Polo Resources

annual report 2008

executive directors

Stephen R. Dattels
Executive Chairman

Neil Herbert
Executive Deputy Chairman

Paul Ingram
Chief Executive Officer

Tony Bainbridge
Chief Operating Officer

non-executive directors

Guy Elliott
Non-executive Director

Harald van Hoeken
Non-executive Director

Danny Sun
Non-executive Director

corporate directory

Registered Office Address

Craigmuir Chambers
Road Town, Tortola
British Virgin Islands VG 1110

Registered Number

1406187 registered in
British Virgin Islands

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Ulaanbaatar, Mongolia

Nominated Advisor
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London EC4A 1RS

Solicitors to the Company as to BVI Law
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7 Ludgate Broadway
London EC4V 6DX

Financial Advisors
BMO Capital Markets Inc.
BMO Nesbitt Burns Inc.
100 King Street West
Toronto, ON M5X 1H3, Canada

Auditors and Reporting Accountants
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2 Chapel Court
London SE1 1HH

Principal Bankers
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91 High Street, Brentwood
Essex CM14 4RU

Registrars
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Ordnance House
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St. Helier JE4 8PW
Channel Islands

Depositary
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P O Box 82
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

contents

significant events

2007

september

Polo Resources successfully admitted to trading on AIM, raising gross proceeds of approximately US$13.5 million.

october

Polo secures a 100% interest in large scale exploration license in the South Gobi Coal Basin.

Mining at Ereen

2008

february

Reverse takeover secures a further 26 Mongolian coal and uranium mineral exploration licenses.

Acquisition of major interest (20.5%) in GCM Resources (AIM:GCM), developers of the Phulbari Coal Project. By the end of June 2008, Polo's interest in GCM had risen to 29.8%.

Initial investment in Caledon Resources (AIM:CDN & ASX: CCD) 11%. By the end of September 2008, Polo's interest in Caledon had risen to 26.3%.

may

Polo announces option agreement with Baradine Bay Pty Limited to acquire an 80 per cent. interest in exploration permits for coal' covering 1,725 square kilometres of the edge of the Galilee Basin of central Queensland, Australia.

Increased the number of exploration and mining licenses it holds to 59 of which 26 are focused on coal with the remainder focused on uranium. The license areas include 57,004 hectares of exploration licenses in the strategically located South Gobi district close to China as well as projects in the east and west of the country.

june

Increased coal exploration license areas within the prolific South Gobi Coal Basin to a total of 24 licenses with a further 10 licenses under option.

july

Completion of 28 drill hole programme on Khashaat Coal Project in Mongolia.

Drilling commences on the Erdentsogt and Hud Coal Projects.

Completion of 54 Drill Hole Programme at the Union and Ereen Coal Mines in Mongolia.

Positive initial results from Union Coal Project drill programme.

august

Drilling commences on Val Coal Project in the South Gobi Coal Basin.

september

Significant coal seam discovered in South Gobi license area at Hud Project.

Second significant coal seam discovered in South Gobi license area at the Val Project.

october

Coal production commences in Mongolia.

executive deputy chairman's statement

Since listing in 2007 Polo has made good progress in achieving its aim to become a major international coal mining and exploration group. Polo now holds a large and diversified portfolio of numerous coal and uranium licenses in Mongolia. These acquisitions include a large license area in the strategically important South Gobi Coal Basin, an area already producing both coking and thermal coal for the Chinese market. In addition, Polo has either directly or indirectly acquired stakes in mining companies operating in Bangladesh and Western Australia. The Company's objective is to develop its respective interests in strategically located projects, which will serve the energy-driven demands for coal from China and Russia.

Financing

From its foundation in 2007 through to the end of June 2008, Polo has successfully raised a total of approximately US$320 million to pursue the Company's investment strategy. As at 19 December 2008, Polo had a working capital position of US$78.9 million.

Mongolian Coal Exploration Assets

The geology of Mongolia is highly prospective for significant mineral deposits and the country's resources have been vastly under-explored and under-developed. Polo has specifically targeted areas of known coal resources that are near the necessary infrastructure to export coal into the growing adjacent energy markets. Polo Resources commissioned its first mine in October 2008 with the opening of the Ereen Coal Mine. Currently mineral resources are being evaluated in two pits and exploration work continues.

Polo has continued to add quality properties to its portfolio with its holdings in Mongolia expanding to 58 coal licenses in major coal districts covering more than 803,930 hectares, all in close proximity to either railway networks or borders with coal importing countries. Polo Resources now has the second largest ground holding in the South Gobi Basin.

Management

In January 2008, the Board was strengthened with the appointment of Paul Ingram as Chief Executive Officer. Paul is a geologist with extensive experience in managing major mineral exploration programmes for several publicly listed companies. He has designed and implemented innovative techniques for exploration in remote areas, and has managed projects in countries throughout Australia and East Asia.

Outlook

Since incorporation, Polo has taken important strides towards its goal of establishing itself as a major player within the coal sector. Polo is keen to maximise the benefits derived from its existing licenses and will continue to seek new and exciting opportunities. In addition, there is also scope to grow and develop its uranium portfolio.

Mining at Ereen

Polo is positioned advantageously with a working capital position in excess of US$78 million, strong growth prospects in the South Gobi and other coal basins in Mongolia, and with strategic and undervalued investments in Caledon Resources plc and GCM Resources plc. The Company has a significant producing asset at the Ereen mine and good prospectivity from its exploration and appraisal acreage. The management looks to 2009 with cautious confidence and remains upbeat about longer-term future growth prospects.

Post Balance Sheet Events

Since the period end Polo has continued the busy schedule of exploration activities and commenced production at its Ereen coal mine. However, the Company is conscious of the uncertain economic environment which has befallen the global economy, and as such has taken a number of economic measures to maintain its strong financial position.

Mining at Ereen

To this end, as announced on 27 October 2008, the Executive Directors of the Company have agreed to an amendment of their annual compensation such that 50% of their salaries will be used to subscribe for shares in the Company on a quarterly basis and at the market price, effective from 1 October 2008. All of the Company's non-executive directors have agreed to an amendment to the payment of their annual compensation such that the entirety of their fees will be used to subscribe for shares in the Company on a quarterly basis and at the market price, effective from 1 October 2008.

In addition a series of other efficiencies and overhead reductions have been implemented to reduce cash burn by US$1 million per annum. Revenue generated from the Ereen coal mine will be applied to the exploration programme with the objective that Polo's Mongolian operations are self-funding.

On 17 December 2008 the Company announced that it had taken the prudent decision of delaying the planned ramp-up in production from its Ereen coal mine in response to the recent reduction in demand from Chinese customers; this decision is in line with the majority of mining companies which have also announced plans to reduce production and capex programmes until demand and prices for commodities recovers. It is hoped that the ramp up in production will re-commence in the first quarter of 2009.

Neil Herbert
Executive Deputy Chairman

chief executive's report

Projects Overview

Polo, through its subsidiary companies, holds the rights, title and interest in certain licenses and agreements in respect of coal and uranium assets in Mongolia. Polo has specifically targeted areas of significant known coal resources that are near the necessary infrastructure to export coal into the growing energy markets of adjacent China and Russia.

Exploration drilling

Mining at Ereen

Mining

Ereen Coal Mine

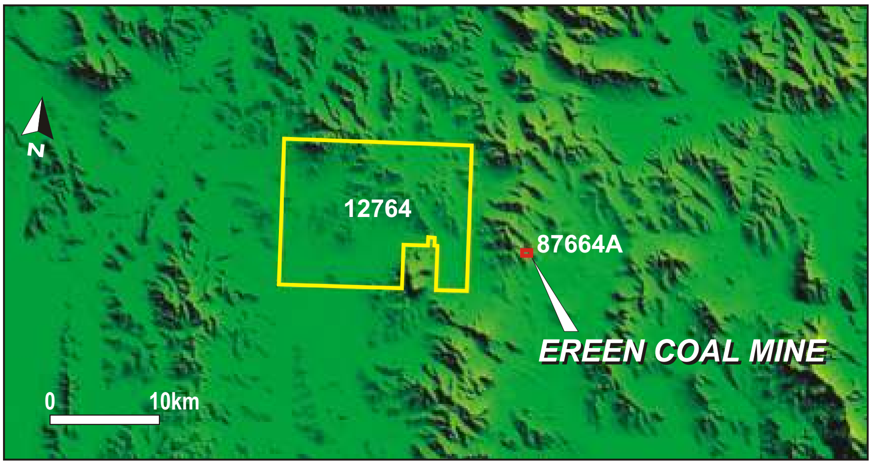
Background

The Ereen Project is covered by three mining tenements covering 23,980 Ha. The tenements were acquired by Polo as a result of initially targeting the Shaikan Ovuu tenement, where a coal resource in excess of 188 Mt in twelve coal seams had been defined by Russian drilling. High energy values indicate that the deposit may have some coking ability. Polo has acquired the surrounding tenement (12764X) which has excellent potential to expand the mineral resource. Polo also acquired a granted mining license (7566A) at Ereen, which has allowed the Company to commence early mining in the district.

Mining at Ereen

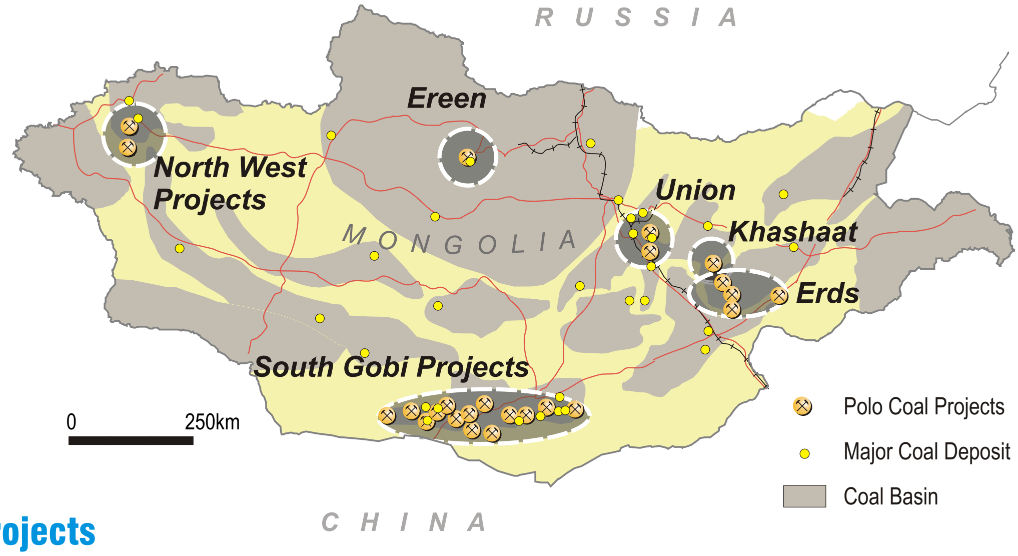
Mining

Polo has commenced trial mining at Ereen on mining lease 8766A. A full mining fleet was purchased by the Company consisting of two D8 dozers, Komatsu excavators, haul and dump trucks and ancillary equipment (haul road, camp, water truck, support maintenance vehicles etc).



Ereen Project showing the small Ereen mining lease (87664A) to the east of the large exploration license 12764X.

Exploration



South Gobi Basin Projects

Background

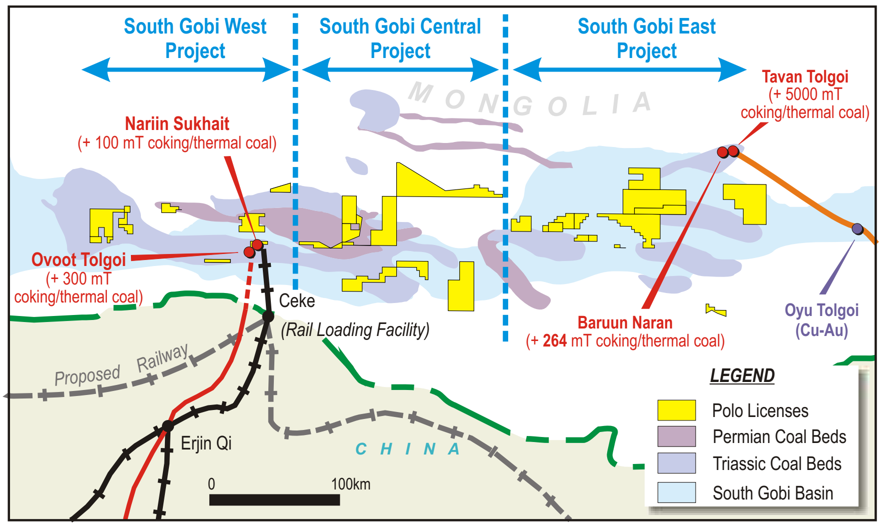
Polo currently holds 34 exploration licenses in the South Gobi Basin, close to the China Mongolian border. The Basin is an important coal basin, and hosts the huge Tavan Tolgoi (TT) coal deposit (>5 Bt) as well as smaller (>200 Mt) but substantial deposits of Baruun Nuran (QGX), Ovoot Tolgoi (South Gobi Energy Resources), Nariin Sukhait (MAK). There are a number of recorded coal occurrences throughout the basin, and there has been little systematic exploration through the area. The basin extends in an east-west direction some 600kms, and is around 100kms wide, which are dimensions not much smaller than Queensland, Australia's Bowen Basin. The South Gobi Basin has a complex geological history, with ages ranging from early Carboniferous to the present. The coal principally occurs in the Permian sediments and sometimes in lower Triassic sequences.

The sheer accumulation of vegetation to form such thick coal deposits is difficult to imagine. At TT, the coal seams are over 100m thick in places, with 10-30m seams common. The TT coal is also mostly coking coal (>50%), whilst at Ovoot Tolgoi to the west, the coking coal component is around 10-20%. The coal deposition in the South Gobi Basin appears to have been controlled by complex basin and range faulting, resulting in the formation of deep, structurally bound sub-basins that were the locus for peat and subsequent coal deposition.

Project outline

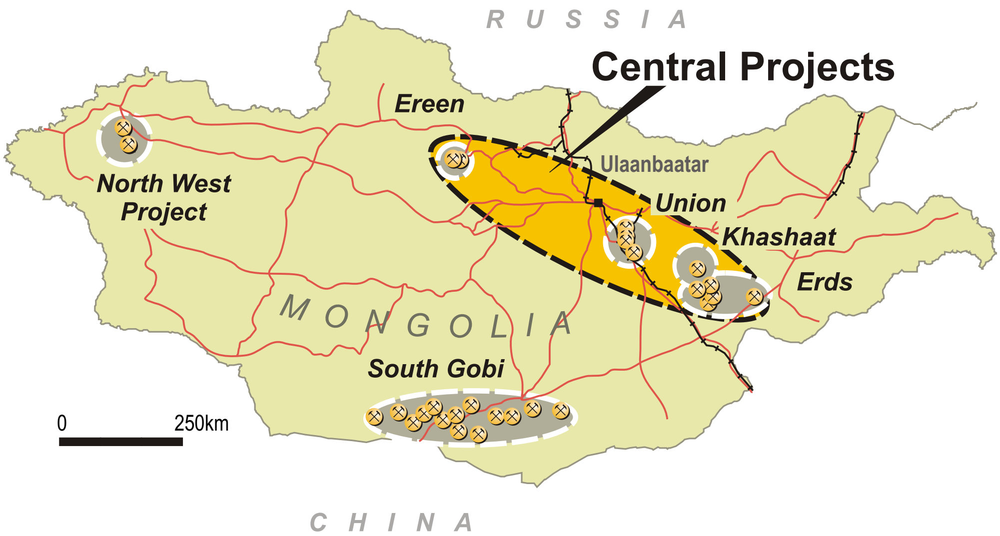
For ease of technical management, the South Gobi Project has been sub-divided into Western, Central, and Eastern regions. The tenements are all 100% owned by Polo, having been acquired from local Mongolian owners. All prospective areas in the South Gobi basin are covered by exploration and mining tenements, and have been so for several years.

In the target selection, Polo focused on tenements and groups of tenements that had known coal occurrences. Of twenty-two coal occurrences known in the basin, Polo has managed to acquire eleven. Drilling commenced on two of the tenements (Hud and Val) in August 2008.



South Gobi Projects - Polo Licenses and coal basins

Central Projects



Background

The Central projects are a group of coal tenements centred in the region around Ulaan Bataar (UB), with the Ereen project in the north, and, progressing south from UB, Union, Erds and Khasaat. In addition Polo has other isolated coal projects in the Central Project group that were selected in the early stages of our work in Mongolia. In summary, the Central Project status is:

Ereen:

Coal production commenced in October 2008. Recent laboratory results have returned CSN's (Crucible Swell Numbers) of 5.5 on raw Ereen coal, indicating that a washed product will produce a coking component.

Union:

Polo completed drilling the deposit and all information is being assembled by SRK to produce a JORC resource. This is expected to be completed by the end of 2009. Union is a low to medium energy, high total moisture, low ash and medium sulphur content coal, and is considered suitable for the domestic thermal markets.

The project includes two mining licenses covering a total of 284 Ha. A portion (25%) of the mining licenses has been depleted by opencast mining by the previous owner. There is no historical production data available. The following seam quality characteristics are based on a report by the Mongolian Government:

- An average Total Moisture (ar) of 34%
- An average Inherent Moisture (ad) of 12.25%
- An average Ash content (ad) of 10.24%
- An average Volatile Matter (daf) of 51.33%
- An average Sulphur content (ad) of 0.92%
- An average Calorific Value (daf) average 6,231 kcal/kg or in (ad) average 4,830 kcal/kg.

Erds:

Polo has considerable holdings in the highly prospective Erdenetsogt Basin area of the Dornogovi Province. Five exploration licenses are 100% owed by Polo and cover 85,153 Ha of the coal basin. The licenses cover brown coal deposits, of considerable size, with coal suitable for power generation. The licenses are very well located, being 75km from Airag Railway station that extends into China and Russia and 140km directly from the border of China. The main highway is 80km away and has a high voltage power grid line extends to within 14km of the project.

Kashaat:

The tenement covers 132 Ha, and had a well delineated coal deposit of thermal coal. Polo has drilled twenty-eight drillholes on the tenement, and has engaged SRK to bring the resource to JORC standard. The tenements surrounding Khasaat have been joint-ventured with Xstrata, who have been drilling out a resource of unknown size over the past eighteen months.

Due to the predominantly flat topography, gently dipping seams (less than 25°) and an estimated average stripping ratio of around 3:1, SRK considers that the Kashaat coal deposit is suitable for open cut mining. Early indications are that the coal appears to have qualities of low to medium energy, medium total moisture, medium ash and medium sulphur. The coal is considered suitable for the thermal market.

North West Projects

Background

The northwest part of Mongolia has some of the best coal in Mongolia but is difficult in terms of logistics. This coal is situated within trucking distance (175km) to existing infrastructure in Russia and markets. The Chuluut license although small (1 km^2) is situated between two existing mining operations that produce a consistent plus 6000 kcal / kg high grade thermal coal for local consumption. No coking tests have yet been undertaken in this area. Only three holes occur on this license with one hole hitting more than 105m of coal from surface.

Mongolia - Uranium

Dornogovi Uranium Project

Polo holds 100% of ten uranium exploration tenements and has seven tenements under application in the Dornogovi District, Mongolia.

The granted tenements are approximately 200km east of the Hairhan and Haraat uranium deposits, and can be accessed by paved road and dirt track from Ulaanbaatar, to the southernmost tenement (11003).

Dornod Uranium Project

Polo holds 100% of six uranium exploration tenements in Dornod Province, Mongolia, with access to the tenements via paved, partly paved, and partly dirt road, some 125 km north of Choibalsan. The tenements are at similar stages of exploration, to those at Dornogovi, and essentially, represent greenfields exploration plays that are located within a district with demonstrable uranium production. The geological setting of the specific tenements is currently at an early level of understanding, and further work is required in order to better establish if the tenements have the potential to host similar tonnes and grade of mineralisation to that which is currently being developed in adjacent tenements by other explorers and miners.

Given the areas production history and the well-established geological criteria for U mineralisation in the district, this will greatly assist Polo's exploration efforts.

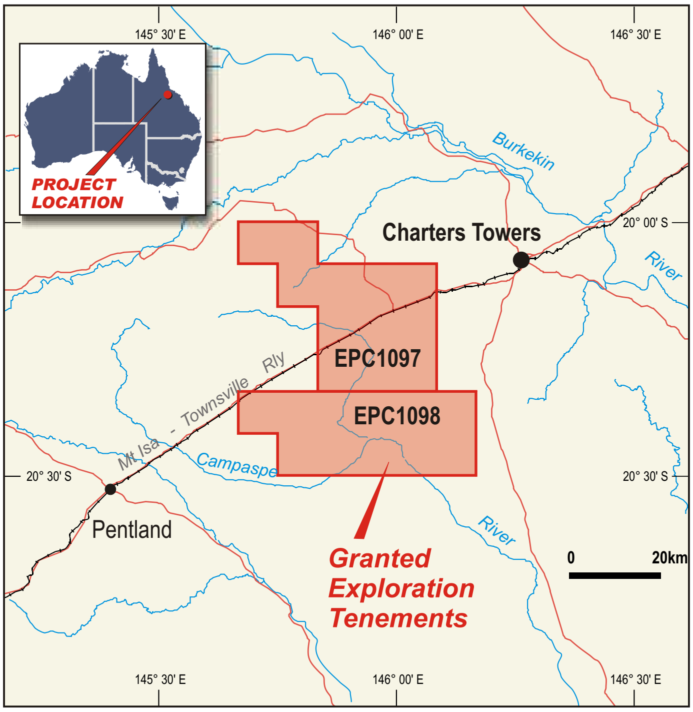
Australia Coal

Baradine Coal Project

Background

In May 2008, Polo announced that the Company has entered into an option agreement with Baradine Bay Pty Limited (BBL), a private limited company registered and incorporated in Australia. The agreement gives the Company the option to acquire an 80 per cent. interest in 'Exploration Permits for Coal' 1097 and 1098 (the "Coal Permits") owned by BBL.

The Coal Permits cover 1,725km^2 of the edge of the Galilee Basin of central Queensland, Australia and are centred on a single drill hole (BEA 315) drilled in 1996 for gold exploration. The hole encountered six metres of coal at a vertical depth of 41 metres beneath transported Tertiary cover. The coal appears to be situated in a sub-basin related to the Galilee Basin. To the south west in the Galilee Basin proper, a number of companies, including Xstrata, are actively exploring for and developing coal resources.



Corporate Investments

Caledon Resources plc - 26.3% Ownership

Caledon Resources plc is a dual listed public Company listed on AIM and The Australian Securities Exchange (ASX) - (trading symbol: "AIM:CDN & ASX: CCD").

Caledon is a coking coal producer and explorer in the Bowen Basin of Queensland, Australia. It acquired the mothballed Cook Mine in late 2006 and has since recommissioned the operation and introduced an innovative new underground mining methodology.

The Company also purchased the nearby Minyango exploration concessions in 2006 and has conducted a number of drilling programs in preparation for a feasibility study.

Its Main assets are:

Cook Mine

- JORC compliant reserves of 24 Mt and resources of 152 Mt.
- Achieved commercial production in March 2007.

Minyango Project

- JORC compliant resources of 292 Mt.

GMC Resources plc - 29.8% Ownership

GCM Resources plc is a public Company listed on AIM - (trading symbol: "AIM:GCM). GCM is engaged in developing a coal mine and power plant project in Bangladesh, the Phulbari Project.

Its main asset is the **Phulbari Coal Project**:

- Export quality metallurgical and thermal coal with a JORC compliant resource of 572 Mt .
- Estimated mine life of more than 30 years with production of 15 Mt at full capacity.
- Potential to install up to 1000 MW of coal fired power generating capacity at the mine site.

Permitting is considered the only limiting factor.

Strategic investments in Regent Pacific, Coal of Africa, Aura Energy, and PeopleTel.

director biographies

Executive Directors

Stephen R. Dattels (aged 60)
Executive Chairman

Mr. Dattels has founded and/or financed a number of mining ventures with his most recent being UraMin Inc. which was sold in July 2007 for $2.5 billion to Areva, the French government-owned fully integrated uranium company. Mr. Dattels was an executive at Barrick Gold Corporation during its formative years when it grew from a capital base of $10 million to a market capitalisation of $2 billion when he left in early 1987. During his employment with Barrick, he was a Director and Executive Vice President of Corporate Finance. In the past decade, he has completed several financings either directly or through his merchant bank, Regent Mercantile Bancorp Inc., in the natural resources sector. This has included exploration, development or production projects in minerals, base metals and precious metals, with the main areas of focus being Africa and Asia.

Mr. Dattels was the Chairman and founder of Caledon Resources PLC, an AIM-listed Australian coal producer and Chinese exploration company, and was the co-founder and Managing Director of AIM-listed Oriel Resources PLC, a developer of nickel and chrome assets in Kazakhstan. Most recently, Mr. Dattels founded a new venture called CCEC Ltd. which is acquiring thermal coal projects in China. CCEC Ltd. recently merged with Regent Pacific Group Limited, a public company listed on the Hong Kong Stock Exchange.

Neil Herbert (aged 42)
Executive Deputy Chairman

Mr. Herbert has over ten years experience of the mining and exploration business and has led a number of growth companies through strategic acquisitions and disposals. He was Finance Director of UraMin Inc. from July 2005 managing the sale of the company to Areva in 2007 for US$2.5 billion. He was previously Finance Director of Galahad Gold plc, International Molybdenum plc, Kalahari Diamond Resources plc and HPD Exploration plc. He was also Chief Financial Officer of Argentinean gold explorer Brancote Holdings plc until its acquisition by Meridian Gold Inc and was Group Financial Controller of Antofagasta plc when the Los Pelambres and El Tesoro copper mines were brought to production. Before joining the mining sector he worked for PricewaterhouseCoopers and he is a fellow of the Association of Chartered Certified Accountants.

Paul Ingram (aged 54)
Chief Executive Officer

Mr. Ingram is a geologist with extensive experience in managing major mineral exploration programmes for several publicly listed companies. He has designed and implemented innovative techniques for exploration in remote areas, and has managed projects in countries throughout Australia and East Asia. Mr. Ingram has been involved in mineral exploration and development for over thirty years. He was formerly Managing Director of Menzies Gold Ltd and Exploration Director of Caledon Resources PLC.

Mr. Ingram has a bachelor of applied science (geology) degree from Queensland University of Technology and is a member of the Australian Institute of Mining and Metallurgy and the Mining Industry Consultants Association.

Tony Bainbridge (aged 46)
Chief Operating Officer

Mr. Bainbridge is an exploration geologist and has spent the past 25 years working in the gold, base metals and energy industries throughout the Asia-Pacific region. For the past two years, Mr. Bainbridge has held the position of president of Asia Intercept Mining Group leading a search for coal and uranium in Mongolia and China. Prior thereto, Mr. Bainbridge was an exploration manager with Highlands Pacific Limited in Papua New Guinea, where he managed a team of geologists in a country wide exploration search for gold, copper and nickel. During this time, his team discovered, drilled and brought into production the high grade Kainantu Au-Te gold mine. Before becoming an exploration manager, Mr. Bainbridge was chief geologist at Highlands Pacific Limited for five years.

Prior to working at Highlands Pacific, Mr. Bainbridge operated a geological consultancy group for various companies in Indonesia, Papua New Guinea, The Solomon Islands, Fiji, Thailand, China and Mongolia. Mr. Bainbridge has a bachelor of science degree (Honours) from the University of Queensland and is a "Qualified Person" as defined by NI 43-101.

Non-Executive Directors

Guy Elliott (aged 49)
Non-executive Director

Mr. Elliott is a co-founder of F3 Capital Management, LLC, an independent alternative asset management firm specialising in early stage financings in the natural resources field. Prior thereto, Mr. Elliott was president and co-founder of Croesus Capital Management, a specialist emerging markets hedge fund manager which grew over several years to about $800 million under management. He was a manager of proprietary trading at HSBC New York from 1992 to 1993 and worked for EBF & Associates as a portfolio manager from 1990 to 1992. He has also worked for Merrill Lynch International in New York focusing on fixed income securities and Cargill in London, Geneva and Minneapolis trading fixed income, foreign exchange and derivatives. Mr. Elliott is a director of Aurelian Oil & Gas an AIM listed E&P company and Direct Petroleum Exploration Inc, a

Harald van Hoeken (aged 38)
Non-executive Director

Mr. van Hoeken is an engineer from The Netherlands with over a decade of experience in the African oil and gas industry. Mr. van Hoeken was with PGS from 1997 to 2003 and based in Lagos, Nigeria for over five years, initially as Area Manager West Africa, then Managing Director Nigeria and took over as Business Manager of the Gulf of Guinea when he relocated to London. Mr. van Hoeken has a well balanced knowledge in both exploration and production, having also worked with PGS Production which specializes in leased FPSOs and as an executive in Wellstream International, a company manufacturing and supplying offshore and onshore production equipment. Mr. van Hoeken has a B.Sc. in both Aerospace Engineering and Ocean Engineering obtained with Honors at the Florida Institute of Technology.

Danny Sun (aged 44)
Non-executive Director

Mr. Sun, a Chinese Canadian citizen, has extensive experience in international trade and natural resource investment. He brings a wealth of experience in negotiating business agreements between Chinese government agencies, overseas companies and business groups in China. Mr. Sun has more than 25 years of experience in the management of various self-owned and state-owned companies in a number of sectors such as mining, technology, futures and the environment. He founded and was chairman of Asia Intercept Mining Group, Zhong Jun Jia Hua Investment Group and China Gold Investment Co. Ltd. Mr. Sun was founder and a director of Guangdong Union Futures Exchange and he was a general manager of Shenzhen Hui Guang Industry Development Co. Ltd in the early 1990s. Mr. Sun holds a bachelor degree in communication and a master degree in Management Business Administration.

disclosure statements

Forward Looking Statement

Certain statements in this Document are "Forward Looking statements." These Forward Looking statements are not based on historical facts but rather on management's expectations regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, planned exploration and development drilling activity and the results of such drilling activity, business prospects and opportunities. Such Forward Looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward Looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the Forward Looking statements including risks associated with vulnerability to general economic market and business conditions, competition, environmental and other regulatory changes, the results of exploration and development drilling and related activities, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although the Forward Looking statements contained in this Document are based upon what management believes to be reasonable assumptions the Company cannot assure investors that actual results will be consistent with these Forward Looking statements.

Environmental and Social Responsibility Statement

Notwithstanding coal and uranium's much publicised role as a leading potential sources of energy, mining activities are, by their nature, destructive of the natural environment. Polo Resources is critically aware of its responsibilities as an international entity operating in the mining sector and in such areas. Not only is the company committed to meeting and exceeding local and international legal requirements in relation to people and the environment, but it has shown itself to be committed to contributing, wherever reasonably possible, to the social and economic development of communities in the areas in which it conducts its business.

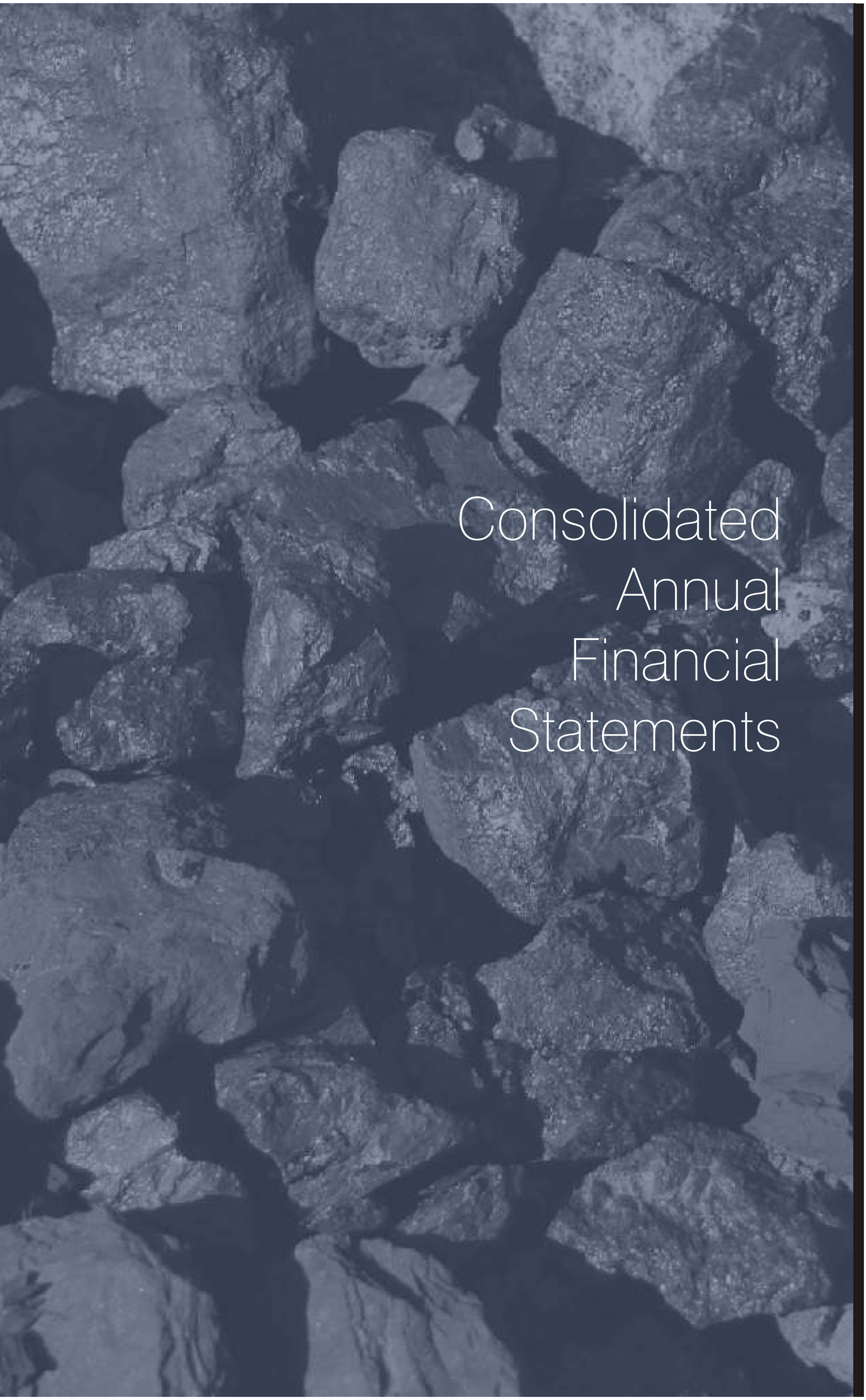
In accordance with international trends, Polo Resources adopts an inclusive definition of the word “environment”. Environmental impact assessments for Polo's projects accordingly include consideration not only for the natural environment, but also for social and economic factors. Evidence available to date suggests that while, in respect of most of Polo's projects, active steps are required to prevent damage to the natural environment, the projects will make a significant social and economic contribution to communities situated around them.

Integral to all of Polo's projects is an up-front baseline survey and analysis of conditions within the project's area of influence. This includes social, cultural, economic, geological, radiological, climate related, topographic, land use, archeological, faunal, floral and other relevant surveys. Project planning includes comprehensive impact assessment work aimed at minimizing negative impacts both during and after the projects.

Polo Resources looks to grow and manage a diversified portfolio of coal and uranium projects, driven by the quality of each opportunity, and contributing to the projects sustainability by working closely with host countries and communities throughout the exploration, development and production phases.

Qualified Persons and Compliance Statement

The information contained in this report has been reviewed by Paul Ingram, CEO & Director of Polo, P.Geo, AIMM, MICA, BSc Geo. Mr. Ingram has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Qualified Person for the purposes of this report.



Consolidated Annual Financial Statements

Polo Resources Ltd

Polo Resources Ltd ("Polo" or "the Company") is a BVI incorporated company which is quoted on the London Stock Exchange Alternative Investment Market ("AIM"). Its principal activities are the identification, acquisition, evaluation and development of coal resource projects with a particular focus on Asia.

Contents

Directors' Report

The Directors are pleased to present this year's annual report together with the consolidated financial statements for the period ended 30 June 2008.

Principal Activities
The principal activities of the Group are the identification, acquisition, evaluation and development of coal resource projects in Asia.

Business Review and future developments
A review of the current and future development of the Group's business is given in the Executive Deputy Chairman's Statement on page 4.

Results and Dividends
Loss on ordinary activities of the Group after taxation amounted to $6.74million. The Directors do not recommend payment of a dividend.

Key Performance Indicators
Given the nature of the business and that the Group is on an exploration and development phase of operations, the directors are the opinion that analysis using KPI's is not appropriate for an understanding of the development, performance or position of our businesses at this time.

Post Balance Sheet events
At the date these financial statements were approved, being 17 December 2008, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

Substantial Shareholdings
At 28 November 2008 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Number of Shares	% of Issued Capital
Capital (Institutional Group)	172,092,018	9.18
TPG Axon Capital	108,950,000	5.81
RAB Capital Plc	103,740,425	5.54
Luxor Capital Group, L.P.	94,501,000	5.04
Southpoint Capital Advisors, L.P.	76,930,000	4.10
GCM Resources Plc	74,800,000	3.99
Blue Ridge Capital	70,000,000	3.73
State Street Bank & Trust co	65,748,500	3.51
Chiropo Company Sa	60,000,000	3.20
Angstrom Capital	60,000,000	3.20
Ingalls & Snyder LLC	59,670,000	3.18

Directors' Report (continued)

Directors
The names of the Directors who served during the period are set out below:

Director	Date of Appointment	Date of Registration
Executive Directors		
Stephen Dattels	30 January 2008	
Neil Herbert	14 May 2008	
Paul Ingram	31 January 2008	
Tony Bainbridge	4 March 2008	
Non-Executive Directors		
Guy Elliott	23 May 2007	
Harald Van Hoeken	3 August 2007	
Danny Sun	31 January 2008	
Suresh Hiremath	3 August 2007	25 September 2008

Directors' Remuneration
The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 5 to the financial statements.

Directors' Interests
The total beneficial interests of the serving Directors in the shares and options of the Company during the period to 30 June 2008 were as follows:

	30 June 2008		On Appointment	
Director	Shares	Options*	Shares	Options*
Stephen Dattels	60,000,000	5,000,000	60,000,000	-
Neil Herbert	14,375,000	12,000,000	14,375,000	-
Paul Ingram	8,400,000	12,000,000	3,400,000	-
Tony Bainbridge	29,800,000	5,000,000	5,800,000	-
Guy Elliott	20,200,000	5,000,000	-	-
Harald Van Hoeken	2,500,000	2,000,000	-	-
Danny Sun	29,800,000	5,000,000	-	-
Suresh Hiremath	2,500,000	2,000,000	-	-

* The option details have been fully disclosed in Note 19 to the financial statements.

Corporate Governance
A statement on Corporate Governance is set out on pages 19 to 21.

Environmental Responsibility
The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it, and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

Employment Policies
The Group will be committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

Directors' Report (continued)

Health and Safety
The Group's aim will be to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

Payment to Suppliers
The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. At 30 June 2008, the group's creditors were equivalent to 27 days cost.

Political Contributions and Charitable Donations
During the period the Group did not make any political contributions or charitable donations.

Annual General Meeting ("AGM")
This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

Statement of disclosure of information to auditors
As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information

Auditors
A resolution to reappoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

Going Concern
Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

Directors' Report (continued)

Statement of Directors' Responsibilities

The directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

Electronic communication

The maintenance and integrity of the Company's website is the responsibility of the directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of Board:

Neil Herbert
Executive Vice Chairman
18 December 2008

Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company.

Board of Directors
The Board of Directors currently comprises 4 Executive Directors one of whom is the Chairman and 3 Non-Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the Chairman and the Deputy Chairman in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

Board Meetings
The Board meets regularly throughout the year. For the period ending 30 June 2008 the Board met 30 times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and other professional advisers as necessary and information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Committees
The Board has established the following committees, each which has its own terms of reference:

Audit Committee
The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises 3 Non-Executive Directors, Guy Elliott (Chairman) Danny Sun and Harald Van Hoeken, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

Remuneration Committee
The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises 1 Executive Director and 2 Non-Executive Directors, Stephen Dattels (Chairman), Guy Elliott and Harald Van Hoeken. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

Internal controls
The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Corporate Governance Statement (continued)

Risk Management
The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties
The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

General and economic risks
• contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
• movements in the equity and share markets in the United Kingdom and throughout the world;
• weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the resource industry;
• currency exchange rate fluctuations and, in particular, the relative prices of US Dollar, Australian Dollar, and the UK Pound;
• exposure to interest rate fluctuations; and
• adverse changes in factors affecting the success of exploration and development operations, such as increases in expenses, changes in government policy and further regulation of the industry; unforeseen major failure, breakdowns or repairs required to key items of plant and equipment resulting in significant delays, notwithstanding regular programmes of repair, maintenance and upkeep; variations in grades and unforeseen adverse geological factors or prolonged weather conditions.

Funding risk
• The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned exploration, investment and/or development projects.

Commodity risk
• Commodities are subject to high levels of volatility in price and demand. The price of commodities depends on a wide range of factors, most of which are outside the control of the Company. Mining, processing and transportation costs also depend on many factors, including commodity prices, capital and operating costs in relation to any operational site.

Exploration and development risks
• Exploration and development activity is subject to numerous risks, including failure to achieve estimated mineral resource, recovery and production rates and capital and operating costs.
• Success in identifying economically recoverable reserves can never be guaranteed. The Company also cannot guarantee that the companies in which it has invested will be able to obtain the necessary permits and approvals required for development of their projects.
• Some of the countries in which the Company operates have native title laws which could affect exploration and development activities. The companies in which the Company has an interest may be required to undertake clean-up programmes on any contamination from their operations or to participate in site rehabilitation programmes which may vary from country to country. The Group's policy is to follow all applicable laws and regulations and the Company is not currently aware of any material issues in this regard.
• Timely approval of mining permits and operating plans through the respective regulatory agencies cannot be guaranteed.
• Availability of skilled workers is an ongoing challenge.
• Geology is always a potential risk in mining activities

Market risk
• The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

Corporate Governance Statement (continued)

Insurance
The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

Treasury Policy
The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer Note 19.

Securities Trading
The Board has adopted a Share Dealing Code that applies to Director, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

Relations with Shareholders
The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

Independent Auditors Report to the Shareholders of Polo Resources Ltd

We have audited the group and parent company financial statements of Polo Resources Ltd for the period ended 30 June 2008, which comprise the Group and Parent Income Statements, the Group and Parent Balance Sheets, Group and Parent Cash Flow Statement, Group and Parent Statement of Changes in Equity, and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Executive Deputy Chairman's Statement, Chief Executive's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors Report to the Shareholders of Polo Resources Ltd (continued)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the parent company's affairs as at 31 March 2008;
- the financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Chapman Davis LLP
Registered Auditors
London
18 December 2008

Group Income Statement
for the period ended 30 June 2008

	Notes	Period 23 May 2007 to 30 June 2008 $ 000's
Turnover		-
Exploration costs		(2,234)
Administrative expenses		(4,690)
Share options expensed	5, 19	(1,392)
Group operating loss	3	(8,316)
Share of associates results		(426)
Finance revenue	7	2,000
Loss before taxation	2	(6,742)
Income tax expense	8	-
Retained loss for the period attributable to members of the parent Company		(6,742)
Loss per share (US cents)		
Basic	10	(1.12)
Diluted	10	(1.12)

All of the operations are considered to be continuing.

Company Income Statement
for the period ended 30 June 2008

	Notes	Period 23 May 2007 to 30 June 2008 $ 000's
Turnover		-
Exploration costs		(2,881)
Administrative expenses		(4,100)
Share options expensed	5, 19	(1,392)
Group operating loss	3	(8,373)
Other income	6	3,099
Finance revenue	7	1,999
Loss before taxation		(3,275)
Income tax expense	8	-
Retained loss after taxation		(3,275)

All of the operations are considered to be continuing.

Group Balance Sheet
as at 30 June 2008

		30 June 2008	
	Note	$ 000's	$ 000's
ASSETS			
Non-current assets			
Intangible assets	11	72,161	
Tangible assets	12	755	
Interest in associates	14	148,529	
Available for sale investments	15	285	
Total non-current assets			221,730
Current assets			
Cash and cash equivalents		115,974	
Trade and other receivables	16	4,356	
Total current assets			120,330
TOTAL ASSETS			342,060
LIABILITIES			
Current liabilities			
Trade and other payables	17	(8,259)	
TOTAL LIABILITIES			(8,259)
NET ASSETS			333,801
EQUITY			
Called-up share capital	18	-	
Share premium		338,861	
Retained earnings		(6,742)	
Available for sale investment reserve		(62)	
Foreign exchange reserve		(285)	
Share based payments reserve	19	2,029	
TOTAL EQUITY			333,801

These financial statements were approved by the Board of Directors on 18 December 2008 and signed on its behalf by:

Stephen Dattels
Director

Neil Herbert
Director

Company Balance Sheet
as at 30 June 2008

	Notes	30 June 2008	
		$ 000's	$ 000's
ASSETS			
Non-current assets			
Investment in subsidiaries	13	24,842	
Trade and other receivables	14	199,021	
Total non-current assets			223,863
Current assets			
Cash and cash equivalents		113,674	
Trade and other receivables	16	3,833	
Total Current Assets			117,507
TOTAL ASSETS			341,370
LIABILITIES			
Current Liabilities			
Trade and other payables	17	(3,744)	
TOTAL LIABILITIES			(3,744)
NET ASSETS			337,626
EQUITY			
Called-up share capital	18	-	
Share premium		338,861	
Foreign exchange reserve		11	
Share based payments reserve	19	2,029	
Retained earnings		(3,275)	
TOTAL EQUITY			337,626

These financial statements were approved by the Board of Directors on18 December 2008 and signed on its behalf by:

Stephen Dattels
Director

Neil Herbert
Director

Group Cash Flow Statement
for the period ended 30 June 2008

	Notes	For the period ended 30 June 2008 $ 000's
Cash flows from operating activities		
Operating Loss		**(8,316)**
(Increase) in trade and other receivables		**(4,356)**
Increase in trade and other payables		**8,259**
Foreign exchange translation		**57**
Share options expensed		**1,392**
Depreciation		**46**
Net cash outflow from operating activities		**(2,918)**
Cash flows from investing activities		
Interest Received		**2,000**
Investments in associates		**(135,968)**
Payments to acquire available for sale investments		**(347)**
Payments to acquire intangible assets		**(33,142)**
Payments to acquire tangible assets		**(801)**
Net cash outflow from in investing activities		**(168,258)**
Acquisitions and disposals		
Cash acquired with subsidiaries		**(58)**
Payments to acquire subsidiaries		**(17,389)**
Net cash outflow from acquisitions and disposals		**(17,447)**
Cash flows from financing activities		
Issue of ordinary share capital		**325,586**
Share issue costs		**(21,617)**
Net cash inflow from financing activities		**303,969**
Net increase in cash and cash equivalents		**115,346**
Cash and cash equivalents at beginning of period		**-**
Exchange gain on cash and cash equivalents		**628**
Cash and cash equivalents at end of period	**20**	**115,974**

Company Cash Flow Statement
for the period ended 30 June 2008

	Notes	For the period ended 30 June 2008 $ 000's
Cash flows from operating activities		
Operating Loss		(8,373)
(Increase) in trade and other receivables		(3,833)
Increase in trade and other payables		3,744
Share options expensed		1,392
Foreign exchange loss		58
Net cash outflow from operating activities		(7,012)
Cash flows from investing activities		
Interest Received		1,999
Loans to subsidiaries		(185,785)
Net cash outflow from in investing activities		(183,786)
Acquisitions and disposals		
Payments to acquire subsidiaries		(2,000)
Net cash outflow from acquisitions and disposals		(2,000)
Cash flows from financing activities		
Issue of ordinary share capital		325,586
Share issue costs		(21,617)
Net cash inflow from financing activities		303,969
Net increase in cash and cash equivalents		111,171
Cash and cash equivalents at beginning of period		-
Exchange gain on cash and cash equivalents		2,503
Cash and cash equivalents at end of period	20	113,674

Group Statement of Changes in Equity
For the period ended 30 June 2008

Group	Called up share capital	Share premium reserve	Available for sale investment reserve	Foreign currency translation reserve	Share based payment reserve	Retained earnings	Total equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
As at 23 May 2007	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(6,742)	**(6,742)**
Loss on revaluation of available for sale investments	-	-	(62)	-	-	-	**(62)**
Currency translation differences	-	-	-	(285)	-	-	**(285)**
Total recognised income and expense	-	-	(62)	(285)	-	(6,742)	**(7,089)**
Share capital issued	-	361,120	-	-	-	-	**361,120**
Cost of share issue	-	(22,259)	-	-	-	-	**(22,259)**
Share based payments	-	-	-	-	2,029	-	**2,029**
As at 30 June 2008	**-**	**338,861**	**(62)**	**(285)**	**2,029**	**(6,742)**	**333,801**

Company Statement of Changes in Equity continued
For the period ended 30 June 2008

	Called up share capital	Share premium reserve	Foreign exchange reserve	Share based payment reserve	Retained earnings	Total equity
Company	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**	**$ 000's**
As at 23 May 2007	**-**	**-**	**-**	**-**	**-**	**-**
Loss for the period	-	-	-	-	**(3,275)**	**(3,275)**
Currency translation differences	-	-	11	-	**-**	**11**
Total recognised income and expense	**-**	**-**	**11**	**-**	**(3,275)**	**(3,264)**
Share capital issued	-	361,120	-	-	-	**361,120**
Cost of share issue	-	(22,259)	-	-	-	**(22,259)**
Share based payments	-	-	-	2,029	-	**2,029**
As at 30 June 2008	**-**	**338,861**	**11**	**2,029**	**(3,275)**	**337,626**

Notes to the Financial Statements
for the period ended 30 June 2008

1 Summary of Significant Accounting Policies

(a) Authorisation of financial statements

The Group financial statements of Polo Resources Ltd for the period ended 30 June 2008 were authorised for issue by the Board on 17 December 2008 and the balance sheets signed on the Board's behalf by Stephen Dattels and Neil Herbert. The Company was registered as Ormond Natural Resources Inc. in British Virgin Islands having been incorporated on 23rd May 2007 under the BVI Business Companies Act 2004 with registered number 1406187. On 24th July 2007 a resolution was passed to change the name of the Company to Polo Resources Limited. The Company's ordinary shares are traded on the AIM Market operated by the London Stock Exchange.

(b) Statement of compliance with IFRS

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The principal accounting policies adopted by the Group and Company are set out below.

New standards and interpretations not applied
IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs) and (Effective date)
IFRS 1 First time Adoption of International Financial Reporting Standards and Consolidated and Separate Financial Statements (1 January 2009)
IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations (1 January 2009)
IFRS 3 Business Combinations - revised January 2008 (1 July 2009)
IFRS 8 Operating Segments (1 January 2009)
IAS 1 Presentation of Financial Statements - revised September 2007 (1 January 2009)
IAS 23 Borrowing Costs - revised March 2007 (1 January 2009)
IAS 27 Consolidated and Separate Financial Statements - revised January 2008 (1 July 2009)
IAS 32 Financial Instruments: Disclosure and Presentation and IAS 1 Presentation of Financial Statements (1 January 2009)
Improvements to IFRSs - May 2008 (1 January 2009)
IAS 39 Financial Instruments: Recognition and Measurement (1 January 2009)

International Financial Reporting Interpretations Committee (IFRIC)
IFRIC 13 Customer Loyalty Programmes (1 July 2008)
IFRIC 15 Agreements for the construction of real estate (1 January 2009)
IFRIC 16 Hedges of a net investment in a foreign operation (1 October 2008)

The amendment to IFRS 2 restricts the definition of vesting conditions to include only service conditions (requiring a specified period of service to be completed) and performance conditions (requiring the other party to achieve a personal goal or contribute to achieving a corporate target). All other features are not vesting conditions, and whereas a failure to achieve such a condition was previously regarded as a forfeiture (giving rise to a reversal of amounts previously charged to profit) it must be reflected in the grant date fair value of the award and treated as a cancellation, which results in either an acceleration of the expected charge, or a continuation over the remaining vesting period, depending on whether the condition is under the control of the entity or counterparty. The amendment is mandatory for periods beginning on or after 1 January 2009 and the Group is currently assessing its impact on the financial statements, although it is not expected to be material.

Notes to Financial Statements
for the period ended 30 June 2008, continued

(b) Statement of compliance with IFRS (continued)

The Group does not anticipate early adoption of the revised IFRS 3 and so will apply it prospectively to all business combinations on or after 1 July 2009. Whilst it is not possible to estimate the outcome of adoption, the key features of the revised IFRS 3 include a requirement for acquisition-related costs to be expensed and not included in the purchase price; and for contingent consideration to be recognised at fair value on the acquisition date (with subsequent changes recognised in the income statement and not as a change to goodwill). The standard also changes the treatment of non-controlling interest (formerly minority interests) with an option to recognise these at full fair value as at the acquisition date and a requirement for previously held non-controlling interests to be fair valued as at the date control is obtained, with gains and losses recognised in the income statement.

IFRS 8 requires segment disclosure based on information presented to the Board. Whilst this is not expected to change the segment information currently provided, the future structure of the Group may change which would then impact the segment information provided.

Whilst the revised IAS 1 will have no impact on the measurement of the Group's results or net assets it is likely to result in certain changes in the presentation of the Group's financial statements from 2009 onwards.

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

(c) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in US Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(d) Basis of consolidation

The consolidated financial information incorporates the results of the Company and its subsidiaries (the "Group") using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. Inter-company transactions and balances between Group companies are eliminated in full.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet.

Notes to Financial Statements
for the period ended 30 June 2008, continued

(e) Business combinations

The acquisition of subsidiaries in a business combination is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *'Non Current Assets Held for Sale and Discontinued Operations'*, which are recognised and measured at fair value less costs to sell.

Where there is a difference between the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the business combination, any excess cost is recognised in the balance sheet as goodwill and any excess net fair value is recognised immediately in the income statement as negative goodwill on acquisition of subsidiary.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(f) Revenue

The Group had no revenue during the period ending 30 June 2008.

(g) Foreign currencies

The Company's functional currency is Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Polo Resources Ltd, which is US Dollar ($), at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

All other differences are taken to the income statement with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

(h) Goodwill and intangible assets

Intangible assets are recorded at cost less eventual amortisation and provision for impairment in value. Goodwill on consolidation is capitalised and shown within fixed assets. Positive goodwill is subject to an annual impairment review, and negative goodwill is immediately written-off to the income statement when it arises.

Notes to Financial Statements
for the year ended 30 June 2008, continued

(i) Exploration and development costs

Exploration and development costs are carried forward in respect of areas of interest where the consolidated entity's rights to tenure are current and where these costs are expected to be recouped through successful development and exploration, or by sale. Alternatively, these costs are carried forward while active and significant operations are continuing in relation to the areas of interest and it is too early to make reasonable assessment of the existence or otherwise of economically recoverable reserves. When the area of interest is abandoned, exploration and evaluation costs previously capitalised are written off to the Income Statement.

In accordance with the full cost method, all costs associated with mining development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures will be written-off over the estimated life of the commercial ore reserves on a unit of production basis. Impairment reviews will be carried out regularly by the Directors of the Company. Where a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be written off.

The recoverability of deferred mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

(j) Interest in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised unless the Group has an obligation to fund such losses.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

(k) Significant accounting judgments, estimates and assumptions

(i) Significant accounting estimates and assumptions

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

(ii) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

(iii) 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 a Black-Scholes model.

Notes to Financial Statements
for the year ended 30 June 2008, continued

(l) Finance costs/revenue

Borrowing costs are recognised as an expense when incurred.

Finance revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(o) Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

(p) Financial instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade debtors and trade creditors. The Group has overseas subsidiaries in BVI, Mongolia and Australia whose expenses are denominated in US Dollars, Mongolian Turik, and Australian Dollars respectively. Market price risk is inherent in the Group's activities and is accepted as such.

There is no material difference between the book value and fair value of the Group's cash.

(q) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

(r) Available for sale investment reserve

This reserve is used to record the post-tax fair value movements in available for sale investments.

(s) Share Based payments Reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid.

Notes to Financial Statements
for the period ended 30 June 2008, continued

(t) Foreign Currency Translation Reserve

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

(u) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at fair value less any impairment losses recognised after the date of revaluation.
Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

Land (including option costs) – Nil
Plant and Equipment – between 5% and 25%
All assets are subject to annual impairment reviews.

(v) Impairment of assets

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

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

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

(w) Trade and other payables

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

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(y) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Polo Resources Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 10).

(z) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to Financial Statements
for the period ended 30 June 2008, continued

2 Segmental analysis - Group

The Group has not commenced production and therefore recorded no revenue.

The analysis of the operating loss before taxation and the net assets employed by geographical segment of operations is shown below;

By geographical area

2008	**BVI/Parent**	**Mongolia**	**Australia**	**Total**
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Result				
Operating loss	(7,725)	(411)	(180)	**(8,316)**
Share of associates results	(426)	-	-	**(426)**
Investment revenue	1,999	1	-	**2,000**
Loss before & after tax				**(6,742)**
Other information				
Depreciation and amortization	-	1,473	-	**1,473**
Capital additions	-	74,389	-	**74,389**
Assets				
Segment assets	148,815	72,444	471	**221,730**
Financial assets	745	3,550	61	**4,356**
Cash				**115,974**
Consolidated total assets				**342,060**
Liabilities				
Segment liabilities	-	-	-	**-**
Financial liabilities	(3,744)	(4,456)	(59)	**(8,259)**
Consolidated total liabilities				**(8,259)**

Notes to Financial Statements
for the year ended 30 June 2008, continued

3 Operating loss

	2008	2008
	Group	**Company**
Operating loss is arrived at after charging:	**$ 000's**	**$ 000's**
Auditors' remuneration – audit	**64**	**50**
Auditors' remuneration – non audit services	**-**	**-**
Directors' emoluments – fees and salaries	**1,017**	**1,017**
Directors' emoluments – share based payments	**1,890**	**1,890**
Foreign exchange loss	**57**	**58**
Depreciation	**46**	**-**

Auditors remuneration for audit services above includes $13,420 charges by KPMG (Malaysia), relating to the audit of the subsidiary companies.

4 Employee information – Group

	2008
Staff Costs comprised:	**$ 000's**
Wages and salaries	**37**

Average Number of employees	**Number**
Exploration	**9**
Administration	**2**
	11

Notes to Financial Statements
for the period ended 30 June 2008, continued

5 Directors' emoluments

Group & Company	**2008**
	$ 000's
Directors' remuneration	**2,907**

2008

	Directors Fees $ 000's	Consultancy Fees $ 000's	Shares & Options $ 000's	Total $ 000's
Executive Directors				
Stephen Dattels (#)	100	116	116	**332**
Neil Herbert (#)	195	-	855	**1,050**
Tony Bainbridge (#)	133	-	116	**249**
Paul Ingram (#)	167	102	279	**548**
Non-Executive Directors				
Guy Elliott	33	76	182	**291**
Harald Van Hoeken (#)	33	-	113	**146**
Danny Sun (#)	21	-	116	**137**
Suresh Hiremath (#)	33	8	113	**154**
	715	**302**	**1,890**	**2,907**

(#): These Directors were not employed during the full financial period.

No pension benefits are provided for any Director.

6 Other income

	2008 Group	**2008 Company**
	$ 000's	**$ 000's**
Management fees receivable	**-**	**3,099**

7 Finance revenue

	2008 Group	**2008 Company**
	$ 000's	**$ 000's**
Bank interest receivable	**2,000**	**1,999**

Notes to Financial Statements
for the period ended 30 June 2008, continued

8 Taxation

	2008
Analysis of charge in period	**$ 000's**
Tax on ordinary activities	**-**

No taxation has been provided due to losses in the year.

The British Virgin Islands under the IBC imposes no corporate taxes or capital gains. However the Company as a group may be liable for taxes in the jurisdictions where it is developing mining properties.

In Mongolia, the Company provides for income tax on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the tax authorities. The tax rate is 10% for taxable profits up to MNT3 billion and 25% for taxable profits in excess of MNT3 billion

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. No deferred tax liability has been recognised as a result of the losses in the period.

9 Dividends

No dividends were paid or proposed by the Directors.

10 Loss per share

The Loss for the period attributed to shareholders is $6.74 million.

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 603.26 million to give a basic loss per share of 1.12 cents.

The share options and warrants in issue at 30 June 2008 are not considered dilutive as the Group made a loss in 2008. Therefore the Group has not presented a diluted loss per share

Notes to Financial Statements
for the period ended 30 June 2008, continued

11 Intangible assets

Group	$ 000's
Cost	
At 23 May 2007	-
Additions	73,588
As at 30 June 2008	**73,588**
Amortisation	
At 23 May 2007	-
Amortisation charge for the period	1,427
At 30 June 2008	**1,427**
Net book value	
At 30 June 2008	**72,161**

The cost is analysed as follows;

	$ 000's
Deferred exploration expenditure	**6,044**
Mining & exploration licences	**66,117**
	72,161

Impairment Review

At 30 June 2008, the Directors have carried out an impairment review and concluded no impairment provision is currently required.

Notes to Financial Statements
for the period ended 30 June 2008, continued

12 Tangible assets

Group

	Property, plant & equipment $ 000's	Total $ 000's
Cost		
As at 23 May 2007	-	-
Additions	801	801
As at 30 June 2008	**801**	**801**
Depreciation		
As at 23 May 2007	-	-
Depreciation charge for the year	46	46
As at 30 June 2008	**46**	**46**
Net Book Value		
As at 30 June 2008	**755**	**755**

Impairment Review

At 30 June 2008, the Directors have carried out an impairment review and concluded no impairment provision is currently required.

Notes to Financial Statements
for the period ended 30 June 2008, continued

13 Investment in subsidiaries

Shares in Group undertakings	**$ 000's**
Company	
Cost	
At 23 May 2007	-
Additions	24,842
As at 30 June 2008	**24,842**

The parent company of the Group holds more than 50% of the share capital of the following companies:

Company	Country of Registration	Proportion held	Nature of business
Direct			
MUC Resources Ltd	BVI	100%	Holding Company
Polo Australasia Ltd	BVI	100%	Holding Company
Polo Bangladesh Ltd	BVI	100%	Holding Company
World Coal Works Corporation	BVI	100%	Holding Company
CM Logistics Ltd	BVI	100%	Holding Company
Indirect			
Via MUC Resources Ltd			
MUC Resources LLC	Mongolia	100%	Mineral Exploration
Via Polo Australasia Ltd			
Polo Resources Australia Pty Ltd	Australia	100%	Mineral Exploration
Via World Coal Works Corporation			
Polo Resources LLC	Mongolia	100%	Mineral Exploration
Via Polo Resources LLC			
Kimko LLC	Mongolia	100%	Mineral Exploration
BGGT LLC	Mongolia	100%	Mineral Exploration
North Tonghe Gobi LLC	Mongolia	100%	Mineral Exploration
UMUH LLC	Mongolia	100%	Mineral Exploration

Notes to Financial Statements
for the period ended 30 June 2008, continued

14 Interest in associates

	$ 000's
Group	
At 23 May 2007	-
Investments in associates – purchases	148,955
Share of associates loss for the period	(426)
As at 30 June 2008	**148,529**

The breakdown of the carrying values and fair values at the balance sheet date of the Group's interest in listed associates is as follows:

	Carrying Value	Fair Value
	$ 000's	$ 000's
GCM Resources Plc	**46,052**	**94,107**
Caledon Resources Plc	**102,477**	**127,967**
	148,529	**222,074**

Subsequent to 30 June 2008 the market value of the investment in Associates, has decreased substantially. It is considered that this decrease is a subsequent event that does not require adjustment at 30 June 2008. The market value of the interests in associates was $20,564,382 at 1 December 2008.

Details of the Group and Company's associates at 30 June 2008 are as follows:

Name	Place of Incorporation	Proportion held	Date associate interest acquired	Reporting Date of associate	Principal activities
GCM Resources Plc	UK	29.84%	01/02/08	30/06/08	Coal exploration
Caledon Resources Plc	UK	24.81%	05/06/08	31/12/07	Coal Mining

15 Investments – Non-current assets

	2008
Available for sale investments - Group	**$ 000's**
At 23 May 2007	**-**
Acquired during the year	**347**
Movement in market value	**(62)**
At 30 June	**285**

Available for sale investments comprise investments in listed securities, which are held by the Group as strategic investments. No unlisted available for sale investments are held. The market value of the listed investments as at 1 December 2008 was $185,419.

Notes to Financial Statements
for the period ended 30 June 2008, continued

16 Trade and other receivables

	2008	
	Group $ 000's	Company $ 000's
Current trade and other receivables		
Other debtors	1,049	73
Prepayments	2,708	73
Accrued income	599	3,687
Total	4,356	3,833
Non Current trade and other receivables		
Loans due from subsidiaries	-	199,021

The loans from subsidiaries are interest free and have no fixed repayment date.

17 Trade and other payables

	2008	
	Group $ 000's	Company $ 000's
Current trade and other payables:		
Trade creditors	2,288	1,575
Taxation liabilities	2,085	-
Other creditors	1,797	83
Accruals	2,089	2,086
	8,259	3,744

Notes to Financial Statements
for the period ended 30 June 2008, continued

18 Share capital

Authorised	$ 000's
Unlimited Ordinary shares of no par value	-

Called up, allotted, issued and fully paid	Number of shares	Nominal value $000's
Incorporation	1	-
3 August 2007 for cash at 0.05p per share	165,000,000	-
3 August 2007 original incorporation share cancelled	(1)	-
24 August 2007 for cash at 5p per share	132,880,000	-
4 September 2007 for non-cash consideration	300,000	-
25 September 2007 for cash at 5p per share	131,422,000	-
31 January 2008 for cash at 9p per share	281,680,000	-
1 February 2008 for non-cash consideration	72,340,425	-
3 March 2008 for non-cash consideration	25,000,000	-
17 March 2008 for cash at 12p per share	362,000,000	-
14 May 2008 for non-cash consideration	2,500,000	-
15 May 2008 for non-cash consideration	1,117,391	-
4 June 2008 for cash at 13p per share	620,000,000	-
20 June 2008 for non-cash consideration	80,000,000	-
As at 30 June 2008	1,874,239,816	**-**

Total share options in issue

During the period ended 30 June 2008, the company granted 77,000,000 options over ordinary shares.

As at 30 June 2008 the unexercised options in issue were;

Exercise Price	Expiry Date	Options in Issue 30 June 2008
5p	4 September 2012	6,000,000
9p	4 March 2013	500,000
9p	4 March 2018	66,000,000
12p	25 March 2018	4,500,000
		77,000,000

The company also granted a warrant to subscribe for 8,450,400 ordinary shares at 9p per share, to BMO Nesbitt Burns Inc. for 12 months from date of placing of 31 January 2008, and further warrants to subscribe for 13,020,000 and 5,580,000 at 13p per share to BMO Nesbitt Burns Inc., and Canaccord Adams Ltd respectively, for 12 months from the date of placing of 4 June 2008.

No options or warrants lapsed or were cancelled and no options or warrants were exercised during the period to 30 June 2008.

Notes to Financial Statements
for the period ended 30 June 2008, continued

19 Share Based Payments

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

Name	Date Granted	Date Vested	Number	Exercise Price (pence)	Expiry Date	Fair Value at Grant Date (pence)
Guy Elliott	04/09/2007	04/09/2007	2,000,000	5	04/09/2012	2.82
Harald van Hoeken	04/09/2007	04/09/2007	2,000,000	5	04/09/2012	2.82
Suresh Hiremath	04/09/2007	04/09/2007	2,000,000	5	04/09/2012	2.82
Consultant	04/03/2008	04/03/2008	500,000	9	04/03/2013	8.59
Stephen Dattels	04/03/2008	**See 1 below**	5,000,000	9	04/03/2018	10.46
Paul Ingram	04/03/2008	**See 1 below**	12,000,000	9	04/03/2018	10.46
Danny Sun	04/03/2008	**See 1 below**	5,000,000	9	04/03/2018	10.46
Guy Elliott	04/03/2008	**See 1 below**	3,000,000	9	04/03/2018	10.46
Anthony Bainbridge	04/03/2008	**See 1 below**	5,000,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	15,000,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	5,000,000	9	04/03/2018	10.46
Neil Herbert	04/03/2008	**See 1 below**	12,000,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	2,000,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	1,000,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	500,000	9	04/03/2018	10.46
Consultant	04/03/2008	**See 1 below**	500,000	9	04/03/2018	10.46
Employees	25/03/2008	**See 1 below**	4,500,000	12	25/03/2018	7.67
Totals			**77,000,000**			

1. The above share options vest equally over a 3 year period from the date of grant. The options are exercisable at any time after vesting during the Directors period as an eligible employee until the tenth anniversary of admission.

19 Share Based Payments (continued)

The fair value of the options granted during the period ended 31 March 2008 amounted to $2.029million. The assessed fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The following table lists the inputs to the models used for the period ended 31 March 2008:

	4 September 2007 issue	**4 March 2008 issue**	**25 March 2008 issue**
Dividend Yield (%)	-	-	-
Expected Volatility (%)	60.0	60.0	60.0
Risk-free interest rate (%)	4.8	4.8	4.8
Share price at grant date (£)	0.050	0.133	0.107

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome.

20 Analysis of changes in net funds

	2008	
	Group	**Company**
	$ 000's	**$ 000's**
Balance at beginning of period	**-**	**-**
Change during the period	**115,974**	**113,674**
Balance at the end of the period	**115,974**	**113,674**

21 Financial instruments

The Group uses financial instruments comprising cash, liquid resources and debtors/creditors that arise from its operations. The Group holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in Sterling, US Dollars, and in Australian Dollars. The Group's strategy for managing cash is to maximize interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

The Company has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk, however it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation but controls over expenditure are carefully managed.

Notes to Financial Statements
for the year ended 30 June 2008, continued

21 Financial instruments (continued)

The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements. The currency and interest rate profile of the financial assets is as follows:

Cash and short term deposits	2008	
	Group	Company
	$ 000's	$ 000's
Sterling	113,674	113,674
USD	2,300	-
Australian Dollars	-	-
At 30 June 2008	**115,974**	**113,674**

The financial assets comprise cash balances in interest earning bank accounts at call. The financial assets in Sterling currently earn a range of interest rates from base rate (BR) set by the Bank of England to BR plus 2%.

Foreign currency risk

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollar against the relevant foreign currencies of Pound Sterling, Australian Dollar. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated investments and other financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. The following table sets out the potential exposure, where the 10% increase or decrease refers to a strengthening or weakening of the US Dollar:

	Profit or loss sensitivity		Equity sensitivity	
	10% increase $ 000's	10% decrease $ 000's	10% increase $ 000's	10% decrease $ 000's
Pound Sterling	(267)	267	(1,138)	1,138
Australian Dollar	(17)	17	(53)	53
	(284)	284	(1,191)	1,191

22 Material non-cash transactions

On 1 February 2008, the company issued 72,340,425 shares in part consideration for the acquisition of MUC Resources LLC, and Polo Resources LLC, as detailed in Note 24.

On 20 June 2008, the company issued a further 80,000,000 shares as part of a contingent clause in the acquisition agreement for the above named Mongolian subsidiaries.

23 Commitments

As at 30 June 2008, the Company had entered into the following material commitments:

Exploration commitments
Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

As per the purchase agreement signed between Polo Resources and the seller, there is still an outstanding capital commitment of US$1,330,000 with regards to license purchases.

24 Business combinations

Acquisition of MUC Resources LLC ("MUC")

On 29th February 2008 Polo Resources Ltd through its subsidiary MUC Resources Ltd acquired 100% of MUC, a company based in Mongolia. This transaction has been accounted for by the purchase method of accounting. The fair value of identifiable assets and liabilities of MUC as at the date of acquisition are:

	Book value $'000	Fair value adjustment $'000	Fair value $'000
Property, plant and equipment	17	-	17
Cash and cash equivalents	10	-	10
Trade and other receivables	991	-	991
License costs	3,035	2,612	5,656
Exploration costs	212	-	212
	4,265	2,612	6,886
Trade creditors	(1,119)	-	(1,119)
Other creditors	(3,181)	-	(3,181)
	(4,300)	-	(4,300)
Fair value of net assets			2,586
Consideration:			
Cash paid			800
Shares issued (1 February 2008)			1,786
			2,586
The cash outflow on acquisition was as follows;			
Net cash acquired with subsidiary			10
Cash paid			800
Net cash outflow			810

Notes to Financial Statements
for the period ended 30 June 2008, continued

24 Business combinations (continued)

Acquisition of Polo Resources LLC ("Polo LLC")

On 29th February 2008 Polo Resources Ltd through its subsidiary World Coal Works Corporation acquired 100% of Polo LLC, a company based in Mongolia. This transaction has been accounted for by the purchase method of accounting. The fair value of identifiable assets and liabilities of Polo LLC as at the date of acquisition are:

	Book value	Fair value adjustment	Fair value
	$'000	$'000	$'000
Property, plant and equipment	129	-	129
Cash and cash equivalents	(135)	-	(135)
Trade and other receivables	4,522	-	4,522
Other debtors	3,204	-	3,204
Investment in subsidiaries	9,260	-	9,260
License costs	10,402	22,828	33,230
Exploration costs	1,412	-	1,412
	28,794	22,828	51,622
Trade and other payables	(11,862)	-	(11,862)
Other creditors	(17,627)	-	(17,627)
	(29,489)	-	(29,489)
Fair value of net assets			22,133
Consideration:			
Cash paid			1,200
Shares issued (1 February 2008)			2,679
Shares issued (20 June 2008) (*)			18,254
			22,133
The cash outflow on acquisition was as follows;			
Net cash acquired with subsidiary			(135)
Cash paid			1,200
Net cash outflow			1,065

(*) On the 20 June 2008, the Company issued a further 80million ordinary shares to the sellers, as part of a contingent clause in the acquisition agreement for MUC Resources LLC, and Polo Resources LLC, the terms of which had been subsequent to the original agreement been met by the acquisition of further licences in the Mongolian regions.

25 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between other related parties are discussed below.

During the period, the Group paid costs of $423,338 to Asia Intercept Mongolia LLC, a Company related to Tony Bainbridge and Danny Sun, Director of Polo Resources Ltd. This amount was paid under a management services agreement dated 29 January 2008 and primarily related to the provision of labour, office and associated operational costs in Mongolia prior to Polo procuring its own facilities and resources.

The Group also incurred costs of £40,416 to Regent Mercantile Ltd during the period, a Company under the control of Mr. S Dattels, Chairman of Polo Resources Ltd. This was expended for the provision of administration and support services at cost and recharge of direct related expenses.

During the period, the Group also paid £46,178 to its subsidiary Polo Australia Pty Ltd to meet costs due on a research project ‘Pipeline’ for the distribution of coal using a pipeline system. These costs were paid to an Australian based company in respect of which Mr P. Ingram, Director of Polo Resources Ltd is a shareholder.

The terms and conditions for the above transactions are based on normal trade terms.

Remuneration of Key Management Personnel

The remuneration of the directors, and other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

	2008
	$ 000's
Short-term employee benefits	**1,017**
Share-based Payments	**1,890**
	2,907

26 Post balance sheet events

Since the balance sheet to 23 September 2008, the Group increased its investment in its associate Caledon Resources Plc from 24.81% to 26.3% with the purchase of 3,655,000 shares in the market.

On 25 September 2008, Suresh Hiremath resigned as a non-executive director of the company.

Polo Resources

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