000	500,000	500,000
H. Solin	-	500,000	-	-	500,000	-	500,000
Other key management personnel							
E. Hughes	-	-	-	-	-	-	-
J. Vesanto	-	-	-	-	-	-	-
I. Scott	-	-	-	-	-	-	-

Notes to the Financial Statements

Name	Balance at start of year	Granted during the year as compensation	Exercised during the year	Other changes during the year (expired)	Balance at end of year	Vested and exercisable at end of year	Unvested
2010							
Directors							
K. Maloney	-	-	-	-	-	-	-
A. Cowden	-	-	-	-	-	-	-
J. Brewer	1,000,000	-	-	(900,000) (1)	100,000	100,000	-
F. Harris	-	-	-	-	-	-	-
P. Ingram	5,000,000	-	-	(4,500,000) (1)	500,000	500,000	-
H. Solin	-	-	-	-	-	-	-
M. Hoyle	5,000,000 (2)	-	-	(5,000,000) (2)	-	-	-
J. Walls	-	-	-	-	-	-	-
B. Fulton	1,000,000 (2)	-	-	(1,000,000) (2)	-	-	-
Other key management personnel							
E. Hughes	-	-	-	-	-	-	-
D. Kelly	4,000,000 (2)	-	-	(4,000,000) (2)	-	-	-
M. Hoyle	5,000,000	-	-	(4,500,000) (1)	500,000	500,000	-

(1) These changes are as a result of the equity consolidation completed in February 2010.

(2) This is the director's / key management personnel's relevant interest on a pre-consolidated basis at resignation.

(c) Loans to key management personnel

There were no loans to key management personnel during the current or prior financial year.

(d) Other transactions

Related party transactions are disclosed in Note 25.

Notes to the Financial Statements

Note 22. Remuneration of auditors

	2011 $	2010 $
Audit services		
Amounts received or due and receivable by the auditors for audit or review of the financial reports of the Group:		
Fees paid to BDO Audit (WA) Pty Ltd	61,129	40,557
Fees paid to overseas auditors other than BDO	46,900	37,713
Other services		
Amounts received, or due and receivable by BDO for other services:		
Due diligence services	750	-
Tax compliance services	28,731	12,705
Corporate advice	3,800	51,504
	141,310	**142,479**

BDO Audit (WA) Pty Ltd was appointed the Company auditors on 30 November 1999. Rotation of audit directors occurred on 30 November 2006.

Note 23. Contingent liabilities

(a) The Group has a liability for royalties contingent on projects advancing into production. All Australian tenements held by the Group are subject to the payment of production royalties to the respective State Governments. The rate of such royalties varies depending upon the State, the minerals produced and sold and other factors.

The Group also has a liability for royalties payable to vendors contingent on the projects coming into production. Those royalties currently negotiated are:

- Cameron River – 0.4% Net smelter return derived from mining operations on the Cameron River tenement.
- Happy Valley – 0.9% Net smelter return derived from mining operations on the Happy Valley tenement.
- Roseby – 1.5% Net smelter return derived from mining operations on tenements acquired from Zinifex and Lake Gold under the terms of the Roseby Acquisition Agreements.
- Roseby – 0.15% to 0.22% Net Smelter Return derived from mining operations payable to the Kalkadoon people.
- Lilliput tenement - $0.50 per tonne of ore mined on the Lilliput tenement payable to Xstrata.
- Mt Malakoff tenement – 3.0% Net Smelter Return derived from mining operations payable to Newcrest.
- Mining permit holders in Finland are required to pay the land owner an annual excavation fee, totalling 50 Euro per hectare and an additional excavation fee totalling 0.15% of the value of mining minerals excavated and exploited during the year.

(b) Contingent liabilities exist in relation to expenditure commitments for restoration and rehabilitation for applications for exploration licenses granted.

Notes to the Financial Statements

Note 24. Commitment for expenditure

Lease commitments

Commitments in relation to operating leases for office premises contracted for at the reporting date but not recognised as liabilities. These are payable:

	2011 $	2010 $
Not later than on year	208,873	162,769
Later than one year but not later than five years	661,859	843,841
	870,732	**1,006,610**

Exploration tenements

There is a liability for minimum annual expenditure commitments to maintain exploration licenses over mineral tenements held in Australia in good standing status. No minimum annual expenditure commitments are required in Finland. Quantifiable amounts for granted tenements or those with some certainty are disclosed below.

	2011 $	2010 $
Commitments required to maintain licences		
Not later than one year	2,234,852	1,548,160
Later than one year but not later than five years	11,559,378	10,033,283
Later than five years	-	1,610,740
	13,794,230	**13,192,183**

Expenditure commitments contain amounts that have been proposed to be spent but not yet approved by the Department of Mines and Natural Resources.

Contractual expenditure commitments

The Group has entered into contractual agreements as at 30 June 2011 for the development of the Outokumpu Project for an amount of $5,717,426.

Note 25. Related parties

Remuneration of directors

Information on remuneration, share holdings and option holdings of directors is disclosed in the Directors' Report.

Transactions with related parties

Dr Cowden has received cash advances in order to cover expenditure incurred in his activities as Managing Director of the Group of which $436 (2010: $2,093) was still outstanding at balance date.

Notes to the Financial Statements

Related parties to Dr Cowden were employed at Altona Mining Limited's head office in a casual capacity on an arm's length basis during the period and were compensated a total of $6,089 (2010: Nil).

Transactions with subsidiary companies

The Group consists of the Company and the entities included in Note 27. The ultimate parent in the wholly owned group is Altona Mining Limited.

The Group has advanced funds to wholly-owned subsidiaries. Most advances incur interest and at the date of this report no repayment schedule has been agreed.

Service fees are levied where the Group provides services of commercial value to another entity within the Group. The charge includes the direct costs of providing the services, such as assistance with project exploration, evaluation and development. The charge also includes a reasonable apportionment of the indirect costs of providing these services, such as non-corporate costs and non-technical staff costs incurred by the head office based in Western Australia that are devoted to exploration projects. A profit mark-up of 7.5-10% is added to the fully absorbed cost of providing the services.

Service fees of $612,039 (2010: $18,500) were charged during the reporting period to wholly owned subsidiaries which are eliminated on consolidation.

Note 26. Parent entity disclosures

Statement of financial position

	2011 $	2010 $
Assets		
Current assets	56,021,193	502,222
Non-current assets	46,985,799	43,414,670
Total assets	**103,006,992**	**43,916,892**
Liabilities		
Current liabilities	2,059,876	4,251,065
Non-current liabilities	156,195	11,590,316
Total liabilities	**2,216,071**	**15,841,381**
Net assets	**100,790,921**	**28,075,511**
Equity		
Contributed equity	158,297,237	78,588,098
Accumulated losses	(59,577,015)	(51,800,326)
Reserves		
Share based payments reserve	1,489,597	706,637
Converting notes equity reserve	581,102	581,102
Total parent entity equity	**100,790,921**	**28,075,511**

Notes to the Financial Statements

Note 27. Investments in controlled entities

Name of entity	Incorporated	Class of shares	Amount of investment 2011 $	Amount of investment 2010 $	Equity holding 2011 %	Equity holding 2010 %
Vulcan Resources Pty Ltd(1)	Australia	Ordinary	**28,087,632**	28,087,632	**100%**	100%
Roseby Copper Pty Ltd(1)	Australia	Ordinary	**9,907,144**	9,907,144	**100%**	100%
Roseby Copper (South) Pty Ltd(1)	Australia	Ordinary	**2**	-	**100%**	-
Kuhmo Nickel Limited(2)	United Kingdom	Ordinary	**118,599**	118,599	**100%**	100%
Vulcan Finland (BVI) Limited(2)	British Virgin Islands	Ordinary	**26**	26	**100%**	100%
Kylylahti Copper Oy(3)	Finland	Ordinary	**12,251**	12,251	**100%**	100%
Vulcan Hautalampi Oy(3)	Finland	Ordinary	**4,091**	4,091	**100%**	100%
Vulcan Kotalahti Oy(4)	Finland	Ordinary	**4,091**	4,091	**100%**	100%
Kuhmo Metals Oy(4)	Finland	Ordinary	**9,690**	9,690	**100%**	100%
Vulcan SW Finland Oy(4)	Finland	Ordinary	**4,091**	4,091	**100%**	100%
Vulcan Exploration BV(5)	Netherland	Ordinary	**29,287**	29,287	**100%**	100%

(1) Vulcan Resources Pty Ltd, Roseby Copper Pty Ltd and Roseby Copper (South) Pty Ltd are wholly owned subsidiaries of Altona Mining Limited and the investment is held by Altona Mining Limited.

(2) Vulcan Finland (BVI) Limited and Kuhmo Nickel Limited are wholly owned subsidiaries of Vulcan Resources Limited and the investment is held by Vulcan Resources Pty Ltd.

(3) Kylylahti Copper Oy together with Vulcan Hautalampi Oy are wholly owned subsidiaries of Kuhmo Nickel Limited and the investment is held by Kuhmo Limited.

(4) Vulcan Kotalahti Oy, Vulcan SW Finland Oy and Kuhmo Metal Oy are wholly owned subsidiaries of Vulcan Exploration BV.

(5) Vulcan Exploration BV is a wholly owned subsidiary of Kuhmo Nickel Limited.

Note 28. Notes to cash flow statements

	2011 $	2010 $
(a) Reconciliation of cash balances comprises:		
Cash on hand	1,335	1,306
Cash at bank	2,503,955	1,817,602
Cash on deposit	55,696,640	10,880,910
Total cash and cash equivalents	**58,201,930**	**12,699,818**

Notes to the Financial Statements

	2011 $	2010 $
(b) Reconciliation of profit / (loss) after income tax expense:		
Profit / (loss) after income tax	(12,209,674)	5,467,208
Adjustments for:		
Depreciation and amortisation	168,861	101,900
Employee share based payment expense	782,960	49,206
Loss on sale of fixed assets	8,994	16,622
Finance costs for converting notes	2,479,173	2,319,669
Net (loss) on foreign exchange	(659,512)	(815,329)
Tax offset accrued	(137,373)	(162,260)
(Gain) on acquisition of Vulcan Resources Limited	-	(14,704,158)
Change in assets and liabilities:		
(Increase) / decrease in trade and other receivables	(4,017,788)	(835,467)
(Decrease) / increase in trade and other payables	1,149,563	229,036
(Decrease) / increase in provisions	1,904,149	842,595
Net cash outflows from operating activities	**(10,530,647)**	**(7,490,978)**

Note 29. Share based payments

(a) Employee Awards Plan

The Altona Mining Limited Employee Awards Plan was adopted for the purpose of recognising the efforts of, and providing incentive to, employees of the Group.

Under the plan the Group may offer share rights or options in the Group to eligible persons. Directors and part-time or full-time employees are eligible persons for the purposes of the Employee Awards Plan. The directors of the Group in their absolute discretion determine the number to be offered and any performance criteria that share rights may apply. Offers made under the Employee Awards Plan must set out the number of options, the period of the offer and the calculation of the exercise price for options. The exercise price for options is determined with reference to the market value of the Group's shares at the time of resolving to make the offer.

Options are granted under the plan for no consideration, unless the directors determine otherwise.

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Options will expire no later than five years from the date of allotment.

If an eligible person ceases to be an eligible person any share rights and options held by them will automatically lapse except if the person ceases to be an eligible person by reason of retirement at age 60 or over, permanent disability, redundancy or death, in which case the share rights vest if performance hurdles are met at the next test date and options may be exercised within three months of that event happening or such longer period as the Board determines.

Share rights and options may not be offered to a director or associates except where approval is given by shareholders at a general meeting.

Share rights and options issued under this Employee Awards Plan carry no dividend or voting rights.

Notes to the Financial Statements

(b) Share rights and option valuation models used to value share based payments

Share Rights

The assessed fair value for the purpose of the financial statements at grant date of share rights granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Binomial valuation pricing model that takes into account the exercise price, the term of the share rights, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the share rights. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected volatility assumed is commensurate with the expected term of the option being from issue date to expected exercise date. It is assumed that all volatility data remains constant over the life of the share rights.

The assessed fair value for the purposes of the financial statements at grant date of share rights granted during the year ended 30 June 2011 were as follows:

	Value per right
Managing Director Rights – Vest date 4 February 2011	$0.0992
Managing Director Rights – Vest date 4 February 2012	$0.1205
Managing Director Rights – Vest date 4 February 2013	$0.1260
Key Management Personnel Rights	$0.4142
Employee Rights Tranche 1	$0.3200
Employee Rights Tranche 2	$0.2850

The fair value at grant date is independently determined using a Binomial valuation pricing model that takes into account the exercise price, the term of the share rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share.
The model inputs for share rights granted during the period ended 30 June 2011 included:

	Managing Director rights	**Key management personnel rights**	**Employee rights tranche 1**	**Employee rights tranche 2**
Grant date	6 August 2010	18 January 2011	18 February 2011	11 March 2011
Expiry date	4 February 2013	1 July 2013	1 July 2012	1 July 2012
Quantity	5,000,000	4,000,000	1,280,000	50,000
Exercise price	$0.00	$0.00	$0.00	$0.00
Consideration	Nil	Nil	Nil	Nil
Share price at grant date	$0.1318	$0.4142	$0.3200	$0.2850
Expected future volatility (1)	120%	120%	120%	120%
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	4.60%	4.99%	5.07%	4.91%
Maximum life (Years)	2.5	2.5	1.4	1.3

(1) The Group has assumed a volatility level of 120%, as determined by an independent valuation from RSM Bird Cameron Corporate Pty Ltd, at the date the valuation was completed given the industry in which the Group operates, its financial position and the volatility of listed shares of other companies comparable to Altona Mining Limited.

Notes to the Financial Statements

Options

The assessed fair value for the purpose of the financial statements at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The expected volatility assumed is commensurate with the expected term of the option being from issue date to expected exercise date. It is assumed that all volatility data remains constant over the life of the options.

The assessed fair value for the purpose of the financial statements at grant date of options granted during the year ended 30 June 2011 was 17.60 cents per option. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the period ended 30 June 2011 included:

Non-Executive Director options	
Grant date	18 November 2010
Vesting date	18 November 2011
Expiry date	18 November 2013
Quantity	2,500,000
Exercise price	$0.44
Consideration	Nil
Share price at grant date	$0.34
Expected price volatility of the Group's shares (1)	85.93%
Expected dividend yield	Nil
Risk-free interest rate	4.87%

(1) The Group has assumed a volatility level of 85.93%, as determined by an independent valuation from Stanton Partners, at the date the valuation was completed given the industry in which the Group operates, its financial position and the volatility of listed shares of other companies comparable to Altona Mining Limited.

No options were granted during the period ended 30 June 2010.

(c) Share rights and options outstanding

Share Rights

Unissued share rights at the end of the financial year are as follows:

Number of share rights	**Vesting date**
5,000,000	4 February 2011, 2012, 2013
4,000,000	1 July 2011, 2012, 2013
1,330,000	1 July 2012

Notes to the Financial Statements

Options

Unissued shares under option at the end of the financial year are as follows:

Number of ordinary shares subject to option	Expiration date	Exercise price
80,000	5 September 2011	$1.50
100,000	12 March 2012	$1.50
500,000	27 December 2012	$1.50
365,000	30 June 2013	$1.50
500,000	16 December 2013	$1.50
2,500,000(1)	18 November 2013	$0.44

(1) These options have not vested and are therefore not exercisable at 30 June 2011.

There are no unissued shares under options at the end of the financial year other than those referred to above. The options do not entitle the holder to participate in any share issue of any other body corporate.

A total of 1,545,000 options were exercisable at 30 June 2011 at a weighted average exercise price of $1.50 (2010: 1,883,500 options at $1.50).

(d) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2011 $	2010 $
Share rights and options issued to directors and employees	**782,960**	**49,206**

Note 30. Earnings per share

	Cents	Cents
Basic and diluted earnings per share	**(3.83)**	**2.46**

	$	$
Profit/(loss) used in calculating basic and diluted earnings per share	**(12,209,674)**	**5,467,208**

	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**319,132,082**	**221,874,357**

There are no converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted earnings per share.

Notes to the Financial Statements

Note 31. Financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets, trade and other payables and borrowings.

The Group manages its exposure to these risks in accordance with the Group's Risk Management Policy. The objective of the Policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are market risk (e.g. foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange. The Group manages credit risk by only dealing with recognised, creditworthy, third parties and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with management in accordance with the Risk Management Policy approved by the Board. The Board reviews the processes for managing each of the financial risk exposures identified below, including future cash flow forecast projections.

Financial risk exposures

(a) Foreign currency risk

The Group has operations in Finland and as such the Group's Statement of Financial Position can be affected by movements in the Euro / $A exchange rates. The Group currently does not hedge its net investment in its foreign operations.

The Group also has transactional currency exposures. Such exposure arises from purchases by an operating entity in currencies other than the functional currency.

Approximately 22% (2010: 16%) of Group costs is denominated in currencies other than the functional currency of the entity incurring the cost. The Group attempts to mitigate the effect of its foreign currency exposure by acquiring Euros as per budgeted expenditures when the exchange rate is favourable.

At 30 June 2011, the Group had the following exposure to Euro foreign currency that is not designated in cash flow hedges:

	2011 $	2010 $
Financial assets		
Cash and cash equivalents	31,516,132	4,352,407
	31,516,132	4,352,407
Financial liabilities		
Trade and other payables	(3,179,186)	(350,747)
Net exposure	**28,336,946**	**4,001,660**

Notes to the Financial Statements

The following sensitivity analysis is based on judgments by management of reasonably possible movements in foreign exchange rates after consideration of the views of market commentators. The sensitivity is also based on foreign currency risk exposures to financial asset and liability balances at balance date which are on average not expected to significantly increase over the next twelve months.

At 30 June 2011, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

	Post tax profit higher / (lower)	
	2011	**2010**
	$	**$**
Judgments of reasonably possible movements:		
AUD / Euro +5%	1,416,847	200,083
AUD / Euro -5%	(1,416,847)	(200,083)

The movements in equity in 2011 are more or less sensitive than in 2010 depending on the level of Euro cash and cash equivalents of the reporting entity at balance date.

(b) Price risk

The Group is exposed to equity securities price risk as it holds investments in securities classified on the Statement of Financial Position as available-for-sale. The Group is not exposed to commodity price risk on its financial instruments.

(c) Interest rate risk

The Group's exposure to interest rates related to the Group's cash and cash equivalents.

At balance date, the Group had the following exposure to Australian variable interest rate risk.

	2011	**2010**
	$	**$**
Financial assets		
Cash and cash equivalents	**58,201,930**	**12,699,818**

The following sensitivity analysis is based on the interest rate risk exposure in existence at the Statement of Financial Position date. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding five year period.

Notes to the Financial Statements

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax profit or loss would have been affected as follows:

	2011 $	2010 $
Judgments of reasonably possible movements:		
Pre tax profit or loss		
+1.0% (100 basis points)	354,509	74,756
-1.0% (100 basis points)	(354,509)	(74,756)

The movements in profit or loss are due to higher/lower interest income from cash balances. The movement in 2011 is more sensitive than in 2010 due to the cash balances being greater.

The Group's policy is to manage its finance exposures using a mix of fixed and variable rate financial product. The Group regularly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

(d) Credit risk

The Group's maximum exposures to credit risk at the reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents (refer to Note 7) and trade and other receivables (refer to Note 8).

The Group trades only with recognised, credit worthy third parties. The Group only invests in high credit quality financial institutions with a credit rating of AA or better.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due.
It is the Group's policy to review the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The earliest remaining contractual maturities of the Group's financial liabilities are:

	2011 $	2010 $
12 months or less	5,248,188	14,409,854
Greater than 12 months	-	-
	5,248,188	**14,409,854**

Fair values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Notes to the Financial Statements

As of 1 July 2009, Altona Mining Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets measured and recognised at fair value.

	2011 $	2010 $
Assets		
Available-for-sale financial assets		
Equity securities		
- Level 1	1,738,818	1,159,197
- Level 2	-	-
- Level 3	-	-
Total assets	**1,738,818**	**1,159,197**

The Company holds shares in entities and is exposed to market risk.

The fair value of financial instruments traded in active markets such as available-for-sale securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The Group does not currently have any financial instruments that are not traded in an active market included in level 2 and 3.

Note 32. Events occurring after balance date

On 15 July 2011, Altona Mining Limited executed a Fully Secured Debt Facility with Credit Suisse for US$20M to assist in the development of the Outokumpu Project. Draw down of funds can occur in two tranches, the initial US$10M tranche being required to be drawn down prior to 30 September 2011. Should this initial tranche be drawn, the remaining US$10M can be drawn in no less than US$1M tranches before 31 March 2012. Quarterly repayments will be made commencing on 31 March 2014 and ceasing on 30 June 2016. There are no penalties for early repayment. At the date of this report no funds had been drawn on this facility.

As a condition precedent to the drawdown of funds under this facility, an element of the Outokumpu production will be required to be hedged. At the date of this report Altona Mining Limited has satisfied the hedging condition precedent to draw on the initial US$10 million of this facility.

On 22 July 2011, Altona Mining Limited executed a five year off-take agreement with Boliden AB for the sale of its copper gold concentrate to be produced from its Outokumpu Project.

Notes to the Financial Statements

Note 33. Group details

The registered office and principal place of business of Altona Mining Limited is:

Altona Mining Limited
Ground Floor
1 Altona Street
WEST PERTH WA 6005

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with the Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair value of the Group's financial position as at 30 June 2011 and its performance for the year ended on that date.

2. The Company has included in the notes to the financial statements, a statement of compliance with International Financial Reporting Standards.

3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in pages 12 to 17 of the Directors' Report (as part of audited Remuneration Report) for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

5. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Kevin Maloney
Chairman

Dated at Perth on this 23 day of September 2011

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

23 September 2011

Altona Mining Limited
The Board of Directors
Ground Floor
1 Altona Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ALTONA MINING LIMITED

As lead auditor of Altona Mining Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Altona Mining Limited and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Altona Mining Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising 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 disclosing entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Altona Mining 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 2011 and of it's 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Altona Mining Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO Audit
C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 23rd day of September 2011

Additional Information Required by the ASX

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

The following information was applicable as at 19 September 2011.

Shareholdings

Substantial shareholders

The substantial shareholders in the Company, as disclosed in substantial shareholding notices given to the Company are:

	Date of last notice	Shareholding	% of issues capital
L1 Capital Pty Limited	11 August 2011	50,060,603	9.65
Tulla Resources Group Pty Limited	22 March 2011	35,348,000	7.49
Perpetual Limited and Subsidiaries	18 March 2011	32,968,601	7.00

Class of shares and voting rights

At 19 September 2011, there were 5,676 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Clause 12.7 of the Company's constitution, are:

Subject to any special rights or restrictions for the time being attaching to any class of shares.

- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote, and
- on a poll every person present who is a shareholder or a proxy, attorney, or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable, excluding amounts credited, provided that amounts paid in advance of a call are ignored when calculating a true proportion.

At 19 September 2011, there were options over 3,965,000 unissued ordinary shares. There are no voting rights attached to the un-issued ordinary shares. Voting rights will be attached to the un-issued ordinary shares when the options have been exercised.

At 19 September 2011, there were share rights over 14,055,000 unissued ordinary shares. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the un-issued ordinary shares when the share rights have met all vesting criteria.

On-market buy-back

There is no current on-market buy-back.

Additional Information Required by the ASX

Distribution of share/option as at 19 September 2011

	Number of holders		
Category	**Ordinary shares**	**Unlisted options**	**Share right**
1 – 1,000	1,147	-	-
1,001 – 5,000	1,562	-	-
5,001 – 10,000	868	-	4
10,001 – 100,000	1,766	4	17
100,001 and over	333	8	11
	5,676	**12**	**32**

There were 1,611 holders holding less than a marketable parcel of ordinary shares.

Unquoted securities

The options and share rights on issue were issued as part of an Employee Awards Plan and are unquoted.

Restricted securities

There were no restricted securities as at 19 September 2011.

Additional Information Required by the ASX

Twenty largest security holders as at 19 September 2011

Holder name	Ordinary shares number	Ordinary shares %
National Nominees Limited	70,708,676	13.63
J P Morgan Nominees Australia Limited	37,588,546	7.25
Tulla Resources Group Pty Limited	35,348,000	6.81
HSBC Custody Nominees (Australia) Limited	34,682,999	6.69
Merrill Lynch (Australia) Nominees Pty Limited	28,803,256	5.55
RBC Dexia Investor Services Australia Nominees Pty Limited	24,870,568	4.79
J P Morgan Nominees Australia Limited	22,716,554	4.38
Cogent Nominees Pty Limited	17,708,122	3.41
Citicorp Nominees Pty Limited	13,946,100	2.69
Finnish Industry Investment	10,261,300	1.98
Bell Potter Nominees Ltd	7,326,523	1.41
HSBC Custody Nominees (Australia) Limited	7,161,371	1.38
UBS Nominees Pty Ltd	6,469,401	1.25
Prufrock Partners Ltd	6,222,649	1.2
Sovereign Gold NL/C	5,575,864	1.07
Drumfrochar Pty Ltd	5,000,000	0.96
Doctor Evil Pty Ltd	3,184,436	0.61
Leet Investments Pty Ltd	3,000,000	0.58
Mount Isa Mines Limited	3,000,000	0.58
RBC Dexia Investor Services Australia Nominees Pty Ltd	2,896,216	0.56
Total	**346,470,581**	**66.78**

Other information

Altona Mining Limited is a publicly listed company limited by shares which is incorporated and domiciled in Australia.

Tenement Schedule

Australia

QUEENSLAND

Number	Name	Interest
ROSEBY PROJECT		
Exploration Permit for Minerals		
EPM 8506	Mt Roseby	100%
EPM 9056	Pinnacle	100%
EPM 10266	Highway	100%
EPM 10833	Cameron	100%
EPM 11004	Ogorilla	100%
EPM 11611	Gulliver	100%
EPM 12121	Gulliver East	100%
EPM 12492	Queen Sally	100%
EPM 12493	Quamby	100%
EPM 12529	Cabbage Tree	100%
EPM 13249	Lilliput	100%
EPM 14363	Bannockburn	100%
EPM 14365	Corella	100%
EPM 14535	Roseby Infill	100%
EPM 14545	Murrumba(1)	100%
EPM 14556	Coolullah	100%
EPM 14822	River Gum	100%
Exploration Permit for Minerals Application		
EPM 18784	Roseby East	100%
EPM 18983	Coolullah North	100%
Mineral Development Licence		
MDL 12	Little Eva	100%
MDL 80	Roseby	100%
MDL 81	Bedford	100%
MDL 82	Green Hills	100%
MDL 83	L. E. Insurance No 1 & 2	100%
MDL 84	L. E. Insurance No 3	100%
Mining Lease		
ML 2581	Scanlan 1	100%
ML 2582	Scanlan 2	100%
ML 2583	Scanlan 3	100%
ML 2584	Scanlan 4	100%
ML 2585	Scanlan 5	100%
ML 2600	Dugald River 58	100%
ML 2647	Lady Clayre / Rodex 1	100%
ML 2648	Lady Clayre / Rodex 2	100%
ML 2649	Lady Clayre / Rodex 3	100%
ML 2650	Lady Clayre / Rodex 4	100%
ML 2651	Lady Clayre / Rodex 5	100%
ML 2652	Rodex 6	100%

Tenement Schedule

Number	Name	Interest
ML 2653	Rodex 7	100%
ML 2654	Rodex 8	100%
ML 2655	Rodex 9	100%
ML 7497	Longamundi	100%
ML 90048	Longamundi 2	100%
ML 90052	Scanlan 7	100%
ML 90053	Scanlan 8	100%
ML 90054	Scanlan 9	100%
ML 90055	Caroline Revised	100%
ML 90056	Rodex 10	100%
Mineral Selection		
MS 2874	Longamundi	100%
MS 3072	Little Eva	100%
Mining Lease Application		
MLA 90162	Scanlan	100%
MLA 90163	Longamundi	100%
MLA 90164	Blackard	100%
MLA 90165	Little Eva	100%
MLA 90166	Village	100%
REGIONAL PROJECTS		
Exploration Permit for Minerals		
EPM 8059	Cameron River	100%
EPM 9611	Happy Valley	100%
EPM 14362	Malbon Vale[1]	100%
EPM 14366	Bushy Park [1]	100%
EPM 14367	Spider JV	49%
EPM 14369	Dronfield [1]	100%
EPM 14370	Malakoff	100%
EPM 14371	Mt Angelay	100%
EPM 14415	Mt Malakoff	100%

NEW SOUTH WALES

Number	Name	Interest
Exploration Licence		
EL 5692	Burra	90%
AOH	*Altona Mining Limited*	100%
RCPL	*Roseby Copper Pty Ltd*	100%

[1] These tenements are currently in the process of being transferred under a sale agreement with Syndicated Metals Limited (refer to ASX release dated 23 August 2010).

Tenement Schedule

Finland – Outokumpu Area

Number	Name	Interest
KYLYLAHTI PROJECT		
Mining Licenses		
3593/1a	Kylylahti	100%
3593/1b	Kylylahti	100%
3593/1c	Kylylahti ML extension	100%
3593/2a	Kylylahti 2	100%
348/1a, 563/1a, 98/13b, 257/1a	Hautalampi	100%
7975	Riihilahti	100%
553/1a,2a,4a,	Luikonlahti1-2,4,6-11	
6a-11a		100%
1281/1a-2a	Petkel I+ II	100%
2061/1a	Petkellahti	100%
553/1a,2a,4a,	Luikonlahti auxiliary areas	
6a-11a		100%
553/1a,2a,4a, 6a-11a	Luikonlahti auxiliary areas Extension	100%
Claims		
7799/1	Kylylahti 1	100%
7799/2	Kylylahti 2	100%
7799/3	Kylylahti 3	100%
7799/4	Kylylahti 4	100%
7914/1	Saramäki 1	100%
7906/1	Perttilahti 1	100%
7906/2	Perttilahti 2	100%
7906/3	Vuonos 1	100%
7906/4	Vuonos 2	100%
7906/5	Vuonos 3	100%
8393/1	Polvikoski 1	100%
8393/2	Polvikoski 2	100%
8393/3	Kylylahti 6	100%
8394/1	Saramäki 2	100%
8525/1	Sukkula 1	100%
8525/2	Sukkula 2	100%
7674/1	Nunnanlahti 2	100%
8131/1	Kokka	100%
7976/1	Kokonvaara	100%
7976/2	Perttilahti1	100%
7976/3	Perttilahti2	100%
8623/2	Sivakkavaara 2	100%
8623/3	Sivakkavaara 3	100%
8974/1	Kokka 2	100%
8974/2	Kokka 3	100%
8974/3	Kokka 4	100%
8974/4	Kokka 5	100%
9106/1	Kokka 6	100%

Tenement Schedule

Number	Name	Interest
Reservations		
2010134	Saramäki S1-S7	100%
2010133	Hoikka 1-6	100%
2010136	Kyly N1, N2	100%
2010135	Riihi 1-2	100%
2010137	Saramäki N1-N5	100%
KUHMO JOINT VENTURE		
Mining Licenses		
7014	Hietaharju	95%
7922	Peura-aho	95%
Claims		
Saarikylä belt		
7789	Vaara	95%
8049/1	Kotisuo	95%
8049/2	Kauniinlampi	95%
8049/3	Hoikkalampi	95%
8049/4	Rytys	95%
8049/5	Vaara North	95%
8396/1	Hoikka	95%
8618/1	Hakovaara	95%
8602/1	Vaara West	95%
8708/1	Vaara NE	95%
8708/2	Rytys SW	95%
8708/3	Rytys East	95%
8708/4	Rytys NW	95%
8708/5	Kauniinvaara	95%
Kiannanniemi		
7922/1	Peura-aho	95%
8033/3	Peura-aho North	95%
8033/1	Peura-aho East	95%
8033/2	Peura-aho NE	95%
8033/5	Peura-aho SW	95%
8033/4	Peura-aho South	95%
8618/3	Myllyaho 1	95%
8618/4	Myllyaho 2	95%
8745/1	Hietaharju North	95%
8745/2	Tupakkiloma	95%
8745/3	Murronkumpu	95%
8745/4	Syrjäjoki	95%
8745/5	Yliniitynsuo	95%
8745/6	Uuransuo	95%
Huutoniemi		
8476/1	Huutoniemi 1	95%
8476/2	Huutoniemi 2	95%
8476/3	Huutoniemi 3	95%
8476/4	Huutoniemi 4	95%

Tenement Schedule

Number	Name	Interest
Moisiovaara		
8047/4	Luokkivaara	95%
8055/1	Luokkipuro	95%
8055/2	Hyyrylainen	95%
8049/7	Sika-aho	95%
8049/8	Paatola	95%
8049/9	Likosuo	95%
8049/10	Karsikkosuo	95%
8049/11	Lehdonmaa	95%
8049/12	Harju	95%
8049/13	Yhteisenaho	95%
8049/14	Selkajarvi	95%
8049/15	Kaartilanvaara	95%
8049/16	Kaivolampi	95%
8049/17	Paatolaislampi	95%
8233/1	Kinnula	95%
8233/2	Kupusenkangas	95%
8242/6	Metsälä	95%
8242/4	Viima-aho	95%
8242/5	Rinneaho	95%
8242/3	Kemppaanlehto	95%
8956/1	Luokkipuro North	95%
8956/2	Lehdonmaa South	95%
Arola - Harma North		
7923/1	Arola	95%
8047/1	Arola South	95%
8047/2	Palovaara South	95%
8047/3	Tiikkaja-aho	95%
8043/1	Kelosuo South	95%
8049/18	Karhujarvi	95%
8049/19	Palovaara	95%
8049/20	Putkisuo	95%
8049/21	Kelosuo	95%
8049/22	Pitkaaho	95%
8242/2	Antinaho	95%
8242/1	Nyberginlehto	95%
8500/1	Korkea-aho 2	95%
8500/2	Korkea-aho 3	95%
8762/1	Naurissuo	95%
8762/2	Tiikkaja-aho 2	95%
8955/1	Kelosuo East	95%
8955/2	Kirnulampi	95%
Kuhmo Area		
8055/3	Siivikkovaara	95%
8055/4	Niemenkyla	95%
8049/24	Riihilampi	95%
Reservations		
2010112	Härmänkylä	95%

Tenement Schedule

Number	Name	Interest
2011061	Saarikylä	95%
KOTALAHTI AREA NICKEL		
Mining Licenses		
6977/1a	Särkiniemi	100%
7739	Valkeisenranta	
Claims		
7739/1	Valkeisenranta	100%
7801/1	Niinimäki	100%
7770/1	Pihlajasalo	100%
7771/1	Heiskalanmäki	100%
7773/1	Vehmasjärvi	100%
8167/1	Sarkalahti	100%
8483/1	Kotalahti 1	100%
8483/2	Kotalahti 2	100%
8413/4	Valkeisenvuori	100%
8413/6	Pölkkysuo	100%
8413/9	Pölkkysuonkangas	100%
8413/10	Rytkynlampi	100%
8413/11	Ollinsalmi 2	100%
8413/12	Valkeisenhiekka	100%
8671/1	Uusi-Niinimäki 1	100%
8671/2	Uusi-Niinimäki 2	100%
PORI – VAMMALA AREA NICKEL		
Mining Licenses		
4099/1a	Mäntymäki	100%
2891/1a	Hyvelä	100%
2928/1a	Sahakoski	100%