



Annual Report and Accounts

for the period ending 30 June 2009

AIM:PRL

www.poloresources.com

Corporate Directory

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Directors

Stephen R. Dattels
Executive Chairman

Neil Herbert
Managing Director

Paul Ingram
Chief Executive Officer
for Australia

Guy Elliott
Senior Non-Executive Director

Bryan Smith
Non-Executive Director

James Mellon
Non-Executive Director

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2009 Highlights

January

- Polo announces a proposed joint venture with Peabody Energy Corporation

March

- Polo acquires £4.7 million 8.5% Unsecured 2010 Convertible Loan Notes in Caledon Resources
- Technical Report for the Union Mine in Mongolia is completed
- Polo expands its uranium interests with a strategic investment in Extract Resources

April

- Polo announces the execution of a subscription agreement with Peabody Energy Corporation relating to the Company's Mongolian assets
- Management Agreement is signed with American Patriot International, LLC concerning the development of Polo's Mongolian assets

May

- Peabody Energy Corporation completes the subscription in the joint venture with Polo
- Polo announces the appointment of Neil Herbert as Managing Director

June

- Polo completes a Placing to raise US\$10 million
- James Mellon and Bryan Smith are appointed as Non-Executive Directors

July

- Extract Resources releases the Rossing South resource upgrade – 145 million lbs at a grade of 449ppm U₃O₈
- Extract Resources announces the appointment of Stephen Dattels as Non-Executive Director
- Extract Resources releases the Rossing South Zone 2 maiden resource – 122 million lbs at a grade of 543ppm U₃O₈

August

- Extract Resources provides Rossing South preliminary cost estimates
- Polo participates in Extract Resources' A\$91 million equity fundraising

September

- Caledon Resources releases an update concerning the Minyango drilling programme, which demonstrates good coking coal quality; an application is made for a Mineral Development License on the project

October

- Peabody-Polo Resources JV announces the Erds Coal Project JORC compliant resource statement – thermal coal resources are estimated at 254 million tonnes in the Indicated category and at 553 million tonnes in the Inferred category.
- Extract Resources announces the discovery of a new zone of mineralisation at Rossing South

Assets & Investments



Uranium

- 1 Husab/Rossing South Project (Extract Resources)
- 2 Dornod Uranium Project (Polo Resources-Peabody Energy 50-50 JV)
- 3 Dornogovi Uranium Project (Polo Resources-Peabody Energy 50-50 JV)

Coal

- 4 Erds Project (Polo Resources-Peabody Energy 50-50 JV)
- 5 South Gobi Projects (Polo Resources-Peabody Energy 50-50 JV)
- 6 Union and Khashaat Projects (Polo Resources-Peabody Energy 50-50 JV)
- 7 North West Projects (Polo Resources-Peabody Energy 50-50 JV)
- 8 Cook Colliery/Minyango Resource (Caledon Resources)
- 9 Phulbari Coal Project (GCM Resources)

Chairman's Statement

In just over two years since our formation, Polo Resources has sought to establish an extensive portfolio of advanced stage energy assets, focusing on uranium and coal. During this financial year Polo expanded its interests in the uranium sector by making a number of acquisitions in listed companies. The most significant was the investment in Extract Resources Limited ("Extract"), owner of the Rossing South uranium deposit in Namibia, the largest and what we believe to be the most exciting uranium discovery in recent history.

In an extremely challenging economic period this bold strategic realignment played to the strengths of the management team led by Neil Herbert and myself. I am pleased to report that the results of this strategy have been extremely encouraging with significant growth in the market value of these timely investments.

In this respect, Extract Resources' recent discovery of a new zone of mineralisation at Rossing South (announced in October 2009) has been particularly encouraging. The Company believes that a total resource base of 500 million lbs U_3O_8 is achievable at Rossing South, which would naturally add considerable value to Polo Resources' strategic investment.

Whilst uranium became the core focus for Polo Resources in 2009, coal remains an important part of our asset base. The Company's considerable stakes in Caledon Resources plc and GCM Resources plc give Polo a substantial interest in the development of major coal mining projects in both Australia and Bangladesh. In addition, Polo entered into a 50-50 joint venture in Mongolia with Peabody Energy Corporation (NYSE: BTU) ("Peabody"), the world's largest private-sector coal company, which empowered Peabody to manage and develop our joint venture projects in this country with vast potential.

At the time of reporting, the Polo-Peabody JV has announced a very favourable JORC compliant maiden resource statement for the Erds Project. Thermal coal resources were estimated at 254 million tonnes in the Indicated category and at 553 million tonnes in the Inferred category. This announcement reaffirms the potential value of our coal assets in Mongolia.

During the period we also strengthened the Board of Directors with Neil Herbert assuming the role of Managing Director and James Mellon and Bryan Smith joining the Board as Non-Executive Directors. Neil, James and I led the Board of Directors at UraMin Inc., which we rapidly developed as a viable uranium mining company before its sale to Areva in 2007 for US\$2.5 billion. Bryan's experience in the Canadian corporate finance and investment sector adds key experience to the Board and should increase our exposure to the North American investor market.

Polo has recently set up an Independent Investment Committee to oversee the investments in Extract Resources, Caledon Resources and GCM Resources. Chaired by Guy Elliott and including two further directors, Neil Herbert and Bryan Smith, the committee will monitor the performance of these investments and recommend potential investments and/or divestments to the Board.

The strategy remains one of expansion through active investment and acquisition, using our resources – finance and expertise – to build a diversified portfolio of mineral assets that we consider offer substantial growth potential, pursuing both short and longer-term value-adding investments whenever and wherever they arise. I look forward to an exciting and rewarding year ahead for the Company and its shareholders.

Stephen R. Dattels

Executive Chairman

Managing Director's Report

Since listing on AIM in September 2007, Polo Resources has made rapid progress with its stated objective, to build a diverse portfolio of attractive advanced-stage assets. The year under review should be regarded as a period of achievement for our Company. It is our intention to press ahead with our strategy of acquisition of value-adding opportunities and to use the technical and operational knowledge at our disposal to develop assets in which Polo Resources has an interest.

These interests include substantial value-added coal investments in Caledon Resources plc and GCM Resources plc, a 50-50 joint venture with Peabody Energy Corporation, which works to develop our fully-owned mineral resources in Mongolia (a total of 56 coal and 25 uranium licenses, including the under-developed South Gobi coalfield), and a holding of 22.4 million shares in Extract Resources Limited – owner of the Rossing South Project – which gives the company a substantial stake in one of the world's largest near-term uranium prospects. Our management and technical teams have recent experience in the uranium sector, including the development of UraMin Inc. and its subsequent sale to Areva for US\$2.5 billion in July 2007. Taken together, this substantial asset base offers significant near-term earning potential.

Extract Resources Limited

Polo Resources has become a significant shareholder in Extract Resources Limited (“Extract”) and currently holds 22.4 million shares in the company. Extract's main asset is the Husab Uranium Project (incorporating the Rossing South deposit), located near Walvis Bay in Western Namibia. Resource updates at the site have demonstrated the value of the transaction and we can have confidence that Rossing South will deliver a substantial return on investment.

The Rossing South deposit, which is at the most advanced stage of development within the greater Husab Uranium Project license area, has progressed well since the initial resource estimate was released to the market on 27 January 2009. A great deal has happened on site since then; a feasibility study is underway and the latest resource figures confirm the presence of 267 million lbs of uranium oxide (U_3O_8) at a cut off of 487ppm U_3O_8 . Rossing South therefore ranks as one of the largest global uranium deposits.

More recently, Extract has announced the discovery of a new zone of mineralisation at Rossing South. It is expected that infill drilling on previously identified zones could result in a total resource base of as much as 500 million lbs U_3O_8 in the Measured and Indicated categories; the discovery of a new high grade zone adds significant further value to the project, which is being developed as one of the world's largest uranium mines.

On 6 July 2009, Polo Resources' Executive Chairman, Stephen Dattels, was appointed to the Board of Extract as Non-Executive Director. Polo Resources is committed to supporting Extract as the company develops the significant upside potential at Rossing South.

Caledon Resources plc

Our major interest in the Australian dual-listed coking coal producer and coal exploration company Caledon Resources plc (“Caledon”) ensures that we have a firm foothold in Queensland, Australia, one of the world’s most important coking coal export regions. Caledon operates the Cook Colliery, which is now at the full production stage, and is developing the nearby Minyango exploration concessions.

In May 2009, Caledon announced a significant JORC compliant resource upgrade at both the Cook and Minyango properties. The resource estimate for the Cook Colliery almost doubled; the increase of 230 million tonnes brought the total resource estimate up to 406 million tonnes. A substantial increase was also announced for Minyango, where the resource estimate rose by 50 million tonnes to reach 342 million tonnes. These figures add value to our original investment, particularly at a time when coal prices are recovering (led by much larger Chinese import volumes) and are forecast to continue rising steadily in 2010 and 2011.

In addition to Polo Resources’ 26.2% holding in Caledon, we announced in March 2009 the acquisition of a total of £4.7 million 8.5% unsecured 2010 convertible loan notes issued by Caledon. These investments demonstrate our belief in the future of Caledon and in its ability to add considerable value to shareholders in Polo Resources.

GCM Resources plc

The primary asset of GCM Resources plc (“GCM”) is the Phulbari Coal Project in Bangladesh, where it has completed a feasibility study for commercial development. The Scheme of Development was submitted to the Government of Bangladesh and is currently awaiting approval. This approval is the only limiting factor. Phulbari has a JORC compliant resource of 572 million tonnes, sufficient to support an estimated mine life of 30 years.

On 28 April 2009, GCM announced the appointment of Stephen Dattels to the Board of GCM as a Non-Executive Director. Stephen’s appointment is in line with Polo’s stated strategy to ensure that we provide expertise and influence over our investment portfolio so as to accelerate development and earning potential in the near term.

Peabody Energy Corporation-Polo Resources Mongolia Joint Venture

On 27 January 2009 Polo Resources announced a proposed joint venture with Peabody Energy Corporation (NYSE: BTU) (“Peabody”). The subscription of shares in Peabody-Polo Resources B.V. was completed on 5 May 2009, after which Peabody became a 50% shareholder in the JV company. The objective is to develop the company’s key coal and uranium assets in this vast territory.

Polo Resources’ partnership with Peabody bolsters the Company’s available mining expertise and financial resources to a point at which we can develop the asset base and unlock the value of the large-scale Mongolian interests in our portfolio. Our appointment of the experienced coal mining group American Patriot International, LLC (AmPat) to manage Polo Resources’ interests in Mongolia strengthens our operational capabilities in this respect.

At the time of reporting (October 2009), the Peabody-Polo Resources JV had recently announced a positive JORC compliant resource statement for the Erds Coal Project, located in Mongolia. Thermal coal resources were estimated at 254 million tonnes in the Indicated category and at 553 million tonnes in the Inferred category. These results confirm that our Mongolian assets have great potential for future value release.

Financial Review

The Group sustained a loss of US\$62.7 million for the year under review, which includes a write down of US\$44.0 million in respect of the carrying value of our investment in Mongolia. This follows a careful review by the Board and an emphasis to err on the side of prudence, thus adopting a carrying value equal to the investment contributed by our joint venture partner. Polo is fully committed to the joint venture and excited by its ongoing prospects.

During the course of the year, Polo acquired a significant holding in Extract Resources Ltd and several other junior listed companies. At the Balance Sheet date, these investments achieved an increase in value of US\$56.5 million and support the Board's decision to focus its strategy and build a diversified portfolio of mineral assets which the Board considers as offering substantial growth potential.

As of 14 October 2009 Polo had a net cash position of US\$16.9 million and listed equity investments of US\$302.3 million. The combined value of cash and listed equity investments as of 14 October was US\$319.2 million, equivalent to 7p per Polo share.

Summary

Polo Resources can look back at the year under review with considerable satisfaction and a real sense of accomplishment. We have invested substantially in several advanced-stage energy assets and have progressed well with our uranium and coal interests around the world.

I believe that Polo Resources has the potential to deliver substantial near-term production returns. Our intention is to make further strategic value-adding investments in advanced-stage commodity projects and, in so doing, to establish the Company as a significant presence in this sector.

Neil Herbert

Managing Director

Leadership

Executive Directors

Stephen R. Dattels (aged 62), Executive Chairman

Mr. Dattels has founded and/or financed a number of mining ventures, his most recent being UraMin Inc., which was sold in July 2007 for US\$2.5 billion to Areva, the French Government-owned integrated uranium company. Mr. Dattels was an executive at Barrick Gold Corporation during its formative years, when it grew from a capital base of US\$10 million to a market capitalisation of US\$2 billion when he left in early 1987. During his time with Barrick, he was a Director and Executive Vice President of Corporate Finance. In the past decade, he has completed several financings in the natural resources sector, either directly or through his merchant bank, Regent Mercantile Bancorp Inc. 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. Mr. Dattels is Co-Chairman of Regent Pacific Group Ltd, a Hong Kong listed copper/gold and coal company. Mr. Dattels is a Director of Extract Resources, which is listed on the Australian Securities Exchange. He is also the AIM-listed Co-Chairman of Emerging Metals and a Director of Caledon Resources and GCM Resources.

Neil Herbert (aged 43), Managing Director

Mr. Herbert has over a decade of experience of management in mining and exploration companies in Africa, Asia and the Americas. He was Finance Director of TSX and AIM listed UraMin Inc. from its formation in 2005, its listing on both TSX and AIM raising over US\$400 million and through its acquisition by Areva in 2007 for US\$2.5 billion. He was Chief Financial Officer of Argentine gold explorer Brancote Holdings plc until its acquisition by Meridian Gold Inc in 2002 for US\$368 million and was Group Financial Controller of LSE listed Antofagasta plc when the Los Pelambres and El Tesoro copper mines were brought to production, creating one of the world's largest copper producers.

Mr. Herbert was previously Finance Director of Galahad Gold plc, International Molybdenum plc, Kalahari Diamond Resources plc and HPD Exploration plc, managing a number of project acquisitions and disposals together with stock market listings and fund raisings, and has been non-executive director and adviser to a number of other mining and exploration companies. Before joining the mining sector he worked for PricewaterhouseCoopers and he is a fellow of the Association of Chartered Certified Accountants.

Paul Ingram (aged 55), Chief Executive Officer for Australia

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 30 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.

Non-Executive Directors

Guy Elliott (aged 51), Senior 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 that grew to about US\$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 private Denver based E&P company.

Bryan Smith (aged 70), Non-Executive Director

Mr. Smith has more than 30 years' experience in the securities industry and is a recognised leader in the Canadian financial industry. He began his career in 1967 with Nesbitt Thomson. In 1973 he joined Draper Dobie Ltd, subsequently holding senior roles, including Vice President and Director. Mr. Smith has also held the role of Senior Vice President of Gardner Watson Ltd, now Dean Witter, and Senior Vice President and Director of Walwyn Stodgell Ltd.

Mr. Smith was a co-founder and Director of Burgundy Asset Management. He was pivotal in the firm's growth to its position as top Canadian equity performer in 2000 and ranking in the number two position for the past five years. Burgundy has significant assets under management for clients that range from pension funds, charitable foundations, public and private corporations as well as wealthy private clients. Mr. Smith has been a director of a number of public and private companies, including Northbridge Financial Corporation and Bioscrypt Inc.

Mr. Smith holds a bachelor degree in Business Administration from Ryerson University in Toronto, Canada.

James Mellon (aged 52), Non-Executive Director

Mr. Mellon has been a fund and asset manager for nearly 30 years. He is an avid participant in a number of markets, in particular the stock markets of emerging nations. Mr. Mellon started his career with GT Management plc in 1978. In 1984, he moved to the Thornton Group, where he was Managing Director of the Asian operation. From 1988 to 1990, he was an Executive Director of Tyndall Holdings plc, responsible for business expansion and corporate development.

Mr. Mellon is the founder, principal shareholder and co-Chairman of Regent Pacific Group, quoted on the Hong Kong Stock Exchange. He is also founder, principal shareholder and a Non-Executive Director of Charlemagne Capital and Non-Executive co-Chairman of Emerging Metals Ltd, both listed on the AIM market. Mr. Mellon holds a masters degree in Politics, Philosophy and Economics from Oxford University.

Disclosure Statements

Certain statements in this report are “Forward Looking statements”. These statements are not based on historical facts, but rather on the 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.

Qualified Persons and Compliance Statement

The information contained in this report has been reviewed by Mr. Paul Ingram, Chief Executive Officer, Australia & Director of Polo Resources, PGeo, 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 that he is undertaking to qualify as a Qualified Person for the purposes of this report.

Consolidated Annual Financial Statements

for the period ending 30 June 2009

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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 2009.

Principal Activities

The principal activities of the Group are the identification, acquisition, evaluation and development of advanced stage uranium and coal projects. Polo aims to build a diversified portfolio of mineral assets which the Board of Directors consider as offering substantial growth potential, pursuing both short and long-term value -adding investments.

Business Review and future developments

A review of the current and future development of the Group's business is given in the Managing Director's Statement on pages 7-9.

Results and Dividends

Loss on ordinary activities of the Group after taxation amounted to \$62.73million (2008: \$6.74million). The Directors do not recommend payment of a dividend.

Key Performance Indicators

Given the nature of the business the directors are of the opinion that analysis using KPI's is not appropriate for an understanding of the development, performance or position of our business at this time.

Post Balance Sheet events

At the date these financial statements were approved, being 14 October 2009, 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 September 2009 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
Lynchwood Nominees Ltd	135,620,807	5.78
Credit Suisse Client Nominees (UK) Ltd	129,940,425	5.54
State Street Nominees Ltd	120,960,000	5.15
Pershing Nominees Ltd	117,765,290	5.02
Morstan Nominees Ltd	107,530,185	4.58
Morstan Nominees Ltd	90,590,089	3.86
Roy Nominees Ltd	79,815,502	3.40
Credit Suisse Securities (Europe) Ltd	77,178,571	3.29
Barclayshare Nominees Ltd	74,339,955	3.17
HSBC Client Holdings Nominee (UK) Ltd	74,016,235	3.15

Directors' Report (continued)

Directors

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

<u>Director</u>	<u>Date of Appointment</u>	<u>Date of Resignation</u>
Executive Directors		
Stephen Dattels	30 January 2008	
Neil Herbert	14 May 2008	
Paul Ingram	31 January 2008	
Tony Bainbridge	4 March 2008	3 July 2009
Non-Executive Directors		
Guy Elliott	23 May 2007	
Harald Van Hoeken	3 August 2007	5 June 2009
Danny Sun	31 January 2008	17 April 2009
Suresh Hiremath	3 August 2007	25 September 2008
Bryan Smith	2 June 2009	
James Mellon	4 June 2009	

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 8 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 2009 were as follows:

<u>Director</u>	<u>30 June 2009 or Date of Resignation</u>		<u>30 June 2008</u>	
	<u>Shares</u>	<u>Options*</u>	<u>Shares</u>	<u>Options*</u>
Stephen Dattels	106,676,007	5,000,000	60,000,000	5,000,000
Neil Herbert	51,732,954	12,000,000	14,375,000	12,000,000
Paul Ingram	9,114,286	15,000,000	8,400,000	12,000,000
Tony Bainbridge	30,514,286	20,000,000	29,800,000	5,000,000
Guy Elliott	28,173,467	5,000,000	20,200,000	5,000,000
Harald Van Hoeken	2,678,571	2,000,000	2,500,000	2,000,000
Danny Sun	29,978,571	5,000,000	29,800,000	5,000,000
Suresh Hiremath	2,500,000	2,000,000	2,500,000	2,000,000
Bryan Smith	4,287,240	5,000,000	-	-
James Mellon	16,500,000	5,000,000	-	-

* The option details have been fully disclosed in Note 21 to the financial statements.

Corporate Governance

A statement on Corporate Governance is set out on pages 18 to 20.

Environmental Responsibility

The Company is aware of the potential impact that activities conducted by some of 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 aims 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 2009, the group's creditors were equivalent to 34 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 auditors 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
Managing Director
14 October 2009

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 3 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 Managing Director 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 2009 the Board met 35 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 of 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 1 Executive Director, and 2 Non-Executive Directors, Guy Elliott (Chairman) Neil Herbert and James Mellon, 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 James Mellon. 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.

Investment Committee

The Investment Committee has been created as a sub-committee of the Board of Directors to oversee the significant investments Polo has in Extract Resources Limited, Caledon Resources plc and GCM Resources plc. The committee has been set up to monitor the performance of these investments and reports to the Board of Directors accordingly, making recommendations on both potential investments and divestments. The committee is chaired by Guy Elliott (Senior Non-Executive Director) and has two further directors, Neil Herbert (Managing Director) and Bryan Smith (Non-Executive Director).

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. The Directors are aware that no system can provide absolute assurance against material misstatement or loss. However, 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 23.

Securities Trading

The Board has adopted a Share Dealing Code that applies to Directors, 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 2009, 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 28. 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, Chairman's Statement, Managing Director's Statement, 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 2009 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 30 June 2009;
- 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.

A handwritten signature in blue ink that reads "Chapman Davis". The signature is written in a cursive, flowing style.

Chapman Davis LLP
Registered Auditors
London, United Kingdom
14 October 2009

Group Income Statement for the year ended 30 June 2009

	Notes	Year ended 30 June 2009 \$ 000's	Period 23 May 2007 to 30 June 2008 \$ 000's
Turnover		-	-
Exploration costs		(8,012)	(2,234)
Administrative expenses		(15,098)	(4,633)
Share options expensed	8, 21	(607)	(1,392)
Currency exchange gains/(losses)		11,200	(57)
Impairment of investment in Mongolia	14	(43,978)	-
Investment income	5	403	-
Gains on sale of available for sale investments		1,211	-
Group operating (loss)	3	(54,881)	(8,316)
Share of Joint Venture results		(3,519)	-
Share of associates results		(3,239)	(426)
Finance revenue	7	2,421	2,000
(Loss) on subsidiary disposal	26	(3,512)	-
(Loss) before taxation	2	(62,730)	(6,742)
Income tax expense	9	-	-
Retained (loss) for the period attributable to members of the parent Company		(62,730)	(6,742)
(Loss) per share (US cents)			
Basic	11	(3.20)	(1.12)
Diluted	11	(3.20)	(1.12)

All of the operations are considered to be continuing.

Company Income Statement for the year ended 30 June 2009

	Notes	Year ended 30 June 2009 \$ 000's	Period 23 May 2007 to 30 June 2008 \$ 000's
Turnover		-	-
Exploration costs		(534)	(2,881)
Administrative expenses		(13,339)	(4,043)
Share options expensed	8, 21	(607)	(1,392)
Currency exchange gains/(losses)		12,075	(57)
Impairment of investment in Mongolia	14	(43,978)	-
Group operating (loss)	3	(46,383)	(8,373)
Other income	6	(2,470)	3,099
Finance revenue	7	1,703	1,999
(Loss) before taxation		(47,150)	(3,275)
Income tax expense	9		-
Retained (loss) after taxation		(47,150)	(3,275)

All of the operations are considered to be continuing.

Group Balance Sheet as at 30 June 2009

	Note	30 June 2009		30 June 2008	
		\$ 000's	\$ 000's	\$ 000's	\$ 000's
ASSETS					
Non-current assets					
Intangible assets	12	-		72,161	
Tangible assets	13	6		755	
Interest in joint venture	15	19,505		-	
Interest in associates	16	132,596		148,529	
Available for sale investments	17	108,264		285	
Trade and other receivables	18	2,813		-	
Total non-current assets			263,184		221,730
Current assets					
Trade and other receivables	18	4,560		4,356	
Available for sale investments	17	32,395		-	
Cash and cash equivalents		12,288		115,974	
Total current assets			49,243		120,330
TOTAL ASSETS			312,427		342,060
LIABILITIES					
Current liabilities					
Trade and other payables	19	(8,821)		(8,259)	
TOTAL LIABILITIES			(8,821)		(8,259)
NET ASSETS			303,606		333,801
EQUITY					
Ordinary shares	20	-		-	
Share premium		305,359		338,861	
Retained earnings		(69,472)		(6,742)	
Available for sale investment reserve		56,553		(62)	
Foreign exchange reserve		8,037		(285)	
Share based payments reserve	21	3,129		2,029	
TOTAL EQUITY			303,606		333,801

These financial statements were approved by the Board of Directors on 14 October 2009 and signed on its behalf by:



Stephen Dattels
Director



Neil Herbert
Director


Company Balance Sheet as at 30 June 2009

	Notes	30 June 2009		30 June 2008	
		\$ 000's	\$ 000's	\$ 000's	\$ 000's
ASSETS					
Non-current assets					
Tangible assets	13	6		-	
Investment in subsidiaries	14	26,550		24,842	
Trade and other receivables	18	221,914		199,021	
Total non-current assets			248,470		223,863
Current assets					
Cash and cash equivalents		12,288		113,674	
Trade and other receivables	18	4,236		3,833	
Total Current Assets			16,524		117,507
TOTAL ASSETS			264,994		341,370
LIABILITIES					
Current Liabilities					
Trade and other payables	19	(8,821)		(3,744)	
TOTAL LIABILITIES			(8,821)		(3,744)
NET ASSETS			256,173		337,626
EQUITY					
Ordinary shares	20	-		-	
Share premium		305,359		338,861	
Retained earnings		(50,425)		(3,275)	
Foreign exchange reserve		(1,890)		11	
Share based payments reserve	21	3,129		2,029	
TOTAL EQUITY			256,173		337,626

These financial statements were approved by the Board of Directors on 14 October 2009 and signed on its behalf by:



Stephen Dattels
Director



Neil Herbert
Director

Group Cash Flow Statement for the year ended 30 June 2009

	Notes	Year ended 30 June 2009 \$ 000's	For the period ended 30 June 2008 \$ 000's
Cash flows from operating activities			
Operating Loss		(54,881)	(8,316)
(Increase) in trade and other receivables		(204)	(4,356)
Increase in trade and other payables		562	8,259
Foreign exchange (gain)/loss		(11,200)	57
Share options expensed		607	1,392
Share based payment charge – shares issued		8,021	-
Impairment of investment in Mongolia		43,978	-
Gains on sale of available for sale investments		(1,211)	-
Depreciation & impairment		5,844	46
Net cash outflow from operating activities		(8,484)	(2,918)
Cash flows from investing activities			
Interest Received		2,421	2,000
Investments in associates		(6,113)	(135,968)
Payments to acquire available for sale investments		(83,908)	(347)
Receipts on sale of available for sale investments		9,586	-
Payments to acquire intangible assets		(2,798)	(33,142)
Payments to acquire tangible assets		(3,858)	(801)
Loans to joint ventures		(2,813)	-
Net cash outflow from in investing activities		(87,483)	(168,258)
Acquisitions and disposals			
Cash (derecognised)/acquired with subsidiaries		(231)	(58)
Payments to acquire subsidiaries		-	(17,389)
Net cash outflow from acquisitions and disposals		(231)	(17,447)
Cash flows from financing activities			
Issue of ordinary share capital		10,172	325,586
Share issue costs		(704)	(21,617)
Net cash inflow from financing activities		9,468	303,969
Net (decrease)/increase in cash and cash equivalents		(86,730)	115,346
Cash and cash equivalents at beginning of period		115,974	-
Exchange gain on cash and cash equivalents		(16,956)	628
Cash and cash equivalents at end of period	22	12,288	115,974

Company Cash Flow Statement for the year ended 30 June 2009

	Notes	Year ended 30 June 2009 \$ 000's	For the period ended 30 June 2008 \$ 000's
Cash flows from operating activities			
Operating Loss		(46,383)	(8,373)
(Increase) in trade and other receivables		(403)	(3,833)
Increase in trade and other payables		5,077	3,744
Share options expensed		607	1,392
Share based payment charge – shares issued		8,021	-
Foreign exchange (gain)/loss		(12,075)	58
Impairment of investment in Mongolia		43,978	-
Depreciation		3	-
Net cash outflow from operating activities		(1,175)	(7,012)
Cash flows from investing activities			
Interest Received		1,703	1,999
Purchases of tangible assets		(9)	-
Loans to subsidiaries		(82,280)	(185,785)
Loans to joint ventures		(2,813)	-
Net cash outflow from investing activities		(83,393)	(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		10,172	325,586
Share issue costs		(704)	(21,617)
Net cash inflow from financing activities		9,468	303,969
Net (decrease)/increase in cash and cash equivalents		(75,100)	111,171
Cash and cash equivalents at beginning of period		113,674	-
Exchange gain on cash and cash equivalents		(26,286)	2,503
Cash and cash equivalents at end of period	22	12,288	113,674

Group Statement of Changes in Equity For the year ended 30 June 2009

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
Loss for the year	-	-	-	-	-	(62,730)	(62,730)
Gain on revaluation of available for sale investments	-	-	56,841	-	-	-	56,841
Currency translation differences	-	(57,394)	(226)	8,322	(299)	-	(49,597)
Total recognised income and expense	-	(57,394)	56,615	8,322	(299)	(62,730)	(55,486)
Share capital issued	-	25,364	-	-	-	-	25,364
Cost of share issue	-	(1,472)	-	-	-	-	(1,472)
Share based payments	-	-	-	-	1,399	-	1,399
As at 30 June 2009	-	305,359	56,553	8,037	3,129	(69,472)	303,606

Company Statement of Changes in Equity continued For the period ended 30 June 2009

	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
Loss for the period	-	-	-	-	(47,150)	(47,150)
Currency translation differences	-	(57,394)	(1,901)	(299)	-	(59,594)
Total recognised income and expense	-	(57,394)	(1,901)	(299)	(47,150)	(106,744)
Share capital issued	-	25,364	-	-	-	25,364
Cost of share issue	-	(1,472)	-	-	-	(1,472)
Share based payments	-	-	-	1,399	-	1,399
As at 30 June 2009	-	305,359	(1,890)	3,129	(50,425)	256,173

Notes to the Financial Statements for the year ended 30 June 2009

1 Summary of Significant Accounting Policies

(a) Authorisation of financial statements

The Group financial statements of Polo Resources Ltd for the year ended 30 June 2009 were authorised for issue by the Board on 14 October 2009 and the balance sheets signed on the Board's behalf by Stephen Dattels and Neil Herbert. The Company is registered in British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1406187. 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 has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are only effective for our accounting periods beginning on or after 1 July 2009 or later periods. These new standards are listed below:

- IFRS 8 “Operating Segments” (effective 1 January 2009)
- IFRIC 17 “Distributions of Non Cash Assets to Owners” (effective 1 July 2009)
- IFRIC 18 “Transfers of Assets to Customers” (effective 1 July 2009)
- Revision to IAS 1 “Presentation of Financial Statements” (effective 1 January 2009)
- Amendments to IAS 23 “Borrowing Costs” (effective 1 January 2009)
- Revision to IFRS 3 “Business Combinations” (effective 1 July 2009)
- Revision to IAS 27 “Consolidated and Separate Financial Statements” (effective 1 July 2009)
- Amendment to IFRS 2 “Share-Based Payment” (effective 1 January 2009)
- Amendment to IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” (effective 1 July 2009)
- Amendments to IAS 28 “Investment in Associates” (effective 1 January 2009)
- Amendment to IAS 32 “Financial Instruments: Presentation” (effective 1 January 2009)
- Amendments to IAS 38 “Intangible Assets” (effective 1 January 2009)
- Amendment to IAS 39 “Financial Instruments: Recognition and Measurement” (effective 1 January 2009)

The Directors are currently evaluating the impact of the adoption of these standards, amendments and interpretations in future periods.

(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 and 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.

Notes to Financial Statements for the year ended 30 June 2009, 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) 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.

(g) Interest in joint ventures

A joint venture is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control; that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

These consolidated financial statements include the Group's share of the total recognised gains and losses of joint ventures using the equity method, from the date that significant influence or joint control commences to the date that it ceases, based on present ownership interests and excluding the possible exercise of potential voting rights, less any impairment losses. When the Group's interest in a joint venture has been reduced to nil because the Group's share of losses exceeds its interest in the joint venture, the Group only provides for additional losses to the extent that it has incurred legal or constructive obligations to fund such losses, or where the Group has made payments on behalf of the or joint venture. Where the disposal of an investment in a joint venture is considered to be highly probable, the investment ceases to be equity accounted and, instead, is classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell.

(h) Revenue

The Group had no revenue during the year ending 30 June 2009.

Notes to Financial Statements for the year ended 30 June 2009, continued

(i) 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.

(j) 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.

(k) 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.

(l) 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 2009, continued

(m) 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.

(n) 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.

(o) 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.

(p) Available for sale Investments

Equity investments intended to be held for an indefinite period of time are classified as available-for-sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in the available-for-sale reserve. Where the fair value cannot be reliably measured, the investment is carried at cost.

Any impairment losses in equity investments classified as available-for-sale investments are recognised in the income statement and are not reversible through the income statement, and are determined with reference to the closing market share price at the balance sheet date. Any subsequent increase in the fair value of the available-for-sale investment above the impaired value will be recognised within the available-for-sale reserve.

Available-for-sale investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the income statement.

Income from available for sale investments is accounted for in the income statement on a accruals basis.

(q) 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 held overseas subsidiaries in BVI, Mongolia and Australia whose expenses are denominated in US Dollars, Mongolian Tugrik, 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.

Notes to Financial Statements for the year ended 30 June 2009, continued

(r) **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.

(s) **Available for sale investment Reserve**

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

(t) **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.

(u) **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.

(v) **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.

(w) **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.

Notes to Financial Statements for the year ended 30 June 2009, continued

(x) 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.

(y) 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.

(z) 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 11).

(aa) 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 year ended 30 June 2009, 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

2009	BVI/Parent \$ 000's	Mongolia \$ 000's	Australia \$ 000's	Total \$ 000's
Result				
Operating loss	(48,251)	(6,582)	(248)	(54,881)
Share of joint venture results		(3,519)	-	(3,519)
Share of associates results	(3,239)	-	-	(3,239)
Investment revenue	1,703	714	-	2,421
(Loss) on disposal of subsidiary	(3,512)	-	-	(3,512)
Loss before & after tax				(62,730)
Other information				
Depreciation and amortization	3	105	-	108
Capital additions	9	6,647	-	6,656
Assets				
Segment assets	292,766	-	-	292,766
Financial assets	7,373	-	-	7,373
Cash				12,288
Consolidated total assets				312,427
Liabilities				
Segment liabilities	-	-	-	-
Financial liabilities	(8,821)	-	-	(8,821)
Consolidated total liabilities				(8,821)

Notes to Financial Statements for the year ended 30 June 2009, continued

2 Segmental analysis – Group (continued)

By geographical area

2008	BVI/Parent \$ 000's	Mongolia \$ 000's	Australia \$ 000's	Total \$ 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)

3 Operating loss

	2009 Group \$ 000's	2009 Company \$ 000's	2008 Group \$ 000's	2008 Company \$ 000's
Operating loss is arrived at after charging:				
Auditors' remuneration – audit	109	42	64	50
Auditors' remuneration – non audit services	-	-	-	-
Directors' emoluments – fees and salaries	1,228	1,011	1,017	1,017
Directors' emoluments – share based payments	3,721	3,721	1,890	1,890
Foreign exchange (gain)/loss	(11,200)	(12,075)	57	57
Depreciation	108	3	46	-

Auditors remuneration for audit services above includes \$65,000 (2008: \$13,420) charges by KPMG (Malaysia), relating to the audit of the subsidiary companies.

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

4 Employee information – Group	2009	2008
Staff Costs comprised:	\$ 000's	\$ 000's
Wages and salaries	643	37
	<hr/>	
Average Number of employees	Number	Number
Exploration	125	9
Administration	10	2
	<hr/>	
	135	11
	<hr/>	

5 Investment income	2009 Group	2009 Company	2008 Group	2008 Company
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Dividend income on investments	90	-	-	-
Interest income on convertible loan notes	313	-	-	-
	<hr/>			
	403	-	-	-
	<hr/>			

6 Other income	2009 Group	2009 Company	2008 Group	2008 Company
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Management fees (re-payable)/receivable	-	(2,470)	-	3,099
	<hr/>			

The management fees originally charged in 2008 were cancelled and reversed in 2009, in conjunction with the terms of the Joint Venture agreement with Peabody.

7 Finance revenue	2009 Group	2009 Company	2008 Group	2008 Company
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Bank interest receivable	2,421	1,703	2,000	1,999
	<hr/>			

Notes to Financial Statements for the year ended 30 June 2009, continued

8 Directors' emoluments

Group	2009 \$ 000's	2008 \$ 000's
Directors' remuneration	4,949	2,907

2009	Directors Fees \$ 000's	Shares issued \$ 000's	Net Options Issued (*) \$ 000's	Total \$ 000's
Executive Directors				
Stephen Dattels	258	1,547	(38)	1,767
Neil Herbert	258	1,547	(92)	1,713
Tony Bainbridge	319	40	124	483
Paul Ingram	279	40	(60)	259
Non-Executive Directors				
Guy Elliott	35	311	(92)	254
Harald Van Hoeken (#)	31	10	-	41
Danny Sun (#)	25	10	278	313
Suresh Hiremath (#)	17	-	-	17
Bryan Smith (#)	3	-	48	51
James Mellon (#)	3	-	48	51
	1,228	3,505	216	4,949

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

(*) During the year, the company cancelled various options issued in 2008, and issued new options. The net charge to the income statement in respect of these directors options is highlighted here. (See Note 21 for full option details).

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

No consultancy fees were paid in the year to 30 June 2009.

No pension benefits are provided for any Director.

Notes to Financial Statements for the year ended 30 June 2009, continued

9 Taxation	2009	2008
Analysis of charge in period	\$ 000's	\$ 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 taxes 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.

10 Dividends

No dividends were paid or proposed by the Directors. (2008: \$Nil)

11 Loss per share

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of share in issue during the period:

	2009	2008
Net loss after taxation (\$000's)	(62,730)	(6,740)
Weighted average number of ordinary shares used in calculating basic loss per share (millions)	1,962.85	603.26
Basic loss per share (expressed in US cents)	(3.20)	(1.12)
Diluted loss per share (expressed in US cents)	(3.20)	(1.12)

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included.

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

12 Intangible assets

Group	\$ 000's	
Cost		
At 1 July 2008		73,588
Additions		2,798
Disposals on derecognition of subsidiary		(80,975)
Currency translation differences		4,589
As at 30 June 2009		-
Amortisation		
At 1 July 2008		1,427
Amortisation & write-off charges for the period		5,736
Eliminated on derecognition of subsidiary		(9,181)
Currency translation differences		2,018
At 30 June 2009		-
Net book value		
At 30 June 2009		-
At 30 June 2008		72,161
The cost is analysed as follows;	2009	2008
	\$ 000's	\$ 000's
Deferred exploration expenditure	-	6,044
Mining & exploration licences	-	66,117
	-	72,161

Impairment Review

At 30 June 2009, no impairment review was required. During the year, a full impairment of operations in Mongolia was carried out and appropriate impairment provisions were made.

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

13 Tangible assets – Property, Plant & Equipment

	Group	Company
	Property, plant & equipment	Property, plant & equipment
	\$ 000's	\$ 000's
Cost		
As at 1 July 2008	801	-
Additions	3,858	9
Disposals on derecognition of subsidiary	(4,667)	-
Currency translation differences	17	-
As at 30 June 2009	9	9
Depreciation		
As at 1 July 2008	46	-
Depreciation charge for the year	108	3
Eliminated on derecognition of subsidiary	(151)	-
As at 30 June 2009	3	3
Net Book Value		
As at 30 June 2009	6	6
As at 30 June 2008	755	-

Impairment Review

At 30 June 2009, the Directors have carried out an impairment review and concluded no impairment provision is currently required.

Notes to Financial Statements for the year ended 30 June 2009, continued

14 Investment in subsidiaries

	2009	2008
	\$ 000's	\$ 000's
Shares in Group undertakings		
Company		
Cost		
At beginning of the period	24,842	-
Additions	-	24,842
Capitalisation of loans to subsidiaries	12,178	-
Impairment of investment in subsidiaries	(7,360)	-
Currency translation differences	(3,110)	-
As at 30 June	26,550	24,842

During the year, there was a major group re-organisation prior to the completion of the Joint Venture Agreement (see Note 15). In the course of the re-organisation, the directors assessed the carrying values of the group investments including investment carrying values and loans receivable from subsidiaries.

The basis of the review was the valuation and terms being attached to the Joint Venture with Peabody Holland BV. This resulted in a total write down of \$43,978,000 which has been charged to the income statement in the year. The Board of Directors considers that the ongoing carrying values of group investments and loans due from group companies as at 30 June 2009, represent their fair and recoverable values.

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
Polo Resources NV	Dutch Antilles	100%	Holding Company
Indirect			
<i>Via Polo Resources NV</i>			
Polo Resources Cooperatief U.A.	Netherlands	50%	Holding Company
<i>Via Polo Australasia Ltd</i>			
Polo Resources Cooperatief U.A.	Netherlands	50%	Holding Company

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

15 Investment in joint ventures	2009	2008
	\$ 000's	\$ 000's
Group		
At beginning of the period	-	-
Transfer from Subsidiaries	30,024	-
Write down of Joint Venture value	(7,000)	-
Share of Joint Venture's results	(3,519)	-
As at 30 June	19,505	-

The breakdown of the carrying values and fair values at the balance sheet date of the Group's investment in joint ventures is as follows:

	Carrying Value	Fair Value
	\$ 000's	\$ 000's
Peabody-Polo Resources BV	19,505	19,505

On 4 May 2009, the group completed the Joint Venture Agreement with Peabody Holland B.V., resulting in Polo Resources Ltd Group, owning a 50% equity interest in the Peabody Polo resources BV, the Joint Venture company.

Polo contributed to the Joint Venture company (prior to JV completion) its Mongolian subsidiaries, including the outstanding loans thereto, and Peabody subscribed for a 50% interest in the JV company for US\$23million.

Details of the Group's Joint Venture interests at 30 June 2009 are as follows:

Name	Place of Incorporation	Proportion held	Date associate interest acquired	Reporting Date of JV	Principal activities
Peabody-Polo Resources BV	Netherlands	50%	01/05/09	30/06/09	Coal exploration

Notes to Financial Statements for the year ended 30 June 2009, continued

16 Interest in associates	2009	2008
	\$ 000's	\$ 000's
Group		
At beginning of the period	148,529	-
Investments in associates – equity purchases	6,113	148,955
Investments in associates – convertible loan notes	7,763	-
Share of associates loss for the period	(3,239)	(426)
Currency translation differences	(26,570)	-
As at 30 June	132,596	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 – interest in equity shares	35,332	23,764
Caledon Resources Plc – interest in equity shares	89,501	44,499
Caledon Resources Plc – interest in convertible loan notes	7,763	7,763
	132,596	76,026

Subsequent to 30 June 2009 the market value of the investment in associates, has increased marginally. It is considered that this increase is a subsequent event that does not require adjustment at 30 June 2009. The market value of the interests in associates was \$84,389,029 at 9 October 2009.

Details of the Group associates at 30 June 2009 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	30/06/09	Coal exploration
Caledon Resources Plc	UK	26.19%	05/06/08	31/12/08	Coal Mining

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

17 Available for sale investments	2009	2008
Group – Listed Investments	\$ 000's	\$ 000's
At beginning of the period	285	-
Acquired during the year	83,908	347
Disposals during the year	(9,586)	-
Realised gains on disposals	1,211	-
Currency translation differences	8,000	-
Movement in market value	56,841	(62)
At 30 June	140,659	285
 The available for sale investments, are split as below;		
Non-current assets	108,264	285
Current assets	32,395	-
	140,659	285

Available for sale investments comprises investments in listed securities, which are traded on Stock markets throughout the world, and, which are held by the Group as a mix of strategic and short term investments. No unlisted available for sale investments are held. The market value of the above listed investments as at 9 October 2009 was \$208,926,973.

18 Trade and other receivables	2009		2008	
	Group \$ 000's	Company \$ 000's	Group \$ 000's	Company \$ 000's
Current trade and other receivables				
Other debtors	4,097	4,097	1,049	73
Prepayments	139	139	2,708	73
Accrued income	324	-	599	3,687
Total	4,560	4,236	4,356	3,833
 Non Current trade and other receivables				
Loans due from subsidiaries	-	221,914	-	199,021
Loans due from Joint Ventures	2,813	-	-	-
	2,813	221,914	-	199,021

The loans from subsidiaries, and Joint Ventures were interest free throughout the period and have no fixed repayment date.

**Notes to Financial Statements
for the year ended 30 June 2009, continued**

19	Trade and other payables	2009		2008	
		Group \$ 000's	Company \$ 000's	Group \$ 000's	Company \$ 000's
Current trade and other payables:					
	Trade creditors	8,142	8,121	2,288	1,575
	Taxation liabilities	271	271	2,085	-
	Other creditors	85	85	1,797	83
	Accruals	323	323	2,089	2,086
		8,821	8,821	8,259	3,744

20 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	-
30 January 2009 for non-cash consideration	33,776,057	-
3 March 2009 for non-cash consideration	162,629,750	-
6 May 2009 for non-cash consideration	66,000,000	-
11 May 2009 for non-cash consideration	50,000,000	-
19 June 2009 for cash at 3.85p per share	160,000,000	-
As at 30 June 2009	2,346,645,623	-

Notes to Financial Statements for the year ended 30 June 2009, continued

20 Share capital (continued)

Total share options in issue

During the period ended 30 June 2009, the company granted 120,750,000 options over ordinary shares. (2008: 77million)

As at 30 June 2009 the unexercised options in issue were;

Exercise Price	Expiry Date	Options in Issue 30 June 2009
5p	4 September 2012	4,000,000
9p	4 March 2018	21,000,000
3.5p	28 January 2019	105,750,000
3.5p	5 May 2019	5,000,000
4.28p	7 June 2019	10,000,000
		145,750,000

No options lapsed or were exercised during the period to 30 June 2009. 52,000,000 options were cancelled during the year ended 30 June 2009. (2008: Nil)

Total warrants in issue

During the period ended 30 June 2009, the company granted 415,455,111 warrants to subscribe for ordinary shares. (2008: 27,050,000)

As at 30 June 2009 the unexercised warrants in issue were;

Exercise Price	Expiry Date	Warrants in Issue 30 June 2009
4p	5 November 2010	404,866,875
3.775p	30 November 2010	8,823,530
4p	30 November 2010	1,764,706
		415,455,111

No warrants were exercised during the period to 30 June 2009. 27,050,000 warrants lapsed during the year ended 30 June 2009. (2008: Nil)

Notes to Financial Statements for the year ended 30 June 2009, continued

21 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.

The following options were issued during the year ended 30 June 2009:

Name	Date Granted	Date Vested	Number	Exercise Price (pence)	Expiry Date	Fair Value at Grant Date (pence)
Stephen Dattels	29/01/2009	See 1 below	5,000,000	3.5p	28/01/2019	2.22
Paul Ingram	29/01/2009	See 1 below	15,000,000	3.5p	28/01/2019	2.22
Guy Elliott	29/01/2009	See 1 below	5,000,000	3.5p	28/01/2019	2.22
Anthony Bainbridge	29/01/2009	See 1 below	20,000,000	3.5p	28/01/2019	2.22
Neil Herbert	29/01/2009	See 1 below	12,000,000	3.5p	28/01/2019	2.22
Consultants	29/01/2009	See 1 below	31,000,000	3.5p	28/01/2019	2.22
Employees	29/01/2009	See 1 below	17,750,000	3.5p	28/01/2019	2.22
Consultant	06/05/2009	See 1 below	5,000,000	3.5p	05/05/2019	2.44
Bryan Smith	08/06/2009	See 1 below	5,000,000	4.28p	07/06/2019	3.09
James Mellon	08/06/2009	See 1 below	5,000,000	4.28p	07/06/2019	3.09
Totals			120,750,000			

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.

During the year ended 30 June 2009, the company cancelled 52,000,000 options, and replaced these with new options as in the 29 January 2009 issues as above.

Notes to Financial Statements for the year ended 30 June 2009, continued

21 Share Based Payments (continued)

The fair value of the options granted during the year ended 30 June 2009 amounted to \$2.489million, and the fair value of the cancelled options was \$1.061million, giving a net charge to the income statement of \$0.607million, and net charge to the share premium of \$0.82million. 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 30 June 2009:

	29 January 2009 issue	6 May 2009 issue	8 June 2009 issue
Dividend Yield (%)	-	-	-
Expected Volatility (%)	60.0	60.0	60.0
Risk-free interest rate (%)	3.66	3.66	3.66
Share price at grant date (£)	0.0317	0.0342	0.043

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

22 Analysis of changes in net funds

	2009		2008	
	Group \$ 000's	Company \$ 000's	Group \$ 000's	Company \$ 000's
Balance at beginning of period	115,974	113,674	-	-
Net change during the period	(103,686)	(101,386)	115,974	113,674
Balance at the end of the period	12,288	12,288	115,974	113,674

23 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, Canadian 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 on an ongoing basis 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 2009, continued

23 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	2009		2008	
	Group \$ 000's	Company \$ 000's	Group \$ 000's	Company \$ 000's
Sterling	5,625	5,625	113,674	113,674
USD	5,591	5,591	2,300	-
Australian Dollars	1,072	1,072	-	-
At 30 June	12,288	12,288	115,974	113,674

The financial assets comprise cash balances in current and interest earning bank accounts at call. The financial assets earn a range of interest rates throughout the period depending on rates available and ongoing cash commitments at any one point in time.

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 currency of Pound Sterling. 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	(3,211)	3,211	(33,717)	33,717

Rates of exchange to US\$1 used in the financial statements were as follows:

	As at 30 June 2009	Average for the relevant consolidated period to 30 June 2009	As at 30 June 2008	Average for the period to 30 June 2008
Pound Sterling (£)	0.60546	0.62696	0.50140	0.50534

24 Material non-cash transactions

- On 30 January 2009, the company issued 33,776,057 shares as remuneration to directors as part of continuing remuneration for services.
- On 3 March 2009, the company issued 162,629,750 shares in consideration for the acquisition of £4.7million of 8.5% Convertible Loan Notes in Caledon Resources Plc.
- On 6 May 2009, the company issued 66,000,000 shares to consultants on completion of the Joint Venture Agreement, with Peabody Holland BV.
- On 11 May 2009, the company issued 50,000,000 shares as remuneration to directors and consultants as part of continuing remuneration for services.

Notes to Financial Statements for the year ended 30 June 2009, continued

25 Commitments

As at 30 June 2009, 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.

Other commitments

Polo entered into a Venture Services Agreement on 3 April 2009, with American Patriot International, LLC (AmPat) for a 3 year term of the provision of services in respect of the Group's joint venture in Mongolia. Polo are committed to fees of US\$300,000 per annum for the term of the agreement.

26 Business combination - Group

Disposal of Peabody-Polo Resources BV("PPR")

On 4th May 2009 Polo Resources Ltd through its indirect subsidiary Polo Resources Cooperatief U.A, was deemed to have disposed of 50% of PPR, a company based in Dutch Antilles. This deemed disposal occurred through a share subscription issue in PPR, subscribed to by Peabody Holland BV for \$23million, for a 50% share in the newly formed Joint Venture company. The fair value of identifiable assets and liabilities of PPR as at the date of disposal were:

	Fair value \$'000
Intangible assets	68,052
Property, plant and equipment	3,005
Cash and cash equivalents	231
Trade and other receivables	5,850
	<u>77,138</u>
Trade and other payables	(2,136)
Other payables	(6,572)
	<u>68,430</u>
<i>The cash outflow on disposal was as follows;</i>	
Net cash disposed with subsidiary	(231)
Cash received	-
Net cash (outflow)	<u>(231)</u>

The analysis of the net loss arising on the deemed disposal of PPR recognised in the income statement is as follows:

Share of Net Assets disposed of following share issue in PPR	(22,715)
Less: share of fair value uplift in PPR's intangible assets disposed of	19,203
	<u>(3,512)</u>
(Loss) on deemed disposal recognised in the income statement	<u>(3,512)</u>

Notes to Financial Statements for the year ended 30 June 2009, continued

27 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 \$Nil (2008: \$423,338) to Asia Intercept Mongolia LLC, a Company related to Tony Bainbridge and Danny Sun, Directors' 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 £254,250 (2008: £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 US\$107,000 (2008: £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. This research project belongs to an Australian based company in respect of which Mr. P Ingram, Director of Polo Resources Ltd is a shareholder. Polo terminated this project during the period to concentrate on other business opportunities..

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.

	2009	2008
	\$ 000's	\$ 000's
Short-term employee benefits	1,228	1,017
Share-based payments	3,721	1,890
	4,949	2,907

28 Post balance sheet events

On 7 July 2009, Anthony Bainbridge resigned an Executive Director of the company.

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