CREDO RESOURCES LIMITED

FINANCIAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2011

CREDO RESOURCES LIMITED

FOR THE PERIOD ENDED 30 JUNE 2011

CONTENTS

Your directors present their report for the financial period ended 30 June 2011.

The names of the directors in office at any time during, or since the end of, the period are:

NAMES	POSITION	APPOINTED/RESIGNED
Mr Riccardo Vittino	Chairman	Appointed 3 December 2010
Mr William Dix	Non-Executive Director	Appointed 3 December 2010
Mr Ian Hobson	Non-Executive Director	Appointed 2 December 2010
Mr Simon Robertson	Non-Executive Director	Appointed 6 July 2010 Resigned 2 December 2010
Mr Tom Henderson	Non-Executive Director	Appointed 6 July 2010 Resigned 3 December 2010
Mr Dale Ferguson	Non-Executive Director	Appointed 6 July 2010 Resigned 3 December 2010

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

COMPANY SECRETARY

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretarial services and corporate, management and accounting advice to a number of listed public companies involved in the resource, technology and retail industries. He was appointed on 3 December 2010.

Tracey Lodge held the position of Company Secretary from the date of incorporation until 3 December 2010.

PRINCIPAL ACTIVITIES

The following principal activities occurred during the financial period:

- Incorporation of the parent entity as Caerus Resources Limited on 6 July 2010;
- Parent entity changed its name to Credo Resources Limited during September 2010;
- Raising $400,000 via issuing capital to seed investors;
- Incorporating a subsidiary, Ora Banda Gold Pty Ltd during December 2010;
- Acquisition of rights to strategic tenements in Australia; and Capital raising of $2,916,501 and listing on the Australian Securities Exchange via the issue of a prospectus.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE PERIOD

The consolidated loss of The Group for the financial period after providing for income tax amounted to $227,431. This was largely from the costs of starting up The Group and administering it to 30 June 2011.

The period to 30 June 2011 has seen Credo Resources Limited raise over $2,900,000 via the issue of 14,582,500 shares from an IPO and successfully list on the Australian Securities Exchange. As part of the listing, Credo has acquired exploration assets in the Kalgoorlie region of Western Australia.

Work performed to date has focused on target generation and the Fair Adelaide and Samson Dam areas of interest have been identified for preliminary field work.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial period. No recommendation for payment of dividends has been made.

FINANCIAL POSITION

The net assets of The Group at 30 June 2011 are $ 3,264,370.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in The Group's state of affairs occurred during the financial period other than as noted above under principal activities.

EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of The Group, the results of those operations or the state of affairs of The Group in future financial years.

FUTURE DEVELOPMENTS

Likely developments in the operations of The Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to The Group.

ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that The Group has adequate systems in place for the management of its environmental regulations and is not aware of a breach of those environmental requirements as they apply to The Group.

INFORMATION ON DIRECTORS

Mr Riccardo Vittino	Chairman (appointed 3 December 2010)
Experience	Mr Vittino has over 25 years experience in the resources sector with a focus on corporate and financial management. He graduated from the University of Western Australian with a Bachelor of Commerce degree in 1985 and began his career in the mining industry in 1988 as Company Secretary for Helix Resources Limited. During his 18 year tenure at Helix, Mr Vittino was involved with various IPOs and joint ventures both local and international. He left Helix in 2006 as CEO to pursue a role in South Africa as Finance Director of Central Rand Gold Ltd. He was responsible for overseeing Central Rand Gold's listing on the Main Board of the LSE and the JSE in 2007 and its subsequent progress to pre-feasibility and commencement of trial mining. Mr Vittino returned to Perth in 2008 to focus on personal interests. He has held numerous non-executive Director roles including Diamond Ventures NL and Platinum Australia Limited. He is a Fellow of the Australian Institute of Company Directors. He is currently a Director of ASX listed Fitzroy Resources Ltd.
Interest in Shares and Options	500,000 options exercisable at $0.25 expiring 16 January 2016; 500,000 ordinary shares.
Mr William Dix	Non-Executive Director (appointed 3 December 2010)
Experience	Mr Dix is a geologist with 16 years experience in base metal, uranium and gold exploration and mining. He holds a Bsc and Msc (Geology) from Monash University and is a member of AusIMM. Formerly Exploration Manager for Apex Minerals NL he led a successful exploration team that was responsible for significantly growing gold resources at all of Apex Minerals NL's projects. Previously, Mr Dix spent 7 years with LionOre Mining International where he was a District Supervising Geologist in Western Australia. During his time with LionOre Mining International, Mr Dix was part of the team that discovered the Waterloo Nickel Mine and delineated the 2 million ounce Thunderbox Gold Project. Mr Dix has a proven track record of successful project and team management and also has extensive experience in commercial activities including capital raisings, mergers, acquisitions and divestments. He is currently Managing Director of the ASX listed Fitzroy Resources Ltd.
Interest in Shares and Options	1,500,000 options exercisable at $0.25 expiring 16 January 2016; 350,000 ordinary shares.
Mr Ian Hobson	Non-Executive Director (appointed 2 December 2010)

Experience	Mr Hobson is a chartered accountant and chartered secretary with 25 years experience in the finance and mining exploration industries. He has been a director of various exploration companies and currently acts as company secretary and CFO for five ASX listed companies, predominately in the mining exploration and services industries. Mr Hobson is also experienced in providing corporate advisory and reconstruction services. Mr Hobson does not currently hold directorships of any ASX listed companies.
Interest in Shares and options	500,000 options exercisable at $0.25 expiring 16 January 2016; 350,000 ordinary shares.
Mr Simon Robertson	Non-Executive Director (appointed 6 July 2010, resigned 2 December 2010)
Mr Tom Henderson	Non-Executive Director (appointed 6 July 2010, resigned 3 December 2010)
Mr Dale Ferguson	Non-Executive Director (appointed 6 July 2010, resigned 3 December 2010)

MEETINGS OF DIRECTORS

During the financial period, 11 meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATING COMMITTEE MEETINGS		HUMAN RESOURCES COMMITTEE MEETINGS		OPERATIONS COMMITTEE MEETINGS	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr Riccardo Vittino	11	11	-	-	-	-	-	-	-	-
Mr William Dix	11	11	-	-	-	-	-	-	-	-
Mr Ian Hobson	11	11	-	-	-	-	-	-	-	-
Mr Tom Henderson	2	2	-	-	-	-	-	-	-	-
Mr Dale Ferguson	2	2	-	-	-	-	-	-	-	-
Simon Robertson	2	2	-	-	-	-	-	-	-	-

INDEMNIFYING OFFICERS OR AUDITORS

The Group has paid premiums to insure directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director of The Group, other than conduct involving a wilful breach of duty in relation to The Group. The total premium amounted to $ 9,657.

OPTIONS

At the date of this report, the unissued ordinary shares of Credo Resources Limited under option, including those options issued during the period and since 30 June 2011 to the date of this report, are as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
3 December 2010	16 January 2016	0.25	4,500,000
28 February 2011	31 March 2016	0.30	1,200,000
28 February 2011	8 April 2014	0.30	200,000
			5,900,000

During the period ended 30 June 2011, no ordinary shares of Credo Resources Limited were issued on the exercise of options granted.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of The Group or intervene in any proceedings to which The Group is a party for the purpose of taking responsibility on behalf of The Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the period.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Stantons International during the period ended 30 June 2011:

	2011
	$
Auditing the financial report	12,000
Preparation of Investigating Accountants Report	7,000
	19,000

AUDITOR'S INDEPENDENCE DECLARATION

The auditors' independence declaration for the period ended 30 June 2011 has been received and can be found on page 12 of the financial report.

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

The remuneration policy of Credo Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting The Group's financial results. The Board of Credo Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage The Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of The Group is as follows:

- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

- Incentives paid in the form of options or rights are intended to align the interests of the directors and company with those of the shareholders. In this regard, key management personnel are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

The performance of key management personnel is measured against criteria agreed annually with each director and is based predominantly on workload, responsibility and creation of shareholders' value. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Key management personnel are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share and is valued using the Black-Scholes methodology.

Key management personnel who are subject to the arrangement are subject to a policy governing the use of external hedging arrangements. Such personnel are prohibited from entering into hedge arrangements, ie put options, on unvested shares and options which form part of their remuneration package. Terms of employment signed by such personnel contain details of such restrictions.

PERFORMANCE-BASED REMUNERATION

Performance based remuneration for key management personnel is limited to granting of options.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. The issue of options to the majority of directors and executives is to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

The Group's remuneration of key management personnel does not include any performance conditions.

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial period, members of key management personnel of The Group, and to the extent different, among the five Group executives or company executives receiving the highest remuneration.

The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

KEY MANAGEMENT PERSONNEL	POSITION HELD AS AT 30 JUNE 2011	NON-SALARY CASH-BASED INCENTIVES %	OPTIONS/ RIGHTS %	FIXED SALARY/FEES %	TOTAL %
Mr Riccardo Vittino	Chairman	-	71	29	100
Mr William Dix	Non-Executive Director	-	88	12	100
Mr Ian Hobson	Non-Executive Director and Company Secretary	-	30	70	100
Simon Robertson	Non-Executive Director (Resigned 2 December 2010)	-	-	100	100

The employment terms and conditions of key management personnel and group executives are formalised upon each Director's appointment. All directors are remunerated on a monthly basis with no fixed term or termination benefits. Base rates for directors are $1,000 per month although this is likely to change as the operations of The Group become more active.

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 1 month notice prior to termination of contract. No termination payments are generally payable. A contracted person deemed employed on a permanent basis may terminate their employment at any time.

REMUNERATION DETAILS FOR THE PERIOD ENDED 30 JUNE 2011

The following table of benefits and payment details, in respect to the financial period, the components of remuneration for each member of the key management personnel of The Group and, to the extent different, the five Group executives and five company executives receiving the highest remuneration:

Table of Benefits and Payments for the Period Ended 30 June 2011

		SALARY, FEES AND LEAVE $	OTHER $	PENSION AND SUPERANN-UATION $	OTHER $	SHARES/ OPTIONS $	TOTAL $	% OF REMUNERATION AS OPTIONS
Key Management Personnel								
Mr Riccardo Vittino	2011	6,219	-	-	-	14,900	21,119	70.55
Mr William Dix	2011	5,971	-	248	-	44,700	50,919	87.79
Mr Ian Hobson	2011	34,963	-	-	-	14,900	49,863	29.88
Simon Robertson	2011	2,500	-	-	-	-	2,500	-
Total	2011	49,653	-	248	-	74,500	124,401	

Mr Hobson's remuneration is in relation to his services provided as Company Secretary and as a board member.

During the period ended 30 June 2011, the Group paid Fitzroy Resources Limited for services relating to the cost of initial public offering and geological consulting. Fitzroy Resources Limited is a company controlled by Mr. William Dix and Mr. Riccardo Vittino.

SECURITIES RECEIVED THAT ARE NOT PERFORMANCE RELATED

No members of key management personnel received securities during the period which were dependent upon the performance of The Group's share price as part of their remuneration package.

CASH BONUSES, PERFORMANCE-RELATED BONUSES AND SHARE-BASED PAYMENTS

The terms and conditions relating to options and bonuses granted as remuneration during the period to key management personnel and other executives during the period are as follows:

	REMUNERATION TYPE	GRANT DATE	GRANT VALUE $	PERCENTAGE VESTED/PAID DURING THE PERIOD %	PERCENTAGE FORFEITED DURING PERIOD %	PERCENTAGE REMAINING AS UNVESTED %
Key Management Personnel						
Mr Riccardo Vittino	Options	3 December 2010	14,900	100	-	-
Mr William Dix	Options	3 December 2010	44,700	100	-	-
Mr Ian Hobson	Options	3 December 2010	14,900	100	-	-

All options were issued by Credo Resources Limited and entitle the holder to 1 ordinary share in Credo Resources Limited for each option exercised.

No options issued as remuneration options have been exercised during the period.

There have not been any alterations to the terms or conditions of any grants since grant date.

DESCRIPTION OF OPTIONS/RIGHTS ISSUED AS REMUNERATION

Details of the options granted as remuneration to those key management personnel and executives listed in the previous table are as follows:

GRANT DATE	ISSUER	ENTITLEMENT ON EXERCISE	DATES EXERCISABLE	EXERCISE PRICE $	VALUE PER OPTION AT GRANT DATE $	AMOUNT PAID/PAYABLE BY RECIPIENT $
3 December 2010	Credo Resources Limited	1:1 Ordinary shares in Credo Resources Limited	On or before 16/01/2016	0.25	0.0298	-

Option values at grant date were determined using the Black-Scholes method.

END OF REMUNERATION REPORT

Signed in accordance with a resolution of the Board of Directors:

Mr Riccardo Vittino

Director

Dated 16 August 2011

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

16 August 2011

Board of Directors
Credo Resources Limited
95 Hay Street,
Subiaco
WA 6008

Dear Directors

RE: CREDO RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Credo Resources Limited.

As Audit Director for the audit of the financial statements of Credo Resources Limited for the period ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

J P Van Dieren
Director

West Perth, Western Australia

Credo Resources Limited

Consolidated Statement of Comprehensive Income

For the Period Ended 30 June 2011

	Note	6 July 2010 to 30 June 2011 $
Finance income		56,476
Share based payments to directors and promoters		(134,073)
Administrative expenses		(90,369)
Exploration expenditure		(59,465)
Profit (loss) before income taxes		(227,431)
Income tax expense	2	-
Profit (loss) from continuing operations		(227,431)
Other comprehensive income		-
Total comprehensive income/(loss) for the period		(227,431)
Profit / (loss) from continuing operations attributable to members of the parent entity		(227,431)
Total Comprehensive income / (loss) attributable to members of the parent entity		(227,431)
Earnings per share		
Basic earnings (loss) per share (cents)	9	(2.70)
Diluted earnings (loss) per share (cents)	9	(2.70)

These financial statements should be read in conjunction with the accompanying notes.

CREDO RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTE	2011 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3	2,867,214
Trade and other receivables	4	79,969
TOTAL CURRENT ASSETS		2,947,183
NON-CURRENT ASSETS		
Exploration expenditure	5	334,682
TOTAL NON-CURRENT ASSETS		334,682
TOTAL ASSETS		3,281,865
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	6	17,495
TOTAL CURRENT LIABILITIES		17,495
TOTAL LIABILITIES		17,495
NET ASSETS		3,264,370
EQUITY		
Issued capital	7	3,165,586
Reserves	8	326,215
Accumulated losses		(227,431)
TOTAL EQUITY		3,264,370

These financial statements should be read in conjunction with the accompanying notes.

Credo Resources Limited

Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2011

2011

	Ordinary Shares $	Performance Shares $	Accumulated Losses $	Share Based Payment Reserve $	Total $
Balance at 6 July 2010 - Date of Incorporation	-	-	-	-	-
Profit (loss) attributable to members of the parent entity	-	-	(227,431)	-	(227,431)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	(227,431)	-	(227,431)
Shares issued during the period	3,446,505	25,000	-	-	3,471,506
Transaction costs	(305,919)	-	-	-	(305,920)
Share based payments	-	-	-	326,215	326,215
Sub-total	3,140,586	25,000	(227,431)	326,215	3,264,370
Balance at 30 June 2011	3,140,586	25,000	(227,431)	326,215	3,264,370

These financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2011

	NOTE	2011 $
CASH FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees		(147,218)
Interest received		18,846
Net cash provided by (used in) operating activities	18	(128,372)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for acquisition of exploration assets		(15,000)
Net cash provided by (used in) investing activities		(15,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares		3,316,505
Payment of share issue costs		(305,919)
Net cash from financing activities		3,010,586
Net increase (decrease) in cash and cash equivalents held		2,867,214
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of financial period	3	2,867,214

These financial statements should be read in conjunction with the accompanying notes.

This financial report includes the consolidated financial statements and notes of Credo Resources Limited and controlled entities (The Group).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Credo Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The Financial Statements were approved on 16 August 2011

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

These financial statements are presented in Australian dollars, rounded to the nearest dollar.

(A) PRINCIPLES OF CONSOLIDATION

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

Where controlled entities have entered or left The Group during the period, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 15 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) The Group during the period, their operating results have been included (excluded) from the date control was obtained (ceased).

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in The Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) PRINCIPLES OF CONSOLIDATION (CONTINUED)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business Combinations

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

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

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) COMPARATIVE FIGURES

The Company was incorporated on 6 July 2010. As such, comparative figures have not been shown in the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Consolidated Statement of Comprehensive Income or Notes to the Financial Statements.

(C) REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

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

(D) INCOME TAX

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) INCOME TAX (CONTINUED)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The company and its wholly-owned Australian subsidiary have not implemented the tax consolidation legislation.

(E) EMPLOYEE BENEFITS

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(F) PROVISIONS

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

(G) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(G) FOREIGN CURRENCY TRANSACTIONS AND BALANCES (CONTINUED)

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

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

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

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to The Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is disposed.

(H) CASH AND CASH EQUIVALENTS

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

(I) FINANCIAL INSTRUMENTS

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that The Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) FINANCIAL INSTRUMENTS (CONTINUED)

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

(d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Loans and receivables are included in current assets, except for those which are not expected to mature within

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) FINANCIAL INSTRUMENTS (CONTINUED)

12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is The Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months are the end of the reporting period. (All other investments are classified as current assets.)

If during the period The Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets)

(v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

DERECOGNITION

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) PROPERTY, PLANT AND EQUIPMENT

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

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis.

DEPRECIATION

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to The Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

CLASS OF FIXED ASSET	USEFUL LIFE
Plant and Equipment	3 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

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

Property, plant and equipment is derecognised and removed from the consolidated statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss.

(K) EXPLORATION AND DEVELOPMENT EXPENDITURE

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(K) EXPLORATION AND DEVELOPMENT EXPENDITURE (CONTINUED)

yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced

The future recoverability of capitalised acquisition expenditure is dependent on an number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

(L) IMPAIRMENT OF ASSETS

At each reporting date, The Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the consolidated statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

Non-financial assets, other than inventories, deferred tax assets, assets from employee benefits, and deferred acquisition costs, are assessed for any indication of impairment at the end of each reporting period. Any indication of impairment requires formal testing of impairment by comparing the carrying amount of the asset to an estimate of the recoverable amount of the asset. An impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the recoverable amount of the asset.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment annually regardless of whether there is any indication of impairment.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) IMPAIRMENT OF ASSETS (CONTINUED)

The recoverable amount is the greater of the asset's fair value less costs to sell and it's value in use. The asset's value in use is calculated as the estimated future cash flows discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks associated with the asset. Assets that cannot be tested individually for impairment are grouped together into the smallest group of assets that generates cash inflows (the asset's cash-generating unit).

Impairment losses are recognised in profit or loss. Impairment losses are allocated first, to reduce the carrying amount of any goodwill allocated to cash-generating units, and then to other assets of the group on a pro rata basis.

Assets other than goodwill are assessed at the end of each reporting period to determine whether previously recognised impairment losses may no longer exist or may have decreased. Impairment losses recognised in prior periods for assets other than goodwill are reversed up to the carrying amounts that would have been determined had no impairment loss been recognised in prior periods.

(M) TRADE AND OTHER PAYABLES

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by The Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(N) GOODS AND SERVICES TAX (GST)

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

(O) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in The Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to ready for its intended use are capitalised as part of the cost of the asset.

Other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of finance charges and interest expenses calculated using the effective interest method, and include exchange differences arising from foreign currency borrowings to the extent that they are regarded as interest cost adjustments.

(Q) SHARE-BASED PAYMENT TRANSACTIONS

Employees of The Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

When the goods or services acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The cost of equity-settled transactions and the corresponding increase in equity is measured at the fair value of the goods or services acquired. Where the fair value of the goods or services received cannot be reliably estimated, the fair value is determined indirectly by the fair value of the equity instruments using the Black Scholes option valuation technique.

Equity-settled transactions that vest after employees complete a specified period of service are recognised as services are received during the vesting period with a corresponding increase in equity.

(R) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within The Group.

KEY ESTIMATES - IMPAIRMENT

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to The Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell or value-in-use calculations which incorporate various key assumptions.

KEY JUDGMENTS - EXPLORATION AND EVALUATION EXPENDITURE

The Group has capitalised significant Acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(R) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

KEY JUDGEMENTS - SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. The related assumptions are detailed in note 19. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(S) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

During the current period The Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Credo Resources Limited.

(T) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on The Group follows:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's accounting for financial assets as it does not have any available for sale assets. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9.

(ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(T) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS (CONTINUED)

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Credo Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

The Group does not anticipate early adoption of any of the above accounting standards.

2 INCOME TAX EXPENSE

(A) THE COMPONENTS OF TAX EXPENSE COMPRISE:

	2011 $
Current tax	-
Deferred tax	-
	-

(B) THE PRIMA FACIE TAX ON PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX IS RECONCILED TO THE INCOME TAX AS FOLLOWS:

	2011 $
Prima facie tax payable on profit (loss) from ordinary activities before income tax at 30%	(68,229)
Add:	
Tax effect of:	
- Non deductible expenses	51,760
- Current year losses not recognised as a deferred tax asset	16,469
	68,229
Income tax attributable to entity	-

3 CASH AND CASH EQUIVALENTS

	2011 $
Cash on hand	2,867,214
	2,867,214

4 TRADE AND OTHER RECEIVABLES

	2011 $
CURRENT	
Other receivables	79,969
	79,969

No receivables are impaired.

5 EXPLORATION EXPENDITURE

	2011
	$
Exploration expenditure capitalised - at cost	
Acquisition costs paid in cash	15,000
Acquisition costs paid via share based payments	347,142
Less: Acquisition costs written off	(27,460)
	334,682

The recoverability of the carrying amount of the exploration and evaluation assets are dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

6 TRADE AND OTHER PAYABLES

	2011
	$
CURRENT	
Amounts payable to key management personnel	4,000
Other payables	13,495
	17,495

7 ISSUED CAPITAL

	2011
	$
25,232,505 Ordinary shares	3,446,505
500,000 Performance shares	25,000
Share issue costs written off against issued capital	(305,919)
	3,165,586

7 ISSUED CAPITAL (CONTINUED)

ORDINARY SHARES

Shares issued during the period

	2011 $	2011 No.
Seed capital	5	5
Seed capital	175,000	4,375,000
Seed capital	225,000	5,625,000
Shares issued as through IPO	2,916,500	14,582,500
Issued in consideration for tenements	130,000	650,000
	3,446,506	25,232,505

PERFORMANCE SHARES

	2011 No.
Shares issued during the period	
Issued in consideration for tenements (refer note 16)	500,000
	500,000

The ordinary shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. Ordinary shares entitle shareholders to a vote at general meetings.

The performance shares do not participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held nor do they entitle shareholders to a vote at general meetings.

CAPITAL MANAGEMENT

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintain optimal return to shareholders and benefits to other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity commensurate with the business risk. Given the nature of the Group’s operations, capital is normally raised through the issue of new shares to provide for future exploration and business opportunities. Management has current plans to issue further shares and provide funds for existing programs and business opportunities.

OPTIONS

(i) For information relating to Credo Resources Limited employee option plan, including details of options issued, exercised and lapsed during the financial period and the options outstanding at period-end, refer to Note 19.

(ii) For information relating to options issued to key management personnel during the period, refer to Note 13.

8 RESERVES

OPTION RESERVE

The option reserve records items recognised as expenses on valuation of employee share options.

9 EARNINGS PER SHARE

	2011
	$
Earnings used to calculate basic EPS	(227,431)

Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS

	2011
	No.
Weighted average number of ordinary shares outstanding during the period - No.used in calculating basic EPS	8,404,938
Weighted average number of dilutive performance shares on issue	123,288
Weighted average number of ordinary shares outstanding during the period used in calculating dilutive EPS	8,528,226

Diluted earnings per share is the same as basic earnings per share as The Group incurred a loss for the period and therefor is not considered dilutive.

10 CAPITAL AND LEASING COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

Payable:	
- not later than 12 months	100,782
- between 12 months and 5 years	352,978
	453,760

11 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2011 $
Financial Assets		
Cash and cash equivalents	3	2,867,214
Trade and other receivables	4	79,969
Total Financial Assets		2,947,183
Financial Liabilities		
Trade and other payables	6	17,495
Total Financial Liabilities		17,495

The carrying amounts of these financial instruments approximate their fair values.

FINANCIAL RISK MANAGEMENT POLICIES

Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks inherent in exploration activities are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensure capital can be raised in advance of shortages. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit expose to price risk.

Primary responsibility for identification and control of financial risks rests with the Company Secretary, under the authority of the Board. The Board is appraised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements. The carrying values less the impairment allowance for receivables and payables are assumed to approximate fair values due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

(A) CREDIT RISK

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to The Group.

The Group trades only with recognised, creditworthy third parties.

The Group has no customers and consequently no significant exposure to bad debts or other credit risks.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At balance date cash and deposits were held with National Australia Bank.

(B) LIQUIDITY RISK

Liquidity risk arises from the possibility that The Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing exploration cash requirements and raises equity funding as and when appropriate to meet such planned requirements. The Group has no undrawn financing facilities. Trade and other payables, the only financial liability of the Group, are due within 3 months.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

11 FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) LIQUIDITY RISK (CONTINUED)

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Trade and other payables	17,495	-	-	-	17,495	-
Total contractual outflows	17,495	-	-	-	17,495	-
Financial assets - cash flows realisable						
Trade and other receivables	79,969	-	-	-	79,969	-
Total anticipated inflows	79,969	-	-	-	79,969	-

The financial assets and liabilities noted above are interest free.

(C) MARKET RISK

i. Interest rate risk

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. At balance date, the Group does not have any borrowings. The Group does not enter into hedges. An increase/ (decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/(decrease) in both equity and losses of less than $10,000. 1% was thought to be appropriate because it represents four 0.25 basis point rate rises/falls, which is appropriate in the recent economic climate. The majority of cash held in a Term Deposit earns interest income at a rate of 5.59% p.a.

12 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis that is has only one main operating segment, which involves the exploration of mineral resources, presently solely in Australia. All of The Group's activities are interrelated, and discrete financial information is reported to the Board of Directors as a single segment. Accordingly, all significant operating decisions are based upon analysis of The Group as one segment.

The financial results from this segment are equivalent to the financial statements of The Group as a whole.

12 OPERATING SEGMENTS (CONTINUED)

IDENTIFICATION OF REPORTABLE SEGMENTS (CONTINUED)

The accounting policies applied for internal purposes are consistent with those applied in the preparation of these financial statements.

13 INTERESTS OF KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of The Group's key management personnel for the period ended 30 June 2011.

The totals of remuneration paid to key management personnel of the company and The Group during the period are as follows:

	2011 $
Short-term employee benefits	49,901
Share-based payments	74,500
	124,401

KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HOLDINGS

The number of options over ordinary shares held by each key management person of The Group during the financial period is as follows:

30 JUNE 2011	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERAT-ION DURING THE PERIOD	EXERCISED DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE AT END OF PERIOD	VESTED DURING THE PERIOD	VESTED AND EXERCISABLE	VESTED AND UNEXERCIS-ABLE
Mr Riccardo Vittino	-	500,000	-	-	500,000	500,000	500,000	-
Mr William Dix	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
Mr Ian Hobson	-	500,000	-	-	500,000	500,000	500,000	-
	-	2,500,000	-	-	2,500,000	2,500,000	2,500,000	-

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS

The number of ordinary shares in Credo Resources Limited held by each key management person of The Group during the financial period is as follows:

13 INTERESTS OF KEY MANAGEMENT PERSONNEL (CONTINUED)

KEY MANAGEMENT PERSONNEL SHAREHOLDINGS (CONTINUED)

	BALANCE AT BEGINNING OF PERIOD	GRANTED AS REMUNERATION DURING THE PERIOD	ISSUED ON EXERCISE OF OPTIONS DURING THE PERIOD	OTHER CHANGES DURING THE PERIOD	BALANCE AT END OF PERIOD
30 June 2011					
Mr Riccardo Vittino	-	-	-	500,000	500,000
Mr William Dix	-	-	-	350,000	350,000
Mr Ian Hobson	-	-	-	350,000	350,000
	-	-	-	1,200,000	1,200,000

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer to Note 17: Related Party Transactions.

14 AUDITORS' REMUNERATION

	2011 $
Remuneration of the auditor of the parent entity for:	
- Audit services	12,000
- Preparation of the Investigating Accountants Report	7,000
	19,000

15 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)* 2011
Parent Entity:		
Credo Resources Limited	Australia	
Subsidiaries of legal parent entity:		
Ora Banda Gold Pty Ltd	Australia	100

* Percentage of voting power is in proportion to ownership

15 CONTROLLED ENTITIES (CONTINUED)

ACQUISITIONS/DISPOSALS OF CONTROLLED ENTITIES

During the period, Ora Banda Gold Pty Ltd was incorporated by the parent.

16 CONTINGENT LIABILITIES

During the period, The Group issued 250,000 performance shares in consideration for the Boomerang Dam tenements and 250,000 performance shares in consideration for the Fair Adelaide tenements. The performance shares convert to ordinary shares once Ora Banda Gold Pty Ltd identifies a JORC compliant resource or not less than 250,000 ounces of gold at the respective tenements within 5 years form the date of issue of the performance shares.

The accounting value ascribed to the performance shares was 25% of the 20 cents IPO share price although if converted to ordinary shares will have a value equivalent to the value of an ordinary share at the date of conversion. It is not practicable to estimate the financial effects of the contingent liability as the share price of The Group at the date the conditions mentioned above is not possible to estimate.

17 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

INTERCOMPANY LOANS

Credo Resources Limited has made loans to its subsidiary in the amount of $393,479. The loan is interest free and payable of demand. The directors of Credo Resources Limited have fully provided for the loan at 30 June 2011.

DIRECTORS' REMUNERATION

For information relating to related party transactions with key management personnel during the financial period, refer to Note 13.

TRANSACTIONS WITH OTHER RELATED PARTIES

During the period ended 30 June 2011 the company paid Fitzroy Resources Limited $20,771 for services relating to the cost of the initial public offering and geological consulting. Fitzroy Resources Limited is a company controlled by a Directors, Mr William Dix & Mr. Riccardo Vittino

18 CASH FLOW INFORMATION

(A) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS AFTER INCOME TAX

	2011 $
Net (loss)/income for the period	(227,431)
Non-cash flows in loss	
Share based payments	134,073
Tenement acquisition costs written off	27,460
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries	
(Increase)/decrease in trade and other receivables	(79,969)
Increase/(decrease) in trade and other payables	17,495
	(128,372)

(B) NON-CASH FINANCING AND INVESTING ACTIVITIES

The Group made non-cash payments to vendors in consideration of exploration assets and an option to acquire exploration assets. Details can be found in notes 5, 7 and 19.

19 SHARE-BASED PAYMENTS

The Group made three tranches of share based payments comprising options issued during the period.

Tranche 1 was granted to the directors of The Group and to promoters on 3 December 2010. Directors received 2,500,000 and the promoters received 2,000,000. The options were valued under the Black Scholes option valuation model using the following inputs.

Number of options:	4,500,000	Risk free interest rate:	4.75%
Exercise price:	$0.25	Share price at date of issue:	$0.20
Expected exercise price:	16 January 2016	Expected volatility	100%
Discount applied for lack of marketability	80%	Each option was valued at	$0.0298

Tranche 2 was granted to the vendors of the Boomerang Dam, Fair Adelaide and Bardoc North Tenements on 28 February 2011. The options were valued under the Black Scholes option valuation model using the following inputs.

Number of options:	1,200,000	Risk free interest rate:	4.75%
Exercise price:	$0.30	Share price at date of issue:	$0.20
Expected exercise price:	16 January 2016	Expected volatility	100%
Each option was valued at	$0.14		

19 SHARE-BASED PAYMENTS (CONTINUED)

Tranche 3 was granted to the vendors of the Dixie Tenement Option on 28 February 2011. The options were valued under the Black Scholes option valuation model using the following inputs.

Number of options:	200,000	Risk free interest rate:	4.75%
Exercise price:	$0.30	Share price at date of issue:	$0.20
Expected exercise price:	28 February 2014	Expected volatility	100%
Each option was valued at	$0.11		

A summary of the movements of all company options issued is as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding as at date of incorporation	-	$ -
Granted	5,900,000	$ 0.26
Options outstanding as at 30 June 2011	5,900,000	$ 0.26

The weighted average remaining contractual life of options outstanding at period end was 3.59 years.

Included in the consolidated statement of comprehensive income is $134,073 and relates, in full, to equity-settled share-based payment transactions for options issued to directors and promoters. A further $ 347,142 were share based payments in respect of the purchase of acquisition of tenements. These share based payments are comprised of performance shares valued at $25,000 and ordinary share valued at $130,000 and options valued at $192,142.

20 EVENTS AFTER THE END OF THE REPORTING PERIOD

There has not arisen in the interval between the end of the year and this report an item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operation s of the Group, the results of the those operations or the state of affairs of the Group, in future financial years.

21 PARENT ENTITY

The following information has been extracted from the books and records of the parent, Credo Resources Limited and has been prepared in accordance with Accounting Standards.

21 PARENT ENTITY (CONTINUED)

The financial information for the parent entity, Credo Resources Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

	2011
	$
Assets	
Current assets	2,947,183
Non current assets	-
Total Assets	2,947,183
Liabilities	
Current liabilities	17,495
Total Liabilities	17,495
Equity	
Issued capital	3,165,586
Accumulated losses	(562,113)
Share based payment reserve	326,215
Total Equity	2,929,688
Total loss for the period	(562,113)
Total comprehensive income	(562,113)

CONTINGENT LIABILITIES

The parent entity has a contingent liability as at 30 June 2011 that is disclosed in note 16.

CONTRACTUAL COMMITMENTS

The parent entity has commitments as at 30 June 2011 that are disclosed in note 10.

22 COMPANY DETAILS

The registered office and principal place of business of the company is:

Credo Resources Limited

95 Hay St

Subiaco WA 6008

Credo Resources Limited

Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 42, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards; and

   (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the period ended on that date of the consolidated group;

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial period comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial period give a true and fair view.

   Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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.

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

Mr Riccardo Vittino	Mr Ian Hobson
Director	Director

Dated 16 August 2011

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CREDO RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Credo Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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.

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Credo Resources 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 its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 10 of the directors' report for the period 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 Credo Resources Limited for the period ended 30 June 2011 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

J P Van Dieren
Director

West Perth, Western Australia
16 August 2011