

BASSARI RESOURCES LIMITED

**HALF-YEAR FINANCIAL
STATEMENTS**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

ACN 123 939 042

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Bassari Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The names of the company's directors in office during the period and until the date of this report are listed below. Directors were in office for the entire period unless otherwise stated.

Dr David S Tyrwhitt (appointed 12 October 2010)	Non-executive Chairman
Mr Clive Wright	Non-executive
Mr Jozsef Patarica	Managing Director
Mr Aaron Treyvaud (resigned 17 November 2010)	Non-executive

Review of Results and Operations

The principal activity of the group is the continued exploration and resource definition within our three permit areas in order to identify mineral (primarily gold) hard rock deposits, that meet commercial parameters of grade and tonnage needed for profitable exploitation. The consolidated loss after income tax for the half-year attributable to members of Bassari Resources Ltd was \$968,000 (2009: \$895,000).

During the six month period to 31 December 2010 we completed the following:

Corporate

- Appointed Dr David S Tyrwhitt as a director of the company on 12 October 2010 and as Non-executive chairman of the company on 4 November 2010.
- Announced on 20 December 2010 the company would raise \$7.02 million by way of a fully underwritten 1:3 non-renounceable pro rata rights issue to shareholders at an issue price of \$0.12 per share. The new shares carried one attaching listed option exercisable at \$0.20 on or before 30 June 2012, for every three new shares issued.

Hard Rock

- Resource drilling with both reverse circulation (RC) and diamond drilling (DD) at Zones 1 and 3 within the Makabingui Project.
- A substantial program of RAB drilling undertaken at the Makabingui North Prospect. Initial assay results returned anomalous gold associated with quartz carbonate-sulphide (iron oxide) veinlets.
- A review of previous work completed on the Moura Permit (70%), outlining a RAB and RC drilling program to follow up defined targets at Konkoutou and Kawasara.
- Regional exploration defined several gold anomalies by termite geochemistry around the Missira Granite, approximately 15 kilometres east of the Sambarabougou Granite

Alluvials

- Presidential Decree for the Douta Alluvial Gold Project signed 13 August 2010.
- On 3 November 2010 the first gold pour from lower grade gravels sourced for the commissioning process.
- Gold production to increase in the next quarter, reflecting improvements in plant processing throughput and grade.

Events Subsequent to Balance Date

Subsequent to balance date the company successfully completed a \$7.02 million non-renounceable pro-rata rights issue to shareholders on the basis of one new share for every three shares held at \$0.12 per share with one attaching option for every three new shares issued, exercisable at \$0.20 on or before 30 June 2012. Except for this matter, no significant subsequent events have occurred from balance date to the date of this report.

Auditor’s Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C of the *Corporations Act 2001* is included on page 3 of this half-year financial report.

Rounding

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to “rounding off” of amounts in the directors’ report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors’ report and the financial report in accordance with that Class Order.

Dated at Melbourne this 16th day of March 2011.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to be 'JP', is written on a light-colored rectangular background.

Jozsef Patarica
Director
16 March 2011

DECLARATION OF INDEPENDENCE BY JUSTIN OWEN TO THE DIRECTORS OF BASSARI RESOURCES LIMITED

As lead auditor for the review of Bassari Resources Limited for the half-year ended 31 December 2010, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Bassari Resources Limited and the entities it controlled during the period.



Justin Owen

Director



BDO Audit (NSW-VIC) Pty Ltd

Melbourne, dated 16th March 2011

Consolidated Statement of Comprehensive Income

HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$'000	31 December 2009 \$'000
Continuing operations		
Interest income	123	46
Total Revenue	123	46
Salaries and wages	344	224
Depreciation and amortisation	33	194
Occupancy and telephone	198	59
Travel and accommodation	153	126
Insurance	44	11
Other expenses	319	327
LOSS BEFORE INCOME TAX	(968)	(895)
Income tax benefit/(expense)	-	-
NET LOSS FOR THE PERIOD	(968)	(895)
Other Comprehensive Income		
Exchange differences on translation of foreign operations	(926)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(1,894)	(895)
EARNINGS PER SHARE FROM LOSS FOR PERIOD		
From Continuing operations		
Basic loss per share in cents per share	(0.6c)	(0.8c)
Diluted loss per share in cents per share	(0.6c)	(0.8c)

THE ABOVE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME SHOULD BE READ
IN CONJUNCTION WITH THE ACCOMPANYING NOTES

Consolidated Statement of Financial Position

	31 December 2010 \$'000	30 June 2010 \$'000
CURRENT ASSETS		
Cash and cash equivalents	811	8,162
Other receivables	198	156
TOTAL CURRENT ASSETS	1,009	8,318
NON-CURRENT ASSETS		
Property, Plant and equipment	9,721	7,832
Exploration and evaluation assets	16,291	10,666
TOTAL NON-CURRENT ASSETS	26,012	18,498
TOTAL ASSETS	27,021	26,816
CURRENT LIABILITIES		
Trade and other payables	2,671	1,130
Borrowings	545	-
Provisions	29	16
TOTAL CURRENT LIABILITIES	3,245	1,146
TOTAL LIABILITIES	3,245	1,146
NET ASSETS	23,776	25,670
EQUITY		
Contributed equity	30,561	30,561
Reserves	(1,835)	(909)
Accumulated losses	(4,950)	(3,982)
TOTAL EQUITY	23,776	25,670

THE ABOVE CONSOLIDATED STATEMENT OF FINANCIAL POSITION SHOULD BE READ IN
CONJUNCTION WITH THE ACCOMPANYING NOTES

Consolidated Statement of Cash Flows

HALF-YEAR ENDED 31 DECEMBER 2010

	31 December 2010 \$'000	31 December 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,317)	(526)
Interest received	120	46
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(1,197)	(480)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalisation of exploration costs	(4,411)	(3,795)
Purchases of property, plant and equipment	(2,284)	(2,088)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(6,695)	(5,883)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	7,333
Capital raising costs	-	(166)
Proceeds from borrowings	545	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	545	7,167
Net(decrease)/ increase in cash and cash equivalents	(7,347)	804
Cash and cash equivalents at beginning of period	8,162	3,451
Effect of foreign exchange movements on balances held in foreign currencies	(4)	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	811	4,255

THE ABOVE CONSOLIDATED STATEMENT OF CASH FLOWS SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

Consolidated Statement of Changes in Equity

	Issued Capital	Foreign Currency Transaction Reserve	Options Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2010	30,561	(1,764)	855	(3,982)	25,670
Loss for 6 months to 31 December, 2010	-	-	-	(968)	(968)
Other comprehensive income	-	(926)	-	-	(926)
Total comprehensive income for the period	-	(926)	-	(968)	(1,894)
At 31 December 2010	30,561	(2,690)	855	(4,950)	23,776

	Issued Capital	Foreign Currency Transaction Reserve	Options Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2009	13,507	-	722	(2,208)	12,021
Loss for 6 months to 31 December, 2009	-	-	-	(895)	(895)
Total comprehensive income for the period	-	-	-	(895)	(895)
Transactions with owners in their capacity as owners					
Share based payments	7,344	-	-	-	7,344
Costs of raising capital	(166)	-	-	-	(166)
At 31 December 2009	20,685	-	722	(3,103)	18,304

THE ABOVE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY SHOULD BE READ IN
CONJUNCTION WITH THE ACCOMPANYING NOTES

Notes to the Consolidated Financial Statements for the Half-Year Ended 31 December 2010

1. CORPORATE INFORMATION

Bassari Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (“ASX”).

The nature of the operations and principal activities of the Group are described in the directors’ report. The financial statements are presented in Australian dollars (AUD).

The financial statements of Bassari Resources Limited (the Company) for the half-year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 16 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and *AASB 134 Interim Financial Reporting*. Compliance with *AASB 134 Interim Financial Reporting* ensures compliance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting*. The half-year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half-year financial report be read in conjunction with the most recent annual financial report, together with any public announcements made by Bassari Resources Limited.

The Group has adopted applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010. There has been no impact on the financial statements or performance of the Group resulting from these new and amended Australian Accounting Standards.

(b) Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s annual financial report for the year ended 30 June 2010.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Going concern

At 31 December 2010 the group had total cash resources of \$811,000. Subsequent to the period end the company successfully completed a \$7,020,000 non-renounceable pro-rata rights issue to shareholders as disclosed in note 6.

In order to continue the current drilling program for a period of at least 12 months after the date of this report, the directors are of the opinion that cash inflows further to the \$7,020,000 raised after the period end will be required. These cash resources will primarily be obtained through the sale of gold, as the alluvial plant will be fully operational going forward. The directors will also consider further capital raising if cash inflows from the sale of gold is insufficient to fund the drilling program during the next 12 months.

On the basis that sufficient cash inflows are expected subsequent to the period end through capital raising and through the sale of gold to fund the planned drilling program for at least 12 months after the date of this report, the directors consider that the Group remains a going concern and these financial statements have been prepared on that basis.

Notes to the Consolidated Financial Statements for the Half-Year Ended 31 December 2010

3. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed during the six months ended 31 December 2010.

4. COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to meet the minimum expenditure requirements of the Department of Mining. Minimum expenditure commitments may otherwise be avoided by sale, farm out or relinquishment. The economic entity also has commitments relating to the hire of drilling equipment. These obligations are not provided in the accounts and are payable as follows:

	31 December 2010 \$'000	30 June 2010 \$'000
Not Later than 1 year	970	-
Not Later than 2 years	800	-

5. SEGMENT INFORMATION

The directors do not believe that there are any reportable segments that meet the requirements of *AASB 8 Segment Reporting* on the basis that the chief operating decision maker, being the board of directors, review geological results and other qualitative measures as a basis for decision making rather than financial information and other quantitative measures.

6. SUBSEQUENT EVENTS

Subsequent to balance date the company successfully completed a \$7.02 million non-renounceable pro-rata rights issue to shareholders on the basis of one new share for every three shares held at \$0.12 per share with one attaching option for every three new shares issued, exercisable at \$0.20 on or before 30 June 2012. Except for this matter, no significant subsequent events have occurred from balance date to the date of this report.

7. INTEREST-BEARING BORROWINGS

The company entered into a borrowing arrangement with a small group of shareholders to provide funding for the Group with funds being received from 17 December 2010. At 31 December 2010 borrowings were \$545,000. Subsequent to 31 December 2010, additional borrowings of \$513,802 were received, with all amounts being repaid from the capital raising referred to in note 6. Borrowings were unsecured and interest was paid at the rate of 10% per annum.

Directors' Declaration

The directors of the company declare that:

- (a) The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and accompanying notes are in accordance with the *Corporations Act 2001* including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- (b) 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.

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



Jozsef Patarica
Director
Melbourne
16 March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bassari Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bassari Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bassari Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bassari Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bassari Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Justin Owen.

Justin Owen

Director

Melbourne, 16th March 2011