MANTRA
RESOURCES LIMITED

ANNUAL FINANCIAL REPORT

30 JUNE 2010

ABN 26 116 478 703

Contents Page

CORPORATE DIRECTORY	1
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	26
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	27
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	28
CONSOLIDATED STATEMENT OF CASH FLOWS	29
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	30
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	32
DIRECTORS' DECLARATION	73
INDEPENDENT AUDITOR’S REPORT	74

CORPORATE DIRECTORY

Directors

Mr Ian Middlemas – Non-Executive Chairman

Mr Peter Breese – Chief Executive Officer

Mr Robert Behets – Executive Director

Mr Colin Steyn – Non-Executive Director

Mr William Smart – Alternate Director

Mr Ted Mayers – Non-Executive Director

Company Secretary

Mr Luke Watson

Registered and Principal Office

Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

Telephone: +61 8 9322 6322
Facsimile: +61 8 9322 6558

Share Register

Australia

Computershare Investor Services Pty Ltd
Level 2
45 St Georges Terrace
Perth WA 6000

Telephone: 1300 557 010
International: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Canada

Computershare Investor Services Inc.
100 University Avenue
Toronto, Ontario, M5 J2Y1

Telephone: +1 416 263 9449
Facsimile: +1 416 981 9800

Stock Exchange Listings

Australian Securities Exchange ('ASX')

Home Branch – Perth
2 The Esplanade
Perth WA 6000
ASX Code: MRU – Ordinary Shares

Canada

Toronto Stock Exchange ('TSX')

TSX Code: MRL – Ordinary Shares

Solicitors

Hardy Bowen Lawyers

Auditor

Deloitte Touche Tohmatsu

Website

www.mantraresources.com.au

DIRECTORS' REPORT

The Directors of Mantra Resources Limited present their report on the Consolidated Entity consisting of Mantra Resources Limited ("the Company" or "Mantra") and the entities it controlled at the end of, or during, the year ended 30 June 2010 ("Consolidated Entity" or "Group").

DIRECTORS

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

Mr Ian Middlemas	Non-Executive Chairman
Mr Peter Breese	Chief Executive Officer (appointed 25 January 2010)
Mr Robert Behets	Executive Director
Mr Colin Steyn	Non-Executive Director
Mr William Smart	Alternate Director for Colin Steyn (appointed 16 June 2010)
Mr Ted Mayers	Non-Executive Director (appointed 3 September 2010)
Mr Matthew Yates	Executive Director (resigned 7 April 2010)
Mr Mark Pearce	Non-Executive Director (resigned 16 February 2010)

Unless otherwise disclosed, Directors held their office from 1 July 2009 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Mr Ian Middlemas
Non-Executive Chairman
Qualifications – B.Com, CA

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia, Securities Institute of Australia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director of the Company on 30 September 2005. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Coalspur Mines Limited (March 2007 – present), Equatorial Coal Limited (November 2009 - present), Global Petroleum Limited (April 2007 – present), Newport Mining Limited (September 2008 – present), Odyssey Energy Limited (September 2005 – present), Pacific Energy Limited (June 2006 – present), Pacific Ore Limited (April 2010 – present), Sierra Mining Limited (January 2006 – present), Sovereign Metals Limited (July 2006 – present), WCP Resources Limited (September 2009 – present), Wildhorse Energy Limited (January 2010 – present), Fusion Resources Limited (May 2002 - March 2009), QED Occtech Limited (July 2001 - February 2010), Neon Energy Limited (November 1995 - June 2010), Syngas Limited (May 2007 - February 2008), Indo Mines Limited (December 2006 - June 2010) and Mavuzi Resources Limited (January 2007 - March 2008).

Mr Peter Breese
Chief Executive Officer, Director
Qualifications – PMD, Harvard Business School

Mr Breese was previously Chief Executive of Norilsk Nickel International, following its acquisition of LionOre Mining International, where he was Chief Operating Officer. With over 25 years experience in the mining industry, Mr Breese held senior executive and board positions with Impala Platinum Holdings, Mimosa Mining Company and Zimasco prior to joining LionOre.

Mr Breese was appointed a Director of the Company on 25 January 2010. During the three year period to the end of the financial year, Mr Breese has held directorships in BCL Limited (December 2007 – December 2009) and Norilsk Nickel International (September 2007 – July 2008).

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Robert Behets
Executive Director
Qualifications – B.Sc (Hons), FAusIMM, MAIG

Mr Behets is a geologist with over 20 years experience in the mineral exploration and mining industry in Australia and internationally. From 1988 to 2005, he worked for WMC Resources Limited where he held various senior management positions, including Manager Geology - Kambalda Nickel Operations, Manager Commercial - St Ives Gold Operations, Manager Geology - Pinares Nickel Project (Cuba), Exploration Manager – Brazil, and Group Manager Exploration. Mr Behets has a strong combination of technical, commercial and managerial skills and extensive experience in regional and mine-site exploration, mineral resource and ore reserve estimation, feasibility studies and mine geology for nickel sulphide, nickel laterite, gold and copper-gold-uranium deposits.

Mr Behets is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. He is also a current member of the Australasian Joint Ore Reserve Committee (JORC).

During the three year period to the end of the financial year, Mr Behets has not held any other directorships in listed companies.

Mr Colin Steyn
Non-Executive Director
Qualifications - B.Com, MBA

Mr Steyn has over 30 years experience in the resources sector with particular expertise in the development of mining operations in southern Africa. Mr Steyn was previously President and CEO of LionOre Mining International ("LionOre") from 1999 to 2007. He was one of the original founders of LionOre and was instrumental in the growth and development of LionOre into a major international mining house. During his time as CEO, LionOre grew from a market capitalisation of US$100 million to over US$6 billion.

From 1996 to 2000, he was a director of Centachrome, a worldwide metals marketing organisation. For five years prior to 1996, Mr Steyn was Executive Director in charge of Metallurgical Operations in Zimbabwe for Rio Tinto; where he started his career in 1979.

During the three year period to the end of the financial year, Mr Steyn held directorships in Mirabela Nickel Limited (October 2009 – present) and LionOre Mining International Limited (June 1998 – July 2007).

Mr William Smart
Alternate Director for Mr Colin Steyn
Qualifications – B.Com, Hons

Mr Smart has over 40 years experience in the mining industry, including 26 years working for the Anglo American Group in Zimbabwe. Most recently, he was Vice President, Corporate Planning of LionOre, until it was acquired by Norilsk Nickel in 2007, the world's largest nickel company. Prior to joining LionOre, Mr Smart held a number of senior executive positions in the industry, including Managing Director of Bindura Nickel and Zimbabwe Alloys, and CEO of both Zimasco and Mimosa Mining Company.

Mr Smart was appointed an Alternate Director of the Company on 16 June 2010. During the three year period to the end of the financial year, Mr Smart has not held any other directorships in listed companies.

DIRECTORS' REPORT
(Continued)

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Ted Mayers
Non-Executive Director
Qualifications – B.Sc, MBA, CA

With over 25 years experience, Mr Mayers has previously held a number of senior financial positions with publicly listed mining companies, most recently as Chief Financial Officer of Lundin Mining Corporation. Mr Mayers is based in Canada and is a Chartered Accountant.

Mr Mayers was appointed a Director of the Company on 3 September 2010. During the three year period to the end of the financial year, Mr Mayers held directorships in LionOre Mining International Limited (1997 – July 2007) and GBS Gold International Inc. (2005 – May 2008).

Mr Luke Watson
Chief Financial Officer & Company Secretary
Qualifications – B.Bus, CA, ACIS

Mr Watson is a Chartered Accountant, an Associate Member of the Institute of Chartered Secretaries and holds a Bachelor of Business degree. He has 10 years experience and has held the position of Company Secretary and CFO with a number of listed companies that operate in the resources sector during the last five years.

Mr Watson was the Company Secretary of Mantra from May 2006 – April 2007, and was re-appointed to the position on 11 March 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity consisted of mineral exploration for uranium in Africa, including the commencement of a Definitive Feasibility Study ('DFS') on the Mkuju River Project ('MRP') in Africa.

EMPLOYEES

	2010	2009
The number of full time equivalent people employed by the Consolidated Entity at balance date	93	68

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2010 (2009: nil).

EARNINGS PER SHARE

	2010 $	2009 $
Basic loss per share	(0.26)	(0.37)
Diluted loss per share	(0.26)	(0.37)

CORPORATE STRUCTURE

Mantra Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2010 $	2009 $
Loss of the Consolidated Entity before income tax expense	(30,195,553)	(30,133,817)
Income tax expense	-	-
Net loss attributable to members of Mantra Resources Limited	(30,195,553)	(30,133,817)

REVIEW OF OPERATIONS AND ACTIVITIES

The operating loss of the Consolidated Entity for the year ended 30 June 2010 was $30,195,553 (2009: $30,133,817). This loss is largely attributable to:

(i) The Consolidated Entity's accounting policy of expensing exploration and evaluation expenditure incurred by the Consolidated Entity, subsequent to the acquisition of the rights to explore, and up to the successful completion of definitive feasibility studies. During the period, exploration expenditure totalled $30,099,715 (2009: $21,633,321), which includes non-cash share-based payment expenses of $6,358,306 (2009: $7,298,721).

It is noted that the operating loss for the prior year of $30,133,817 included an impairment provision totalling $7,795,046 that was made in respect of capitalised exploration and evaluation expenditure (refer Note 9 for further details); and

(ii) The Consolidated Entity expenses the value (determined using the Binomial option pricing model) of share options and share rights granted to Directors, employees, consultants and other advisors. The value is measured at grant date and recognised over the period during which the option holders become unconditionally entitled to the options and rights. During the period, non-cash share-based payment expenses totalled $5,619,059 ($5,616,306 classified as exploration expenditure and $2,753 classified as corporate and administration expenditure).

It is noted that the abovementioned numbers, and the financial report, are presented in Australian dollars.

Mkuju River Project

During the financial year, the Consolidated Entity continued the aggressive exploration and ongoing development of its flagship Mkuju River Project ('MRP' or 'Project') in southern Tanzania. The following key milestones were achieved at the MRP:

1) *Completion of the Pre Feasibility Study ('PFS')*

The PFS was completed in March 2010 and the results of the study confirmed the technical and economic viability of the Project and its capacity to operate with strong cash margins. Highlights included:

- Average annual production of 3.7 million pounds of U_3O_8;
- Initial mine life of twelve years, with strong potential to increase;
- Life of mine average operating cost of US$25.05 per pound of U_3O_8;
- Capital cost, including all associated infrastructure, of US$298 million; and
- Study was based on the January 2010 Mineral Resource Estimate (refer below).

REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

2) *Commencement of the Definitive Feasibility Study ('DFS')*

The DFS commenced in March 2010 with the appointment of DRA Mineral Projects ('DRA') as the Engineering, Procurement, Construction and Management ('EPCM') Contractor. The DFS is scheduled for completion during the fourth quarter of 2010. A key component of the DFS is a comprehensive integrated pilot metallurgical test program which was conducted at ANSTO in Sydney with the aim of testing and optimising the current Project flow sheet and minimising Project risk. Other key aspects of the DFS include:

- Further resource infill and exploration drilling. The resource infill drilling program is currently being completed, with five air drill rigs and two diamond drill rigs currently operating at Nyota. To the end of July, approximately 850 aircore/open-hole drill holes for 54,000 metres and 24 diamond holes for 1,500 metres have been completed this year. The results recorded from an initial 519 aircore/open holes have:
    - continued to confirm continuity of mineralised zones, both in terms of thickness and grade; and
    - highlighted multiple thick zones of mineralisation at shallow depths, including peak intercepts of 25 metres @ 1,572 ppm eU_3O_8, 26 metres @ 1,401 ppm eU_3O_8 and 47m @ 680 ppm eU_3O_8.

  As soon as the infill drilling has been completed, the drilling fleet will immediately be re-directed to a significant exploration drilling program which will commence in September 2010.
- Permitting:
    - The Environmental Impact Statement ('EIS') and the Special Mining License ('SML') applications were submitted during the June quarter; and
    - A draft Mine Development Agreement ('MDA') was submitted to the Ministry of Energy and Minerals during the June quarter.
- Project Financing, uranium marketing and off-take negotiations have commenced during the period under review.

3) *Initial Integrated Pilot Plant Test Work Results*

A comprehensive integrated pilot metallurgical testwork program was concluded during the financial year. The program, conducted at ANSTO in Sydney, was designed to reduce process design risk. The results from the initial 28 continuous days operation in March indicated that the flowsheet could be considerably improved in various areas. These improvements were introduced during the pilot plant run and the plant consistently confirmed these initiatives. Notably:

- Acid consumption in the leach was maintained in the order of 6-8 kg/tonne; well below the PFS parameter of 12 kg/tonne. The leach was operated at an ambient temperature leach with no addition of iron or oxidant. Average leach recoveries of 87% were consistent with the PFS, although a record recovery of 91% was achieved during testwork with high head grade feed;
- The resin absorption stage ran well with no resin fouling noted and a consistent 99.7% absorption rate was maintained throughout the campaign;
- The direct precipitation circuit produced a high quality yellowcake, thus confirming the elimination of the solvent extraction plant;
- The refining stage produced a final product yellowcake within chemical and physical specification of major uranium off-take converters; and
- During the neutralisation stage a locally sourced Tanzanian limestone was used successfully which may result in considerable cost savings over the originally envisaged, imported product.

REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

In light of these positive aspects, the Company ran a modified testwork campaign during the entire month of May focused on evaluating the potential to further reduce operating costs and improve overall uranium recoveries through a combination of decreasing the temperature in the elution process; increasing resin loadings; using a larger resin bead; optimization of the lime addition; and piloting the opportunity to leach the scatted material to recover uranium in the tailings stream. The results from this program are being compiled.

In addition, as part of Mantra's strategy to optimise the flowsheet, reduce operating costs, reduce process risk and improve recoveries a series of additional tests has commenced. Initial piloting has confirmed a flowsheet to leach uranium from the tailings scats stream via VAT Leaching. An integrated pilot plant test program was initiated at ANSTO (in Australia) and is due for completion in the 3rd quarter 2010. In addition a 20 tonne sample of material is being run through the Kemix pilot rig at Mintek in South Africa. The test was initiated in an effort to improve on the design of the portion of the flowsheet that allows for the separation of the pregnant RIP from the acid leach solutions. This test was initiated in an effort to make sure that Mantra dose not replicate the commissioning problems that have been experienced at other uranium mines.

4) *Substantial Increase in the Nyota Resource*

Data obtained from an extensive infill and exploration drilling program during 2009 formed the basis for the revised Mineral Resources Estimate ('MRE'), which was completed and released on 27 January 2010.

This revised MRE comprises 25.1 million tonnes averaging 515 ppm for 28.5 million pounds of U_3O_8 classified into the Indicated Resource category, plus Inferred Resources of 57.3 million tonnes averaging 442 ppm for 55.8 million pounds of U_3O_8 at a lower cut-off grade of 200 ppm U_3O_8.

Mkuju River Project - Nyota Prospect Mineral Resource Estimate as at 26 January 2010			
	Tonnage (million tonnes)	Grade (U_3O_8 ppm)	Contained U_3O_8 (million pounds)
Indicated Resource	25.1	515	28.5
Inferred Resource	57.3	442	55.8

Notes
(1) The resource is estimated at a lower cut-off grade of 200 ppm U_3O_8
(2) All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding

Key points of the revised MRE are summarised as follows:

- MRE has increased by 89% from the previous statement (44.6 Mlbs);
- 28.5 Mlbs U_3O_8 or 34% of the MRE classified as an Indicated Resource;
- Majority of the MRE is within 60 metres of surface;
- Aggressive and successful exploration drilling has lead to rapid growth in the MRE over the past year; and
- Further drilling programs at Nyota, aimed at expanding the MRE and upgrading the resource classification, commenced in January.

DIRECTORS' REPORT
(Continued)

REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

5) *Initial Exploration Results from the MRP Satellite Targets*

The results of reconnaissance exploration undertaken on a suite of targets within the MRP, but outside the Nyota Prospect, provided an excellent start to the appraisal of the MRP Satellite Targets. Results included:

- Selective rock chip grab samples up to 1.53% (15,380 ppm) U_3O_8;
- Maximum auger intercepts of 7m @ 2,591 ppm U_3O_8;
- Best trench intercept of 3.2m @ 4,119 ppm U_3O_8; and
- Initial exploration results provide further indications of the emergence of a new uranium province.

Regional Exploration – Tanzania and Mozambique

During the financial year, the Consolidated Entity advanced exploration activities on its remaining exploration properties in Tanzania and Mozambique with encouraging results.

Corporate and Financial Position

Following completion of the public offering in December 2009 and private placement in February 2010 that raised C$67.2 million (approximately A$72.5 million) before costs and the exercise of a significant number of unlisted options during June 2010, the Company had cash reserves of over $78 million at 30 June 2010 and no long term debt. In addition, there are 11.2 million unlisted options outstanding with a weighted average exercise price of approximately $2.56 each, which if exercised will raise up to $28.7 million. The Board believes that it has the finances, management skills, resources and mining development expertise that will enable it to successfully complete the DFS on the Company's wholly owned Nyota Prospect, enhancing Mantra's ability to fulfil its strategic objective of becoming a significant uranium producer in the near term.

The following material corporate events occurred during the year:

- The Company successfully completed its dual listing on the Toronto Stock Exchange ('TSX'). The dual listing has provided increased liquidity to the Company's shareholders and increased access to the larger Canadian and other northern hemisphere capital markets.
- The Company received shareholder:

  (i) ratification for the public offering of 13,000,000 ordinary shares each at an issue price of C$4.00 to raise C$52 million before costs, that was completed on 24 December 2009; and

  (ii) approval for and completed a private placement of an additional 3,800,000 ordinary shares to Highland Park S.A. and AngloPacific Group Plc, each at an issue price of C$4.00 to raise C$15.2 million before costs.

  Combined, the public offering and private placement raised C$67.2 million (approximately A$72.5 million) before costs.

- The Company raised approximately $7.2 million from the exercise of 3.4 million unlisted options which were due to expire on 30 June 2010. These funds reinforce the Company's strong cash position, as it completes the DFS and prepares to commence early site works at the MRP, with approximately A$78.6 million at the end of the period and no long term debt.

REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

Business Strategies and Prospects

The Consolidated Entity currently has the following business strategies and prospects over the medium to long term:

(i) To significantly increase the resource base, lift the majority of the current MRE to the Measured and Indicated category, and complete the DFS on the wholly owned Nyota Prospect, part of the larger MRP, enabling the Consolidated Entity to become a significant uranium producer in the near-term and generate an early cash flow.

The DFS commenced in March 2010 and will run through until the end of 2010. It is anticipated that the results of the DFS will be released during the first quarter of 2011;

(ii) Seek to maximise the value of the Consolidated Entity's portfolio of exploration assets in Africa; and

(iii) Continue to identify and evaluate new uranium and other corporate opportunities, which can enhance shareholder value.

Risk Management

The Board is responsible for the oversight of the Consolidated Entity's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and control framework.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed below, there were no significant changes in the state of affairs of the Consolidated Entity during the year.

(i) On 27 January 2010, the Company completed and announced a revised MRE for the wholly owned Nyota Prospect, part of the larger MRP. This revised MRE comprises 25.1 million tonnes averaging 515 ppm for 28.5 million pounds of U_3O_8 classified into the Indicated Resource category, plus Inferred Resources of 57.3 million tonnes averaging 442 ppm for 55.8 million pounds of U_3O_8 at a lower cut-off grade of 200 ppm U_3O_8;

(ii) The PFS for the Nyota Prospect was completed in March 2010 and the results of the study confirmed the technical and economic viability of the Project and its capacity to operate with strong cash margins. Using the revised MRE as a base case scenario, the Project can support:

- Average annual production of 3.7 million pounds of U_3O_8;
- Initial mine life of twelve years, with strong potential to increase;
- Life of mine average operating cost of US$25.05 per pound of U_3O_8;
- Capital cost, including all associated infrastructure, of US$298 million; and
- Study was based on the January 2010 Mineral Resource Estimate.

(iii) On 18 August 2009, the Company announced that it had moved to 100% ownership of the entire MRP by acquiring the remaining 15% interest in the Mkuju River South Joint Venture. The Property is approximately 1,800km^2, comprises ten tenement areas, and covers the southern portion of the Company's flagship MRP in southern Tanzania.

It is noted that the northern half of the MRP, which includes the Nyota Prospect that hosts an initial Inferred Mineral Resource estimate of 35.9 million pounds U_3O_8 (39.9 million tonnes at 409 ppm, using a 200 ppm lower cut-off grade), was already 100% wholly owned by Mantra.

DIRECTORS' REPORT
(Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (Continued)

The acquisition price of the remaining 15% interest in the Property was 200,000 fully paid ordinary shares in Mantra.

(iv) On 18 November 2009, the company completed its dual-listing on the Toronto Stock Exchange ('TSX') and then received shareholder approval for the following capital raising:

- a public offering of 13,000,000 ordinary shares each at an issue price of C$4.00 to raise C$52 million before costs, that was completed on 24 December 2009; and
- a private placement of an additional 3,800,000 ordinary shares to Highland Park S.A. and AngloPacific Group Plc, each at an issue price of C$4.00 to raise C$15.2 million before costs, that was completed in February 2010.

Combined, the public offering and private placement raised C$67.2 million (approximately A$72.5 million) before costs.

In January 2010, Mantra appointed Mr Breese as Chief Executive Officer ('CEO') of the Company. Mr Breese was previously Chief Executive of Norilsk Nickel International, following its acquisition of LionOre Mining International, where he was Chief Operating Officer. Mr Breese has over 25 years experience in the mining industry.

The appointment of Mr Breese as CEO was complemented in conjunction with the recruitment of several key senior technical managers as the Company builds its management team with strong operational experience in readiness for the development of the MRP.

(v) During June 2010, the Company received shareholder approval for and granted the following securities to employees and consultants of the Company as part of its remuneration/incentive arrangements:

- Pursuant to its new Long Term Incentive Plan, the Company granted approximately 2.3 million performance share rights to a number of key employees and consultants. The rights have an exercise price of nil, expiry dates between 31 March 2011 and 31 December 2013, and are subject to the achievement of performance based milestones.

  The rights, valued at $4.13 each, were granted at the end of the financial year and are subject to vesting conditions that are based on key performance based milestones in relation to the development of the MRP. The options will be expensed over their vesting periods, as required by the relevant accounting standards.

- The Company granted the following options to the CEO:
  - 500,000 unlisted options with an exercise price of $4.50 each, expiring on 31 December 2012;
  - 500,000 unlisted options with an exercise price of $5.00 each, expiring on 30 June 2013; and
  - 500,000 unlisted options with an exercise price of $5.50 each, expiring on 31 December 2013.

  The options, valued at $3,680,000, were granted at the end of the financial year and are subject to vesting periods of between 6 and 18 months. The options will be expensed over their vesting periods, as required by the relevant accounting standards.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (Continued)

(vi) During the June 2010 quarter the Company raised approximately $7.2 million from the exercise of approximately 3.4 million unlisted options, allowing the Company to increase its cash balance to approximately $78.6 million at 30 June 2010.

(vii) On 24 July 2009, the Company entered into an Agreement to divest its non-core Projects in Mozambique (Niassa, Mavuzi, Mucumbura, Murrupula and Zumbu Projects) to North River Resources Plc ('NRR'), a company listed on London's AIM Market. Consideration for the properties was US $100,000, plus 10 million shares in NRR. The issue of the shares to Mantra was approved by NRR's shareholders at a General Meeting held in late August 2009.

SIGNIFICANT POST BALANCE DATE EVENTS

- On 3 September 2010, Mr Ted Mayers was appointed as a non-executive Director of the Company. Mr Mayers has previously held a number of senior financial positions with publicly listed mining companies, most recently as Chief Financial Officer with Lundin Mining Corporation and has over 25 years experience.

Other than as disclosed above, there were no significant events occurring after balance date requiring disclosure.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Consolidated Entity during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Consolidated Entity will continue to focus on the development of its wholly owned MRP in southern Tanzania. Specifically, in the coming year the Company intends to:

- complete the extensive drilling program comprising seven drill rigs which is already well advanced, in order to:
    - significantly increase the overall resource base; and
    - upgrade the majority of the MRE classification from Inferred to the Indicated category;
- complete further metallurgical testwork and release the results, including the integrated pilot text plant campaign, which aims to de-risk the flowsheet, improve recoveries and reduce operating costs;;
- complete the DFS in late 2010 and announce the results of the study by March 2011; and
- commence the mine construction phase as soon as possible after the DFS has been released, with key early site works expected to commence shortly.

The successful completion of these activities will assist the Company to achieve its strategic objective of becoming a significant uranium producer in the short to medium term.

The Company will also continue to identify and evaluate both uranium and other resource opportunities, including potential acquisitions, joint ventures, or investments in the resources sector, which can enhance Shareholder value.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS (Continued)

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly, further information has not been disclosed.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF MANTRA

	Interest in Securities at the Date of this Report		
	Shares[1]	Unlisted Options[3]	Performance Rights[4]
Ian Middlemas	1,640,000	-	-
Peter Breese	337,648	1,750,000	-
Robert Behets	1,609,415	600,000	250,000
Colin Steyn [5]	16,038,982	3,332,661	-
William Smart [5]	16,038,982	3,332,661	-
Ted Mayers	160,751	-	-

	Interest in Securities Issued/Granted During the Year		
	Shares[1] & [2]	Unlisted Options[3]	Performance Rights[4]
Ian Middlemas	-	-	-
Peter Breese	250,000	1,500,000	-
Robert Behets	500,000	-	250,000
Colin Steyn [5]	3,000,000	-	-
William Smart [5]	3,000,000	-	-
Ted Mayers	-	-	-

Notes

(1) "Shares" means fully paid ordinary shares in the capital of the Company.

(2) The shares issued to Messers Breese and Behets during the year were acquired from the exercise of unlisted options which were due to expire on 30 June 2010 (refer Note 16 for further details).

(3) "Unlisted Options" means:

- (i) Peter Breese:
  - 250,000 $1.65 incentive options exercisable on or before 31 December 2010.
  - 500,000 $4.50 incentive options exercisable on or before 31 December 2012.
  - 500,000 $5.00 incentive options exercisable on or before 30 June 2013.
  - 500,000 $5.50 incentive options exercisable on or before 31 December 2013.
- (ii) Robert Behets:
  - 600,000 $1.65 incentive options exercisable on or before 31 December 2010.
- (iii) Colin Steyn and William Smart:
  - 3,332,661 $2.20 options exercisable on or before 30 June 2011.

(4) "Performance Rights" means:

- (i) Robert Behets:
  - 250,000 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.

(5) Messers Steyn and Smart have an indirect substantial beneficial interest in these shares and unlisted options. The securities are held in the name of Highland Park S.A. and were issued pursuant to share placements completed in April 2008 and February 2009 which were approved by shareholders at a General Meeting.

SHARE OPTIONS AND PERFORMANCE SHARE RIGHTS

At the date of this report the following unlisted options have been issued over unissued shares:

- 350,000 unlisted options at an exercise price of $1.20 each that expire on 31 December 2010;
- 2,050,000 unlisted options at an exercise price of $1.65 each that expire on 31 December 2010;
- 5,975,806 unlisted options at an exercise price of $2.20 each that expire on 30 June 2011;
- 800,000 unlisted options at an exercise price of $3.00 each that expire on 31 December 2010;
- 500,000 unlisted options at an exercise price of $3.50 each that expire on 30 June 2011;
- 500,000 unlisted options at an exercise price of $4.50 each that expire on 31 December 2012;
- 500,000 unlisted options at an exercise price of $5.00 each that expire on 30 June 2013; and
- 500,000 unlisted options at an exercise price of $5.50 each that expire on 31 December 2013.

At the date of this report the following performance share rights have been issued over unissued shares:

- 300,000 performance rights at an exercise price of $5.50 each that expire on 31 December 2013; and
- 2,309,325 performance rights issued pursuant to the Company's Employee and Contractor LTIPs which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.

Since 30 June 2010, no shares have been issued as a result of the exercise of options.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2010, and the number of meetings attended by each director.

Current Directors	Board Meetings Number Eligible to Attend	Board Meetings Number Attended
Ian Middlemas	8	7
Peter Breese	3	3
Robert Behets	8	7
Colin Steyn	8	7
Matthew Yates	7	7
Mark Pearce	6	6
William Smart	-	-
Ted Mayers	n/a	n/a

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ('KMP') of the Group.

Details of Key Management Personnel

Details of the KMP including the top five remunerated executives of the Group during or since the end of the financial year are set out below:

Directors
Mr Ian Middlemas
Mr Peter Breese (appointed 25 January 2010)
Mr Robert Behets
Mr Colin Steyn
Mr William Smart (alternate Director for Colin Steyn, appointed 16 June 2010)
Mr Ted Mayers (appointed 3 September 2010)
Mr Matthew Yates (resigned 7 April 2010)
Mr Mark Pearce (resigned 16 February 2010)

Other Key Management Personnel
Mr Tony Devlin – Managing Director, Mantra Tanzania
Mr Luke Watson – CFO & Company Secretary
Mr Russell Bradford – General Manager, Project Development (commenced 1 July 2009)
Mr Wayne Drier – Commercial Executive (commenced 1 April 2010)

Unless otherwise disclosed, the KMP held their position from 1 July 2009 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- The Company is a medium sized listed company, which is currently focussing on the aggressive exploration and potential development of the Nyota Prospect, part of the larger MRP in southern Tanzania. During the year the Company completed and announced a significant increase of 89% to the MRE for the wholly owned Nyota Prospect, and completed a PFS which confirmed the technical and economic viability of the Project and its capacity to operate with strong cash margins. The Company is completing a DFS during the second half of 2010 which includes key early site works, and intends to then move to the construction phase of the Project in 2011. The Board considers that the experience of its KMP in the resources industry will greatly assist the Company in progressing the MRP through the DFS and development stages over the next 12 – 24 months;

- risks associated with developing resource companies whilst exploring and developing projects; and

- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until after the commencement of commercial production on any of its projects.

REMUNERATION REPORT (AUDITED) (Continued)

Executive Remuneration

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Executives who are residents of Australia for taxation purposes receive a statutory superannuation contribution, which is currently 9% (capped to a maximum of $25,000 per annum) and do not receive any other retirement benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive Plan ('STIP')

The Group's executives are entitled to an annual cash bonus upon achieving various key performance indicators ('KPI's'), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as successful completion of development activities (e.g. completion of feasibility studies, commencement of construction, commencement of commercial production), exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs), corporate activities (e.g. recruitment of key personnel) and business development activities (e.g. project acquisitions, project financing and capital raisings). The Board assesses performance against these criteria annually.

Performance Based Remuneration – Long Term Incentive Plan ('LTIP')

The Board received Shareholder approval for and implemented an Employee Performance Rights Plan to all executives as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that each executive's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of Performance Rights granted to executives is commensurate to their value to the Company.

The LTIP has been designed to reward superior performance based on materially improved Company performance in terms of growth in the value of the Company and resulting increases in shareholder value. The Performance Rights issued to the Company's executives during the year do not have an exercise price, but are subject to various performance conditions to be satisfied prior to a number of expiry dates between 31 March 2011 and 31 December 2013. The performance conditions and expiry dates are the key development milestones for the MRP.

The Board also has a policy of granting Incentive Options to Executive Directors with exercise prices at and/or above market share price (at the time of agreement). As such, the Incentive Options granted to Mr Breese during the year will generally only be of benefit if the executive performs to the level whereby the value of the Company increases sufficiently to warrant exercising the Incentive Options granted.

All remuneration paid to directors is valued at cost to the Company and expensed. Options and rights are valued using the Binomial methodology. In accordance with current accounting policy, the fair value of options and rights granted as remuneration is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors become unconditionally entitled to the options and rights.

Non-Executive Director Remuneration

The Board's policy is for fees to Non-Executive Directors to be no greater than market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, Incentive Options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

DIRECTORS' REPORT
(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

The maximum aggregate amount of fees that can be paid to Non-Executive Directors, currently $250,000, is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive Incentive Options or Performance Rights in order to secure their initial or ongoing services.

Fees for the Chairman are presently $50,000 per annum (2009: $36,000) and fees for Non-Executive Directors' are presently set at $40,000 per annum (2009: $15,000 - $40,000). These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. However, as noted above, a number of KMP have received Incentive Options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the Incentive Options granted. In addition, the vesting conditions of the Performance Rights granted to KMP during the year are subject to various performance conditions and expiry dates and will only vest if the Company achieves the key development milestones for the MRP.

The Board anticipates that, during the Company's exploration and development phases of its business, it will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (e.g. return of capital).

Impact of Earnings on Key Management Personnel Remuneration

The Company is currently undertaking exploration and project evaluation activities and does not expect to be undertaking profitable operations until after the successful commercialisation, production and sale of commodities from one or more of its projects. Accordingly, the Board does not consider current or prior year earnings when assessing remuneration of KMP.

Group Performance

The table below sets out summary information about the Consolidated Entity's earnings and movements in shareholder wealth for the period from 30 June 2007 to 30 June 2010:

	Year Ended 30 June 2010 $	Year Ended 30 June 2009 $	Year Ended 30 June 2008 $	Year Ended 30 June 2007 $ (1) & (2)
Interest Revenue	2,045,884	1,551,777	1,525,885	409,277
Loss before tax	(30,195,553)	(30,133,817)	(41,521,094)	(2,670,648)
Loss after tax	(30,195,553)	(30,133,817)	(41,521,094)	(2,670,648)
Dividends	-	-	-	-
Share price at start of year	3.77	3.81	1.05	0.20
Share price at end of year	4.13	3.77	3.81	1.05
Market capitalisation at end of year (undiluted)	537,846,546	409,440,827	303,590,375	46,304,144
Basic loss per share	(0.26)	(0.37)	(0.78)	(0.10)
Diluted loss per share	(0.26)	(0.37)	(0.78)	(0.10)

Notes:
(1) The share price at the start of the 30 June 2007 year refers to the issue price on the initial public offering date.
(2) The Company listed on the ASX on 9 October 2006. Share price information before this time is not available.

REMUNERATION REPORT (AUDITED) (Continued)

Key Management Personnel Remuneration

Details of the nature and amount of each element of the remuneration of each Director and executive of the Company or Group for the financial year are as follows:

2010	Short-Term Benefits Salary & Fees $	Short-Term Benefits Cash Bonus $	Post Employ-ment Benefits $	Share-Based Payments (1) $	Other Non-Cash Benefits $	Total $	Percentage of Total Remuneration that Consists of Options & Rights %	Percentage Performance Related %
Directors								
Ian Middlemas	50,000	-	4,500	-	-	54,500	-	-
Peter Breese (appointed 25 Jan 2010)	225,395	-	-	1,898,097	-	2,123,492	89.39%	-
Robert Behets	287,499	-	25,000	758,040	-	1,070,539	70.81%	-
Colin Steyn	40,000	-	-	-	-	40,000	-	-
William Smart	-	-	-	-	-	-	-	-
Matthew Yates (resigned 7 April 2010)	317,969	-	18,069	756,142	-	1,092,180	69.23%	-
Mark Pearce (resigned 16 Feb 2010)	11,250	-	1,013	-	-	12,263	-	-
Executives								
Tony Devlin(4)	480,593	-	53,399	266,102	-	800,094	33.26%	-
Luke Watson	175,000	-	15,750	1,368	-	192,118	0.71%	-
Russell Bradford (5)	300,000	25,000	25,000	1,109,040	-	1,459,040	76.01%	1.71%
Wayne Drier (commenced 1 April 2010)	50,559	-	-	1,687	-	52,246	3.23%	-

REMUNERATION REPORT (AUDITED) (Continued)

Notes

(1) Share-based payments includes the accounting valuation of all options and rights granted and cancelled during the year. The value of each Key Management Personnel's share-based payments has been calculated as follows:

2010	Share-Based Payments During the Year: Expense For Options & Rights Granted During the Year $	Expense For Options & Rights Granted in Prior Years and Vested during year ended 30 June 2010 $	Total Share-Based Payments Expense for the Year $
Directors			
Peter Breese	1,898,097	-	1,898,097
Robert Behets	1,898	756,142	758,040
Matthew Yates	-	756,142	756,142
Executives			
Tony Devlin(4)	2,092	264,010	266,102
Luke Watson	1,368	-	1,368
Russell Bradford	2,040	1,107,000	1,109,040
Wayne Drier	1,687	-	1,687

Notes

(2) The value of options and rights granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(3) Details of incentive options and performance rights granted as remuneration to each Key Management Personnel of the Company or Group during the financial year are outlined in a further detail below.

(4) Mr Devlin is based permanently in Tanzania and his salary is paid in US dollars and includes all applicable Tanzanian taxes. Mr Devlin's salary has been converted to Australian dollars using the average exchange rate for the year (~USD1.00:AUD0.88). His cash remuneration package includes a remote area allowance and is commensurate with the skills and experience he brings to the Group.

(5) Mr Bradford received a bonus of $25,000 following the successful completion of the PFS.

(6) Messers Breese and Drier are also paid in US dollars. Their salaries have been converted to Australian dollars using the average exchange rate for the year (~USD1.00:AUD0.88).

(7) There were no incentive options granted to Directors as remuneration in prior years that lapsed without being exercised during the year ended 30 June 2010.

2009	Short-Term Benefits: Salary & Fees $	Short-Term Benefits: Cash Bonus $	Post Employ-ment Benefits $	Share-Based Payments (1) & (5) $	Other Non-Cash Benefits $	Total $	Percentage of Total Remuneration that Consists of Options %	Percentage Performance Related %
Directors								
Ian Middlemas	50,000	-	-	-	-	50,000	-	-
Robert Behets	300,000	-	27,000	272,258	-	599,258	45.43%	-
Matthew Yates	300,000	-	27,000	272,258	-	599,258	45.43%	-
Colin Steyn	40,000	-	-	-	-	40,000	-	-
Mark Pearce	15,000	-	-	-	-	15,000	-	-
Executives								
Luke Watson	150,000	-	13,500	156,966	-	320,466	48.98%	-
Tony Devlin(6)	490,309	-	49,031	3,442,490	-	3,981,830	86.45%	-

REMUNERATION REPORT (AUDITED) (Continued)

Notes

(1) Share-based payments includes the accounting valuation of all options granted and cancelled during the year. The value of each Key Management Personnel's share-based payments has been calculated as follows:

2009	Share-Based Payments During the Year: Expense For Options Granted and Cancelled During the Year $	Expense For Options Granted During the Year $	Expense For Options Granted in Prior Years and Vested at 30 June 2009 $	Total Share-Based Payments Expense for the Year $
Directors				
Robert Behets	59,400	212,858	-	272,258
Matthew Yates	59,400	212,858	-	272,258
Executives				
Luke Watson	-	-	156,966	156,966
Tony Devlin(6)	2,066,000	1,376,490	-	3,442,490

Notes

(2) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(3) Other than the Directors, Company Secretary, and Country Manager – Tanzania, there were no executives of the Company or Group during the year.

(4) Details of incentive options granted as remuneration to each Key Management Personnel of the Company or Group during the financial year are outlined in a separate section below.

(5) The following incentive options were granted to Directors and executives of the Company or Group during the prior year, and were then subsequently cancelled after each of the individuals agreed to receive a restructured remuneration package, including a reduced cash remuneration package:

- Robert Behets and Matthew Yates:
  - 600,000 $3.50 unlisted options expiring 30 June 2011
- Tony Devlin:
  - 500,000 $3.50 unlisted options expiring 30 June 2011; and
  - 500,000 $4.50 unlisted options expiring 30 September 2011.

(6) Tony Devlin commenced as Country Manager of Mantra Tanzania Limited on 1 September 2008. Mr Devlin is based permanently in Tanzania and his salary is paid in US dollars and includes all applicable Tanzanian taxes. Mr Devlin's salary has been converted to Australian dollars using the average exchange rate for the year (~USD1.00:AUD0.75). His cash remuneration package includes a remote area allowance and is commensurate with the skills and experience he brings to the Group.

(7) There were no incentive options granted to Directors as remuneration in prior years that lapsed during the year ended 30 June 2009.

Options and Rights Granted to Key Management Personnel

Details of options and rights recorded as remuneration to each Key Management Personnel of the Company or Group during the financial year are as follows:

DIRECTORS' REPORT
(Continued)

REMUNERATION REPORT (AUDITED) (Continued)

	Issuing Entity	Options / Rights	Grant Date	Expiry Date	Exercise Price $	Grant Date Fair Value $	No. Granted	No. Vested at 30 June
2010								
Directors								
Peter Breese	Mantra Resources Ltd	Options	16-06-10	31-12-12	$4.50	$2.38	500,000	-
	Mantra Resources Ltd	Options	16-06-10	30-06-13	$5.00	$2.45	500,000	-
	Mantra Resources Ltd	Options	16-06-10	31-12-13	$5.50	$2.53	500,000	-
Robert Behets	Mantra Resources Ltd	Rights	30-06-10	31-12-13	Nil	$4.13	250,000	-
Executives								
Tony Devlin	Mantra Resources Ltd	Rights	30-06-10	31-12-13	Nil	$4.13	275,556	-
Luke Watson	Mantra Resources Ltd	Rights	30-06-10	31-12-13	Nil	$4.13	180,228	-
Russell Bradford	Mantra Resources Ltd	Rights	30-06-10	31-12-13	Nil	$4.13	268,688	-
Wayne Drier	Mantra Resources Ltd	Rights	30-06-10	31-12-13	Nil	$4.13	222,224	-
2009								
Directors								
Robert Behets	Mantra Resources Ltd	Options	28-11-08	30-06-10	2.50	0.065	600,000	600,000
	Mantra Resources Ltd	Options	28-11-08	30-06-11	3.50	0.099	600,000	Cancelled
	Mantra Resources Ltd	Options	29-04-09	31-12-10	1.65	1.550	600,000	-
Matthew Yates	Mantra Resources Ltd	Options	28-11-08	30-06-10	2.50	0.065	600,000	600,000
	Mantra Resources Ltd	Options	28-11-08	30-06-11	3.50	0.099	600,000	Cancelled
	Mantra Resources Ltd	Options	29-04-09	31-12-10	1.65	1.550	600,000	-
Executives								
Tony Devlin	Mantra Resources Ltd	Options	27-06-08	31-12-10	3.00	2.111	500,000	500,000
	Mantra Resources Ltd	Options	27-06-08	30-06-11	3.50	2.131	500,000	Cancelled
	Mantra Resources Ltd	Options	27-06-08	30-09-11	4.50	2.001	500,000	Cancelled
	Mantra Resources Ltd	Options	12-03-09	31-12-10	1.65	0.740	500,000	-
	Mantra Resources Ltd	Options	12-03-09	30-06-10	2.50	0.430	500,000	500,000

Notes
(1) Details on the valuation of the options and rights granted during the year ended 30 June 2010, including models and assumptions used are provided below.
(2) Each option/right converts into one ordinary share of Mantra Resources Limited on exercise.
(3) No amounts are paid or payable by the recipient on receipt of the options or rights.

The fair value of the equity-settled share options and share rights granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options and rights were granted.

The following table lists the inputs to the valuation model used for share options and share rights (unlisted) granted to Key Management Personnel during the year ended 30 June 2010:

REMUNERATION REPORT (AUDITED) (Continued)

	Tranche 1 Share Rights	Tranche 2 Share Rights	Tranche 3 Share Rights	Tranche 4 Share Rights	$4.50 Unlisted Options	$5.00 Unlisted Options	$5.50 Unlisted Options
Exercise price	Nil	Nil	Nil	Nil	$4.50	$5.00	$5.50
Share price on date of grant	$4.13	$4.13	$4.13	$4.13	$4.62	$4.62	$4.62
Share price at 30 June 2010	$4.13	$4.13	$4.13	$4.13	$4.13	$4.13	$4.13
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	n/a	n/a	n/a	n/a	80%	80%	80%
Risk-free interest rate	n/a	n/a	n/a	n/a	4.80%	4.80%	4.80%
Probability of achieving performance milestone	100%	100%	100%	100%	n/a	n/a	n/a
Grant date	30/06/10	30/06/10	30/06/10	30/06/10	16/06/10	16/06/10	16/06/10
Expiry date	31/03/11	31/12/11	31/12/12	31/12/13	31/12/12	30/06/13	31/12/13
Expected life of option (yrs)	0.75	1.50	2.50	3.50	2.55	3.04	3.55
Fair value at grant date	$4.13	$4.13	$4.13	$4.13	$2.38	$2.45	$2.53
Number of options granted	299,174	299,174	299,174	299,174	500,000	500,000	500,000
Vesting date	By 31/03/11	By 31/12/11	By 31/12/12	By 31/12/13	25/07/10	25/01/11	25/07/11
Vesting period (yrs)	0.75	1.50	2.50	3.50	0.1	0.6	1.1
Expensed at 30 June 2010	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)

REMUNERATION REPORT (AUDITED) (Continued)

Details of the value of options and rights granted, exercised or lapsed for each Key Management Personnel of the Company or Group during the financial year are as follows:

	Value of Options & Rights Granted During the Year (1)&(2)&(3) $	Value of Options & Rights Exercised During the Year (4) $	Value of Options & Rights Sold During the Year (5) $	Value of Options & Rights Lapsed During the Year (6) $	Value of Options & Rights Cancelled During the Year $
2010					
Directors					
Peter Breese	3,680,000	107,500	-	-	-
Robert Behets	1,032,500	57,500	39,000	-	-
Matthew Yates	-	-	39,000	-	-
Executives					
Tony Devlin	1,138,046	-	215,000	-	-
Luke Watson	744,342	-	158,700	-	-
Russell Bradford	1,109,681	-	-	-	-
Wayne Drier	917,785	-	-	-	-
2009					
Directors					
Robert Behets	1,028,400	60,500	-	-	(59,400)
Matthew Yates	1,028,400	-	-	-	(59,400)
Executives					
Luke Watson	-	24,200	-	-	-
Tony Devlin	3,706,500	-	-	-	(2,066,000)

Notes

(1) The following incentive options and performance rights were granted to Directors and executives of the Company or Group during the year ended 30 June 2010 as part of the Company's remuneration / incentive arrangements:

- Peter Breese:
  - 500,000 $4.50 incentive options exercisable on or before 31 December 2012;
  - 500,000 $5.00 incentive options exercisable on or before 30 June 2013; and
  - 500,000 $5.50 incentive options exercisable on or before 31 December 2013.
- Robert Behets:
  - 250,000 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Tony Devlin:
  - 275,556 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Luke Watson:
  - 180,228 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Russell Bradford:
  - 268,688 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.

REMUNERATION REPORT (AUDITED) (Continued)

Options Granted to Directors and Executives (Continued)

- Wayne Drier:
  - 222,224 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.

(2) For details on the valuation of the options and rights, including models and assumptions used, please refer to Note 16 to the financial statements.

(3) The value of options and rights granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

(4) The following incentive options were exercised by Directors and executives during the year:

- Peter Breese:
  - 250,000 $2.50 unlisted options expiring 30 June 2010.
- Robert Behets:
  - 500,000 $0.35 unlisted options expiring 30 June 2010.

(5) The following incentive options were sold by Directors and executives during the year:

- Robert Behets:
  - 600,000 $2.50 unlisted options expiring 30 June 2010.
- Matthew Yates:
  - 600,000 $2.50 unlisted options expiring 30 June 2010.
- Tony Devlin:
  - 500,000 $2.50 unlisted options expiring 30 June 2010.
- Luke Watson:
  - 75,000 $2.50 unlisted options expiring 30 June 2010.

(6) No options were forfeited during the years ended 30 June 2010 and 30 June 2009.

Employment Contracts with Key Management Personnel

Mr Peter Breese, Chief Executive Officer, has a contract of employment with Mantra Resources Limited dated 25 January 2010. The contract specifies the duties and obligations to be fulfilled by the CEO. The contract has no fixed term and may be terminated by either party giving 3 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties other than accrued entitlements. In the event of either termination by Mantra without cause, or termination by either party in the event of a change of control, Mr Breese is entitled to 12 months salary. Effective 1 July 2010, Mr Breese's cash remuneration includes a fixed remuneration component of $534,240 per annum (previously $504,000), and he participates in the Company's LTIP and STIP.

Mr Robert Behets, Executive Director, has a contract of employment with Mantra Resources Limited. The contract specifies the duties and obligations to be fulfilled by the Executive Director. The contract has a rolling annual term and may be terminated by either party giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Effective 1 July 2010, Mr Behets' cash remuneration includes a fixed remuneration component of $346,000 (previously $325,000) per annum plus superannuation of $25,000.

Mr Tony Devlin, Managing Director – Mantra Tanzania, has a contract of employment with Mantra Tanzania Limited. The contract specifies the duties and obligations to be fulfilled by the Country Managing Director – Mantra Tanzania. The contract has no fixed term and may be terminated by either party giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Effective 1 July 2010, Mr Devlin's cash remuneration includes a fixed remuneration component of US $469,422 (previously US $442,851) per annum.

Mr Luke Watson, Chief Financial Officer ('CFO') and Company Secretary, has a contract of employment with Mantra Resources Limited. The contract specifies the duties and obligations to be fulfilled by the CFO and Company Secretary. The contract has no fixed term and may be terminated by either party giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Effective 1 July 2010, Mr Watson's cash remuneration includes a fixed remuneration component of $212,000 (previously $200,000) per annum plus superannuation (9%).

REMUNERATION REPORT (AUDITED) (Continued)

Mr Russell Bradford, General Manager – Project Development, has a contract of employment with Mantra Resources Limited. The contract specifies the duties and obligations to be fulfilled by the General Manager – Project Development. The contract has no fixed term and may be terminated by either party giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Effective 1 July 2010, Mr Bradford's cash remuneration includes a fixed remuneration component of $325,000 (previously $300,000) per annum plus superannuation of $25,000.

Mr Wayne Drier, Commercial Executive, has a services agreement with Mantra Resources Limited. The contract specifies the duties and obligations to be fulfilled by the Commercial Executive. The contract has a fixed term of 9 months and may be extended by mutual consent. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Effective 1 July 2010, Mr Drier's cash remuneration includes a fixed remuneration component of US$275,000 (previously US$250,000) per annum.

INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

During the financial year, an annualised insurance premium of $38,093 (2009: $24,351) was paid by the Company to insure directors and officers of the Company.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 26 of the Financial Report.

This report is made in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors

PETER BREESE
Chief Executive Officer

14 September 2010

The information in this report that relates to Exploration Results is based on information compiled by Mr Robert Behets, who is a Fellow of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Behets is a full-time employee of Mantra Resources Limited. Mr Behets has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (The JORC Code). Mr Behets consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this Report that relates to in-situ Mineral Resources is based on information compiled by Malcolm Titley of CSA Global Pty. Ltd. Malcolm Titley takes overall responsibility for the Report. He is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). Malcolm Titley consents to the inclusion of such information in this Report in the form and context in which it appears.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

The Board of Directors
Mantra Resources Ltd
Level 9, BGC Centre
28 The Esplanade
Perth WA 6000

14 September 2010

Dear Sirs

Mantra Resources Limited

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

As lead audit partner for the audit of the financial statements of Mantra Resources Limited for the financial year ended 30 June 2010 I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 14 September 2010

MANTRA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 A$	2009 A$
Revenue	2(a)	**2,045,885**	**1,551,777**
Other income	2(b)	1,591,866	-
Corporate and administration costs		(2,950,419)	(2,194,993)
Exploration and evaluation costs	3	(30,099,715)	(21,633,321)
Business development costs		-	(65,900)
Other costs	3(a)	(783,169)	(31,593)
Impairment of exploration and evaluation assets	9(b)	-	(7,759,787)
Loss before income tax expense		**(30,195,553)**	**(30,133,817)**
Income tax expense	4	-	-
Loss after income tax expense		**(30,195,553)**	**(30,133,817)**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(106,751)	189,332
Gain/(loss) on available-for-sale investments taken to equity		(1,028,223)	**-**
Income tax relating to components of other comprehensive income		**-**	**-**
Other comprehensive income/(loss) for the period		(1,134,974)	189,332
Total comprehensive income/(loss) for the period		**(31,330,527)**	**(29,944,485)**
Total comprehensive loss attributable to members of the parent		**(31,330,527)**	**(29,944,485)**
Earnings per share			
Weighted average number of shares		117,583,054	81,754,911
Basic loss per share (cents per share)	24	(25.68)	(36.86)
Diluted loss per share (cents per share)	24	(25.68)	(36.86)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated 2010 A$	Consolidated 2009 A$
ASSETS			
Current Assets			
Cash and cash equivalents	25(b)	78,693,938	26,116,132
Trade and other receivables	5	1,545,462	498,074
Other assets	6	510,405	74,424
Other financial assets	7	-	202,362
Total Current Assets		**80,749,805**	**26,890,992**
Non-current Assets			
Property, plant and equipment	8	1,919,451	1,028,729
Exploration and evaluation assets	9	-	-
Other assets	10	39,095	-
Available-for-sale financial assets	11	439,677	-
Total Non-current Assets		**2,398,223**	**1,028,729**
TOTAL ASSETS		**83,148,028**	**27,919,721**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	4,337,114	1,584,838
Provisions	13	184,259	230,399
Borrowings	14	740,380	740,380
Total Current Liabilities		**5,261,753**	**2,555,617**
TOTAL LIABILITIES		**5,261,753**	**2,555,617**
NET ASSETS		**77,886,275**	**25,364,104**
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	173,045,344	91,163,906
Reserves	16	9,775,056	8,938,770
Accumulated losses	17	(104,934,125)	(74,738,572)
TOTAL EQUITY		**77,886,275**	**25,364,104**

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

MANTRA RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 A$	Consolidated 2009 A$
Cash flows from operating activities			
Interest received		1,398,515	1,844,714
GST / VAT received		160,890	114,561
Payments to suppliers and employees		(24,452,553)	(16,866,424)
Net cash outflow from operating activities	25(a)	**(22,893,148)**	**(14,907,149)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,260,268)	(468,458)
Deposits paid		(39,095)	-
Purchase of exploration and evaluation assets		-	(109,349)
Proceeds from disposal of tenements	11(1)	114,778	-
Proceeds from repayment of third party loans		167,647	102,214
Net cash outflow from investing activities		**(1,016,938)**	**(475,593)**
Cash flows from financing activities			
Proceeds from issue of shares		81,826,150	6,489,480
Transaction costs from issue of shares		(4,334,512)	(62,924)
Net cash inflow from financing activities		**77,491,638**	**6,426,556**
Net increase/(decrease) in cash and cash equivalents held		**53,351,996**	**(8,956,186)**
Foreign exchange movement on cash and cash equivalents		(774,190)	8,639
Cash and cash equivalents at the beginning of the financial year		**26,116,132**	**35,063,679**
Cash and cash equivalents at the end of the financial year	25(b)	**78,693,938**	**26,116,132**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

For the year ended 30 June 2009 Consolidated	Ordinary Shares A$	Option Premium Reserve A$	Foreign Currency Translation Reserve A$	Available-for-Sale Investments Reserve A$	Accumulated Losses A$	Total Equity A$
Balance at 1 July 2008	**73,424,522**	**11,908,562**	**705,701**	**-**	**(44,604,755)**	**41,434,030**
Total comprehensive income for the period:						
Net loss for the period	-	-	-	-	(30,133,817)	(30,133,817)
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	-	-	189,332	-	-	189,332
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	189,332	-	-	189,332
Total comprehensive income for the period	-	-	189,332	-	(30,133,817)	(29,944,485)
Transactions with owners, recorded directly in equity						
Issue of shares	-	-	-	-	-	-
Exercise of listed options	3,971,979	-	-	-	-	3,971,979
Transfer of option premium reserve	9,679,712	(9,679,712)	-	-	-	-
Exercise of unlisted options	2,517,500	-	-	-	-	2,517,500
Transfer of option premium reserve	1,640,800	(1,640,800)	-	-	-	-
Share issue costs	(70,607)	-	-	-	-	(70,607)
Share based payments	-	7,455,687	-	-	-	7,455,687
Total transactions with owners	17,739,384	(3,864,825)	-	-	-	13,874,559
Balance at 30 June 2009	**91,163,906**	**8,043,737**	**895,033**	**-**	**(74,738,572)**	**25,364,104**

For the year ended 30 June 2010	Ordinary Shares A$	Option Premium Reserve A$	Foreign Currency Translation Reserve A$	Available-for-Sale Investments Reserve A$	Accumu-lated Losses A$	Total Equity A$
Balance at 1 July 2009	**91,163,906**	**8,043,737**	**895,033**	**-**	**(74,738,572)**	**25,364,104**
Total comprehensive income for the period:						
Net loss for the period	-	-	-	-	(30,195,553)	(30,195,553)
Other comprehensive income:						
Exchange differences arising on translation of foreign operations	-	-	(106,751)	-	-	(106,751)
Gain/(loss) on available-for-sale investments taken to equity	-	-	-	(1,028,223)	-	(1,028,223)
Income tax relating to components of other comprehensive income	-	-	-	-	-	-
Total other comprehensive income	-	-	(106,751)	(1,028,223)	-	(1,134,974)
Total comprehensive income for the period	-	-	(106,751)	(1,028,223)	(30,195,553)	(31,330,527)
Transactions with owners, recorded directly in equity						
Issue of shares	73,297,423	-	-	-	-	73,297,423
Share issue costs	(4,334,512)	-	-	-	-	(4,334,512)
Exercise of unlisted options	9,270,727	-	-	-	-	9,270,727
Transfer of option premium reserve	3,647,800	(3,647,800)	-	-	-	-
Share based payments	-	5,619,060	-	-	-	5,619,060
Total transactions with owners	81,881,438	1,971,260	-	-	-	83,852,698
Balance at 30 June 2010	**173,045,344**	**10,014,997**	**788,282**	**(1,028,223)**	**(104,934,125)**	**77,886,275**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of the Company, Mantra Resources Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2010 are stated to assist in a general understanding of the financial report.

Mantra Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX Code: MRU) and the Toronto Stock exchange (TSX Code: MRL).

The financial report of the Company for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 8 September 2010.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and interpretations adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

In the application of AASBs management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

Judgements made by management in the application of AASBs that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The financial report has also been prepared on a historical cost basis, except for other financial assets at fair value through profit or loss and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report, which includes the financial statements and the notes of the Group, also complies with International Financial Reporting Standards (IFRS).

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2010. These are outlined in the table below:

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2009-9	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: • exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets • exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: • two categories for financial assets being amortised cost or fair value. • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows. • an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition. • reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. • changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	1 January 2013	These amendments are not expected to have any impact on the Company's financial report.	1 July 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Statement of Compliance (Continued)

Reference	Title	Summary	Application Date of Standard	Impact on Group Financial Report	Application Date for Group
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).	1 January 2011	These amendments are not expected to have any impact on the Company's financial report.	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	These amendments are not expected to have any impact on the Company's financial report.	1 July 2011
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mantra Resources Limited ("Company" or "Parent Entity") as at year end and the results of all subsidiaries for the year then ended. Mantra Resources Limited and its subsidiaries together are referred to as the Group or the Consolidated Entity.

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

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

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

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

(d) Exploration and evaluation expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred up to the successful completion of Definitive Feasibility Studies. Expenditure in relation to the preparation of Definitive Feasibility Studies is expensed as incurred.

Expenditure is capitalised if the Company has rights to tenure and the Company expects to recoup the expenditures through successful development or sale.

Capitalised exploration costs are reviewed each reporting date to establish whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest
Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Income Tax

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

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

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

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

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

Mantra Resources Limited and its 100% owned Australian resident subsidiaries have not yet elected to form a tax consolidated group. The Board will review this position annually, before lodgement of its annual income tax return.

(g) Acquisition of Assets

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each 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. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Acquisition of Assets (continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(h) Impairment of Assets

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

(i) Cash and Cash Equivalents

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less impairment.

The effective interest method is a method of calculating the amortised cost of a receivable and of allocating interest income over the relevant period. The effective interest rate is the interest rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the receivable, or, where appropriate, a shorter period.

(k) Investments and Other Financial Assets

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments and other financial assets were acquired. Management determines the classification of its investments and other financial assets at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Investments and Other Financial Assets (Continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

(l) Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

(m) Property, Plant and Equipment

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

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

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Property, Plant and Equipment (Continued)

	Life
Plant and equipment	2 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(h)).

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

(n) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

Payables to related parties are carried at amortised cost.

(o) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits. Contributions to defined contribution super plans are expensed when the employees have rendered the services entitling them to the contributions.

(p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Earnings per Share

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(t) Share Based Payments

Share based payments are provided to directors, employees, consultants and other advisors and to acquire assets such as mineral exploration licences.

The fair value of options granted (determined using the Binomial option pricing model) is recognised as an expense or asset, as appropriate with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which option holders become unconditionally entitled to the options.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest.

(u) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Australian dollars, which is the Company’s functional and presentation currency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Foreign Currency Translation (Continued)

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the available-for-sale investments revaluation reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders equity. Where a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(v) Goodwill

(i) Initial Recognition
Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition. Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Goodwill (Continued)

(ii) Impairment
If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(w) Segment Information

The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one operating segment and one geographical segment, being mineral exploration in Africa. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Group.

MANTRA RESOURCES LIMITED

	Consolidated 2010 $	Consolidated 2009 $
2. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS		
(a) Revenue		
Interest revenue	2,045,885	1,551,777
Total Revenue	**2,045,885**	**1,551,777**
(b) Other Income		
Gain on sale of exploration assets (refer Note 11(1))	1,585,961	-
Other income	5,905	-
Total Other Income	**1,591,866**	**-**

	Consolidated 2010 $	Consolidated 2009 $
3. EXPENSES AND LOSSES FROM CONTINUING OPERATIONS		
Loss from ordinary activities before income tax expense includes the following specific expenses:		
(a) Expenses		
Foreign exchange loss	(783,169)	(31,593)
	(783,169)	**(31,593)**
(b) Depreciation		
Depreciation of plant and equipment	**(321,249)**	**(305,908)**
(c) Employee benefit expense		
Salaries and wages	(3,148,261)	(2,483,945)
Defined contribution superannuation	(557,100)	(365,403)
Bonuses	(198,385)	-
Share-based payments	(5,619,060)	(4,838,677)
Other employee benefits	(17,802)	-
	(9,540,608)	**(7,688,025)**
(d) Other share based payments expense		
Share-based payments	**(742,000)**	**(2,617,010)**

	Consolidated 2010 $	Consolidated 2009 $
4. INCOME TAX		
(a) Recognised in the Income Statement		
Current income tax		
Current income tax expense/(benefit)	-	(6,376,881)
Deferred income tax		
Adjustments in respect of current income tax of prior years	-	61,305
Origination and reversal of temporary differences	(7,598,597)	1,914,810
Deferred tax assets not recognised	7,598,597	4,400,766
Income tax expense reported in the income statement	**-**	**-**
(b) Reconciliation Between Tax Expense and Accounting Profit/(Loss) Before Income Tax		
Accounting profit/(loss) before income tax	**(30,195,553)**	**(30,133,817)**
At the domestic income tax rate of 30% (2009: 30%)	(9,058,666)	(9,040,145)
Expenditure not allowable for income tax purposes	1,472,534	4,187,321
Adjustments in respect of current income tax of prior years	-	61,305
Deferred tax assets not recognised	7,598,597	4,852,260
Effect of (higher)/lower income tax in other jurisdiction	(12,465)	(60,741)
Income tax expense reported in the income statement	**-**	**-**
(c) Deferred Income Tax		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Property, Plant and Equipment	82,241	24,074
Accrued interest income	223,085	28,874
Deferred tax assets used to offset deferred tax liabilities	(305,326)	(52,948)
	-	**-**
Deferred Tax Assets		
Property, plant and equipment	66,148	38,397
Accrued expenditure	29,400	22,425
Provisions	27,783	50,974
Business related costs	1,106,527	146,382
Tax losses available to offset against future taxable income	14,209,366	7,330,070
Deferred tax assets used to offset deferred tax liabilities	(305,326)	(52,948)
Deferred tax assets not recognised	(15,133,897)	(7,535,300)
	-	**-**

4. INCOME TAX (continued)

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

(d) Tax Consolidation

Mantra Resources Limited and its 100% owned Australian resident subsidiaries have not yet elected to form a tax consolidated group. This position will be reviewed annually, before lodgement of the Australian annual income tax returns.

	Consolidated	
	2010 $	**2009 $**
5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
GST and VAT receivable	769,935	390,642
Accrued Interest receivable	743,616	96,246
Other	31,911	11,186
	1,545,462	**498,074**

6. CURRENT ASSETS – OTHER ASSETS		
Prepayments	510,405	61,792
Deposits paid	-	12,632
	510,405	**74,424**

7. CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Amounts loaned to third parties *	-	202,362
	-	**202,362**

***Terms & Conditions**
The loan to the third party (a drilling company) was undertaken on commercial terms and conditions, except that there was no fixed repayment of the loan by the third party. The loan was repaid in full during the year ended 30 June 2010.

	Consolidated	
	2010 $	2009 $
8. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Cost	2,701,945	1,544,292
Accumulated depreciation	(782,494)	(515,563)
Net carrying amount	**1,919,451**	**1,028,729**
Reconciliation		
Carrying amount at beginning of year	1,028,729	751,975
Additions	1,256,659	468,458
Depreciation charge for the year	(321,249)	(305,908)
Foreign currency gain/(loss) on translation	(44,688)	114,204
Carrying amount at end of year, net of accumulated depreciation and impairment	**1,919,451**	**1,028,729**

	Consolidated	
	2010 $	2009 $
9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS		
At 30 June 2010, the company had mineral exploration costs carried forward in respect of areas of interest which were fully impaired during the year ended 30 June 2009:		
(a) Areas of interest:		
Tanzania		
Mkuju River Project	-	-
Other Tanzanian Projects	-	-
Mozambique		
Mozambique Projects	-	-
	-	**-**
(b) Reconciliation		
Carrying amount at beginning of year, at cost	-	7,570,148
Capitalised expenditure	-	109,349
Less: Provision for impairment [(1)]	-	(7,759,787)
Add: Foreign currency translation	-	80,290
Carrying amount at end of year	**-**	**-**

The abovementioned exploration assets are comprised solely of intangible assets.

9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS (continued)

Notes

(1) During the year ended 30 June 2009, there was an impairment loss of $7,759,787 charged to the Consolidated Entity's exploration and evaluation assets. Given the Company's strategy of focussing on the development of its wholly owned Nyota Prospect in southern Tanzania, and due to insufficient encouragement from the exploration results obtained, the decision was made to fully impair the value of the Consolidated Entity's non-core exploration assets in Mozambique ($5,300,000), Tanzania ($1,531,363) and Malawi ($963,683). It is further noted that the Company elected to withdraw from all of it Projects in Malawi due to insufficient encouragement from the exploration results obtained.

	Consolidated	
	2010 $	2009 $
10. NON-CURRENT ASSETS – OTHER ASSETS		
Other assets	**39,095**	**-**

	Consolidated	
	2010 $	2009 $
11. NON-CURRENT ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS		
At fair value:		
Shares – listed[(1)]	**439,677**	**-**

Notes

(1) During the year, the Company divested its Mavuzi and Murrupula Projects in Mozambique to North River Resources plc ('NRR'), a company listed on London's AIM Market. Consideration for the properties was US $100,000, plus 10 million fully paid ordinary shares in NRR. The issue of the shares to Mantra was approved by NRR's shareholders and the shares were issued to the Company on 26 August 2009.

(2) The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Accrued expenses	3,910,216	845,858
Trade creditors	272,833	592,045
Withholding taxes payable	128,182	146,935
Other	25,883	-
	4,337,114	**1,584,838**

Notes

(1) Trade and other payables are non-interest bearing.

	Consolidated 2010 $	Consolidated 2009 $
13. CURRENT LIABILITIES – PROVISIONS		
Employee benefits	182,419	230,399
Other	1,840	-
	184,259	**230,399**

14. CURRENT LIABILITIES – BORROWINGS		
Amounts owing to third party *	740,380	740,380
	740,380	**740,380**

Terms & Conditions

*The loan payable to the third party was undertaken on commercial terms and conditions, except that:

(i) There is no fixed repayment of the loan between the parties; and

(ii) No interest is payable on the loan.

	Consolidated 2010 $	Consolidated 2009 $
15. ISSUED CAPITAL		
(a) Issued and Paid up Capital		
130,229,188 (2009: 108,604,994) fully paid ordinary shares	**173,045,344**	**91,163,906**

15. ISSUED CAPITAL (Continued)

(b) Movements in Ordinary Share Capital during the Past Two Years:

Date	Details	Number of Shares	Issue Price A$	$
1 Jul 2008	**Opening Balance**	**79,682,513**		**73,424,522**
July 2008 to June 2009	Exercise of listed options	19,872,481	$0.20	3,971,979
	Transfer of option premium reserve	-	-	9,679,712
July 2008 to June 2009	Exercise of $0.20 unlisted options	7,650,000	$0.20	1,530,000
	Transfer of option premium reserve	-	-	865,150
July 2008 to June 2009	Exercise of $0.25 unlisted options	650,000	$0.25	162,500
	Transfer of option premium reserve	-	-	195,650
July 2008 to June 2009	Exercise of $0.30 unlisted options	250,000	$0.30	75,000
July 2008 to June 2009	Exercise of $1.50 unlisted options	500,000	$1.50	750,000
	Transfer of option premium reserve	-	-	580,000
July 2008 to June 2009	Share issue expenses	-	-	(70,607)
30 Jun 2009	**Closing Balance**	**108,604,994**		**91,163,906**
1 Jul 2009	**Opening Balance**	**108,604,994**		**91,163,906**
19 Aug 2009	Issue of Shares (1)	200,000	3.71	742,000
24 Dec 2009	Public Offering in Canada (2)	13,000,000	4.33	56,240,000
9 Feb 2010	Private Placement (3)	3,800,000	4.29	16,315,423
July 2009 - June 2010	Exercise of $0.35 unlisted options (note 16(b))	650,000	0.35	227,500
	Transfer of option premium reserve	-	0.29	190,100
	Exercise of $0.90 unlisted options (note 16(b))	350,000	0.90	315,000
	Transfer of option premium reserve	-	0.57	200,900
	Exercise of $1.20 unlisted options (note 16(b))	250,000	1.20	300,000
	Transfer of option premium reserve	-	0.25	62,500
	Exercise of $2.20 options (note 16(b))	24,194	2.20	53,227
	Exercise of $2.50 options (note 16(b))	3,350,000	2.50	8,375,000
	Transfer of option premium reserve	1,300,000	2.12	2,750,800
	Transfer of option premium reserve	1,200,000	0.06	78,000
	Transfer of option premium reserve	850,000	0.43	365,500
July 2009 – June 2010	Share issue expenses	-	-	(4,334,512)
30 Jun 2010	**Closing Balance**	**130,229,188**		**173,045,344**

Notes

(1) Refer Note 25(d) for further details.

(2) On 24 December 2009, the Company successfully completed a public offering of 13,000,000 ordinary shares at an issue price of C$4.00 (A$4.33) per ordinary share for gross proceeds of C$52 million (A$56.24 million).

(3) On 9 February 2010, the Company received shareholder approval for and completed a private placement of an additional 3,800,000 Ordinary Shares to Highland Park S.A. and AngloPacific Group Plc, each at an issue price of C$4.00 (A$4.29) to raise C$15.2 million (A$16.31 million) before costs.

Combined, the public offering and the private placement raised approximately C$67.2 million (A$72.5 million) before costs.

15. ISSUED CAPITAL (Continued)

(c) Rights attaching to Shares

The rights attaching to fully paid ordinary shares ("Shares") arise from a combination of the Company's Constitution, statute and general law.

Copies of the Company's Constitution are available for inspection during business hours at the Company's registered office. The clauses of the Constitution contain the internal rules of the Company and define matters such as the rights, duties and powers of its shareholders and directors, including provisions to the following effect (when read in conjunction with the Corporations Act 2001 or ASX Listing Rules):

(1) Shares

The issue of shares in the capital of the Company and options over unissued shares by the Company is under the control of the directors, subject to the Corporations Act 2001, ASX Listing Rules and any rights attached to any special class of shares.

(2) Meetings of Members

Directors may call a meeting of members whenever they think fit. Members may call a meeting as provided by the Corporations Act 2001. The Constitution contains provisions prescribing the content requirements of notices of meetings of members and all members are entitled to a notice of meeting. A meeting may be held in two or more places linked together by audio-visual communication devices. A quorum for a meeting of members is 2 natural persons, each of whom is or represents different Shareholders who are eligible to vote.

The Company holds annual general meetings in accordance with the Corporations Act 2001 and the ASX Listing Rules.

(3) Voting

Subject to any rights or restrictions at the time being attached to any shares or class of shares of the Company, each member of the Company is entitled to receive notice of, attend and vote at a general meeting. Resolutions of members will be decided by a show of hands unless a poll is demanded. On a show of hands each eligible voter present has one vote. However, where a person present at a general meeting represents personally or by proxy, attorney or representative more than one member, on a show of hands the person is entitled to one vote only despite the number of members the person represents.

On a poll each eligible member has one vote for each fully paid share held and a fraction of a vote for each partly paid share determined by the amount paid up on that share.

(4) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(5) ASX Listing Rules

Provided the Company is admitted to the Official List, then despite anything in its Constitution, no act may be done that is prohibited by the ASX Listing Rules, and authority is given for acts required to be done by the ASX Listing Rules. The Company's Constitution will be deemed to comply with the ASX Listing Rules as amended from time to time.

	Consolidated	
	2010 $	2009 $
16. RESERVES		
(a) Reserves		
Option & Rights Reserve		
Options:		
Nil (30 June 2009: 650,000) $0.35 Unlisted Options	-	190,100
Nil (30 June 2009: 350,000) $0.90 Unlisted Options	-	200,900
350,000 (30 June 2009: 600,000) $1.20 Unlisted Options	197,050	259,550
2,050,000 (30 June 2009: 2,050,000) $1.65 Unlisted Options	2,489,000	527,890
Nil (30 June 2009: 3,350,000) $2.50 Unlisted Options	-	3,194,300
800,000 (30 June 2009: 800,000) $3.00 Unlisted Options	1,604,500	1,058,468
500,000 (30 June 2009: 500,000) $3.50 Unlisted Options	2,168,500	1,612,029
500,000 (30 June 2009: Nil) $4.50 Unlisted Options	2,014,926	1,000,500
500,000 (30 June 2009: Nil) $5.00 Unlisted Options	523,562	-
500,000 (30 June 2009: Nil) $5.50 Unlisted Options	360,109	-
Performance Rights:		
2,309,025 (30 June 2009: Nil) Share Rights with an exercise price of nil	18,350	-
300,000 (30 June 2009: Nil) $5.50 Share Rights	639,000	-
	10,014,997	**8,043,737**
Foreign Currency Translation Reserve		
Currency translation differences (note 16(c))	788,282	895,033
Available-for-Sale Investments Reserve		
Gain/(loss) on available-for-sale investments taken to equity (note 16(d))	(1,028,223)	-
Total Reserves	**9,775,056**	**8,938,770**

Option and Rights Reserve
The option premium reserve is used to record the grant date fair value of share-based payments and other option grants/acquisitions made by the Company.

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.

Available-for-Sale Investments Reserve
The available-for-sale reserve is used to record the fair value of listed shares held by the Group that are traded in an active market. Fair value is determined using the listed share price.

16. RESERVES (Continued)

(b) Movements in Options during the Past Two Years were as follows:

Date	Details	Note	Number of Options exercised or expired in Prior Year	Number of $0.35 Unlisted Options	Number of $0.90 Unlisted Options	Number of $1.20 Unlisted Options	Number of $1.65 Unlisted Options	Number of $2.20 Unlisted Options	Number of $2.50 Unlisted Options	Number of $3.00 Unlisted Options	Number of $3.50 Unlisted Options	Number of $4.50 Unlisted Options	Number of $5.00 Unlisted Options	Number of $5.50 Unlisted Options	Number of $5.50 Share Rights	Number of Perfor-mance Rights	$
1 July 2008	**Opening Balance**		**28,967,708**	**650,000**	**350,000**	**350,000**	**-**	**6,000,000**	**1,300,000**	**500,000**	**700,000**	**500,000**	**-**	**-**	**-**	**-**	**11,908,562**
28 Nov 2008	Grant of Options		-	-	-	-	-	-	1,200,000	-	1,200,000						-
30 Jan 2009	Grant of Options		-	-	-	250,000	-	-	-	-	-	-	-	-	-	-	62,500
12 March 2009	Grant of Options		-	-	-	-	850,000	-	850,000	-	-	-	-	-	-	-	-
12 March 2009	Cancellation of Options		-	-	-	-	-	-	-	-	(1,700,000)	(500,000)	-	-	-	-	-
29 April 2009	Grant of Options		-	-	-	-	1,200,000	-	-	-	-	-	-	-	-	-	-
30 June 2009	Grant of Options		-	-	-	-	-	-	-	300,000	300,000	-	-	-	-	-	-
30 June 2009	Options vested exp		-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,393,187
30 June 2009	Expiry of options		(45,227)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Jul 08 to Jun 09	Exercise of options	15(b)	(28,922,481)	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,320,512)
30 June 2009	**Closing Balance**		**-**	**650,000**	**350,000**	**600,000**	**2,050,000**	**6,000,000**	**3,350,000**	**800,000**	**500,000**	**-**	**-**	**-**	**-**	**-**	**8,043,737**
1 July 2009	**Opening Balance**		**-**	**650,000**	**350,000**	**600,000**	**2,050,000**	**6,000,000**	**3,350,000**	**800,000**	**500,000**	**-**	**-**	**-**	**-**	**-**	**8,043,737**
16 June 2010	Grant of Options		-	-	-	-	-	-	-	-	-	500,000	500,000	500,000	-	-	-
30 June 2010	Grant of Rights		-	-	-	-	-	-	-	-	-	-	-	-	300,000	2,309,025	-
30 June 2010	Grant of Rights		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
30 June 2010	Options vested exp		-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,619,060
Jul 09 to Jun 10	Exercise of options	15(b)	-	(650,000)	(350,000)	(250,000)	-	(24,194)	(3,350,000)	-	-	-	-	-	-	-	(3,647,800)
30 June 2010	**Closing Balance**		**-**	**-**	**-**	**350,000**	**2,050,000**	**5,975,806**	**-**	**800,000**	**500,000**	**500,000**	**500,000**	**500,000**	**300,000**	**2,309,025**	**10,014,997**

	Consolidated	
	2010 $	2009 $
16. RESERVES (Continued)		
(c) Movements in foreign currency translation reserve during the past two years were as follows:-		
Balance at the beginning of period	895,033	705,701
Currency translation differences	(106,751)	189,332
Balance at end of year	**788,282**	**895,033**
(d) Movements in available-for-sale investments reserve during the past two years were as follows:-		
Balance at the beginning of period	-	-
Gain/(loss) on available-for-sale investments taken to equity	(1,028,223)	-
Balance at end of year	**(1,028,223)**	**-**

(e) Terms and conditions of the Unlisted Options and Share Rights

The Unlisted Options ("Options") and Share Rights ("Rights") are granted based upon the following terms and conditions:

- Each Option / Right entitles the holder to subscribe for one Share upon exercise of each Option / Right.
- The Options and Rights have exercise prices and expiry dates as follows:
  - Performance Rights expiring between 31 March 2011 – 31 December 2013, with an exercise price of nil.
  - $1.20 Options expiring 31 December 2010.
  - $1.65 Incentive Options expiring 31 December 2010.
  - $2.20 Options expiring 30 June 2011.
  - $3.00 Incentive Options expiring 31 December 2010.
  - $3.50 Incentive Options expiring 30 June 2011.
  - $4.50 Incentive Options expiring 31 December 2012.
  - $5.00 Incentive Options expiring 30 June 2013.
  - $5.50 Incentive Options expiring 31 December 2013.
  - $5.50 Performance Rights expiring 31 December 2013.
- The Options and Rights are exercisable at any time prior to the Expiry Date, subject to the vesting conditions being satisfied (if applicable).
- Shares issued on exercise of the Options / Rights rank equally with the then shares of the Company.
- Application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options / Rights.
- If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders and Rightsholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.
- No application for quotation of the Options and Rights will be made by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(Continued)

16. RESERVES (Continued)

- Subject to the proposed transferee being a party which is within the class of parties in section 708 of the Corporations Act to which disclosure is not required, the Options are transferable.

The Rights are not transferable.

	Consolidated	
	2010 $	2009 $
17. ACCUMULATED LOSSES		
Balance at the beginning of period	(74,738,572)	(44,604,755)
Net loss	(30,195,553)	(30,133,817)
Balance at end of year	**(104,934,125)**	**(74,738,572)**

(a) Franking Account

In respect to the payment of dividends (if any) by Mantra in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

The KMP of the Group during or since the end of the financial year were as follows:

Directors
Mr Ian Middlemas
Mr Peter Breese (appointed 25 January 2010)
Mr Robert Behets
Mr Colin Steyn
Mr William Smart (alternate Director for Colin Steyn, appointed 16 June 2010)
Mr Ted Mayers (appointed 3 September 2010)
Mr Matthew Yates (resigned 7 April 2010)
Mr Mark Pearce (resigned 16 February 2010)

Other Key Management Personnel
Mr Tony Devlin – Managing Director, Mantra Tanzania
Mr Luke Watson – CFO & Company Secretary
Mr Russell Bradford – General Manager, Project Development (appointed 1 July 2009)
Mr Wayne Drier – Commercial Executive (appointed 1 April 2010)

Unless otherwise disclosed, the KMP held their position from 1 July 2009 until the date of this report. There were no other key management personnel during the reporting period.

(b) Key Management Personnel Compensation

The following table provides a summary of all key management personnel of the Company and the Group and the nature and total of compensation for the financial year ended 30 June 2010, and for the financial year ended 30 June 2009. Key management personnel disclosures previously required by AASB 124 Related Party Disclosures paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 are included the Remuneration Report section of the Directors' Report (refer pages 14 - 24).

18. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)

		Short-Term Benefits		Post Employment Benefits	Share Based Payments	Total
		Salary & Fees	Cash Bonus	Superannuation	Options	
		$	$	$	$	$
TOTAL	2010	1,938,265	25,000	142,731	4,790,476	6,896,472
TOTAL	2009	1,345,309	-	116,531	4,143,972	5,605,812

19. RELATED PARTY DISCLOSURES

(a) Shareholdings of Key Management Personnel

The aggregate number of shares of the Company held directly, indirectly or beneficially by key management personnel of the Company or their related entities at balance date is as follows:

Key Management Person 2010	Opening Balance at 1 July 2009 (#)	Purchases (#)	Received on exercise of options (#)	Other Changes (#)	Sales (#)	Held at 30 June 2010 (#)
Directors						
Mr Ian Middlemas	1,640,000	-	-	-	-	1,640,000
Mr Peter Breese (appointed 25 Jan 2010)	87,648	-	250,000	-	-	337,648
Mr Robert Behets	1,169,415	-	500,000	-	(60,000)	1,609,415
Mr Colin Steyn (2)	19,038,982	-	-	(2,876,067)	-	16,162,915
Mr William Smart (2) (appointed 16 June 2010)	19,038,982	-	-	(2,876,067)	-	16,162,915
Mr Matthew Yates (resigned 7 April 2010)	1,949,165	-	-	-	(400,000)	1,549,165
Mr Mark Pearce (resigned 16 Feb 2010)	153,625	-	-	-	-	153,625
Executive						
Mr Tony Devlin	-	-	-	-	-	-
Mr Luke Watson	270,981	-	-	-	-	270,981
Mr Russell Bradford	54,500	-	-	-	(54,500)	-
Mr Wayne Drier	-	-	-	-	-	-

Notes

(1) Exercise of listed and unlisted options expiring 30 June 2010 (refer Note 19(b) for further details).

(2) Messer's Steyn and Smart have an indirect substantial beneficial interest in these shares and unlisted options. The securities are held in the name of Highland Park S.A. and were issued pursuant to a share placement completed in April 2008 which was approved by shareholders at a General Meeting.

During the year, Highland Park distributed, in specie, part of its security holding in Mantra to a number of non-key investors in Highland Park following an internal restructuring by Highland Park.

19. RELATED PARTY DISCLOSURES (Continued)

(a) Shareholdings of Key Management Personnel (Continued)

Key Management Person 2009	Opening Balance at 1 July 2008 (#)	Purchases (#)	Received on exercise of options (#)	Other Changes (#)	Sales (#)	Held at 30 June 2009 (#)
Directors						
Mr Ian Middlemas	1,120,000	-	520,000 (1)	-	-	1,640,000
Mr Robert Behets	184,499	-	1,084,916 (1)	-	(100,000) (1)	1,169,415
Mr Matthew Yates	193,332	-	1,955,833 (1)	-	(200,000) (1)	1,949,165
Mr Colin Steyn (2)	16,080,649	2,333,333 (3)	625,000 (1)	-	-	19,038,982
Mr Mark Pearce	109,997	-	43,628 (1)	-	-	153,625
Executive						
Mr Luke Watson	17,986	-	302,995 (1)	-	(50,000) (1)	270,981
Mr Tony Devlin (appointed 1 Sept 2008)	-	-	-	-	-	-

Notes

(1) Exercise of listed and unlisted options expiring 30 June 2009 (refer Note 19(b) for further details). Messers Behets, Yates and Watson each sold shares in June 2009 for the purposes of financing the costs of exercising their optionholdings which were due to expire at 30 June 2009.

(2) Mr Steyn has an indirect substantial beneficial interest in these shares and unlisted options. The securities are held in the name of Highland Park S.A. and were issued pursuant to a share placement completed in April 2008 which was approved by shareholders at a General Meeting.

(3) During the year, Highland Park acquired 2,333,333 shares from Denison Mines Corp.

(b) Option and Rights Holdings of Key Management Personnel

The aggregate numbers of options and rights over ordinary shares of the Company held directly, indirectly or beneficially by KMP of the Company or Group or their related entities at balance date is as follows:

Key Management Person 2010	Opening Balance at 1 July 2009 (#)	Granted as compensation (1) (#)	Exercised (2) (#)	Other Changes (3) (#)	Held at 30 June 2010 (#)	Vested and exercisable at 30 June 2010 (#)
Directors						
Mr Ian Middlemas	-	-	-	-	-	-
Mr Peter Breese	500,000	1,500,000	(250,000)	-	1,750,000	250,000
Mr Robert Behets	1,700,000	250,000	(500,000)	(600,000)	850,000	600,000
Mr Colin Steyn (4)	4,905,243	-	-	(1,572,582)	3,332,661	3,332,661
Mr William Smart (4)	4,905,243	-	-	(1,572,582)	3,332,661	3,332,661
Mr Matthew Yates	1,200,000	-	-	(600,000)	600,000	600,000
Mr Mark Pearce	-	-	-	-	-	-
Executive						
Mr Tony Devlin	1,500,000	275,556	-	(500,000)	1,275,556	1,000,000
Mr Luke Watson	75,000	180,228	-	(75,000)	180,228	-
Mr Russell Bradford	600,000	268,688	-	-	868,688	600,000
Mr Wayne Drier	-	222,224	-	-	222,224	-

19. RELATED PARTY DISCLOSURES (Continued)

(b) Option and Rights Holdings of Key Management Personnel (Continued)

Notes

(1) The following incentive options and rights were granted to Directors and executives of the Company or Group during the year as part of the Company's remuneration / incentive arrangements:

- Peter Breese:
  - 500,000 $4.50 incentive options exercisable on or before 31 December 2012;
  - 500,000 $5.00 incentive options exercisable on or before 30 June 2013; and
  - 500,000 $5.50 incentive options exercisable on or before 31 December 2013.
- Robert Behets:
  - 250,000 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Tony Devlin:
  - 275,556 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Luke Watson:
  - 180,228 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Russell Bradford:
  - 268,688 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.
- Wayne Drier:
  - 222,224 Performance Share Rights issued pursuant to the Company's Employee LTIP which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013.

(2) The following options were exercised by Directors and executives during the year:

- Peter Breese:
  - 250,000 $2.50 unlisted options expiring 30 June 2010.
- Robert Behets:
  - 500,000 $0.35 unlisted options expiring 30 June 2010.

(3) The following options were sold by Directors and executives during the year:

- Robert Behets:
  - 600,000 $2.50 unlisted options expiring 30 June 2010.
- Matthew Yates:
  - 600,000 $2.50 unlisted options expiring 30 June 2010.
- Tony Devlin:
  - 500,000 $2.50 unlisted options expiring 30 June 2010.
- Luke Watson:
  - 75,000 $2.50 unlisted options expiring 30 June 2010.

(4) Messers Steyn and Smart have an indirect substantial beneficial interest in these options. The securities are held in the name of Highland Park S.A. and were issued pursuant to a share placement completed in April 2008 which was approved by shareholders at a General Meeting.

During the year, Highland Park distributed, in specie, part of its security holding in Mantra to a number of non-key investors in Highland Park following an internal restructuring by Highland Park.

(5) No options were forfeited during the years ended 30 June 2010 and 30 June 2009.

19. RELATED PARTY DISCLOSURES (Continued)

Key Management Person 2009	Opening Balance at 1 July 2008 (#)	Granted as compensation [(1)] (#)	Exercised [(2)] (#)	Other Changes (#)	Held at 30 June 2009 (#)	Vested and exercisable at 30 June 2009 (#)
Directors						
Mr Ian Middlemas	520,000	-	(520,000)	-	-	-
Mr Robert Behets	1,584,916	1,800,000	(1,084,916)	(600,000) [(3)]	1,700,000	1,100,000 [(5)]
Mr Matthew Yates	1,955,833	1,800,000	(1,955,833)	(600,000) [(3)]	1,200,000	600,000
Mr Colin Steyn [(4)]	4,905,243	-	(625,000)	625,000	4,905,243	4,905,243
Mr Mark Pearce	43,628	-	(43,628)	-	-	-
Officer						
Mr Luke Watson	377,995	-	(302,995)	-	75,000	75,000
Mr Tony Devlin	-	2,500,000	-	(1,000,000) [(3)]	1,500,000	1,000,000

Notes

(1) The following incentive options were granted to Directors and executives of the Company or Group during the prior year as part of the Company's remuneration / incentive arrangements:

- Robert Behets:
  - 600,000 $1.65 unlisted options expiring 31 December 2010, vesting 31 March 2010;
  - 600,000 $2.50 unlisted options expiring 30 June 2010, vested 31 December 2008; and
  - 600,000 $3.50 unlisted options expiring 30 June 2011 (note – cancelled in March 2009, refer below for further details).
- Matthew Yates:
  - 600,000 $1.65 unlisted options expiring 31 December 2010, vesting 31 March 2010;
  - 600,000 $2.50 unlisted options expiring 30 June 2010, vested 31 December 2008; and
  - 600,000 $3.50 unlisted options expiring 30 June 2011 (note – cancelled in March 2009, refer below for further details).
- Tony Devlin:
  - 500,000 $1.65 unlisted options expiring 31 December 2010, vesting 31 March 2010;
  - 500,000 $2.50 unlisted options expiring 30 June 2010, vested 31 December 2008;
  - 500,000 $3.00 unlisted options expiring 31 December 2010, vested 28 February 2009;
  - 500,000 $3.50 unlisted options expiring 30 June 2011 (note – cancelled in March 2009, refer below for further details); and
  - 500,000 $4.50 unlisted options expiring 30 September 2011 (note – cancelled in March 2009, refer below for further details).

(2) The following options were exercised by Directors and executives during the prior year:

- Ian Middlemas:
  - 520,000 $0.20 listed options expiring 30 June 2009.
- Robert Behets:
  - 84,916 $0.20 listed options expiring 30 June 2009;
  - 500,000 $0.20 unlisted options expiring 29 June 2009; and
  - 500,000 $0.25 unlisted options expiring 30 June 2009.
- Matthew Yates:
  - 80,833 $0.20 listed options expiring 30 June 2009;
  - 1,625,000 $0.20 unlisted options expiring 29 June 2009; and
  - 250,000 $0.30 unlisted options expiring 30 June 2010.
- Colin Steyn:
  - 625,000 $0.20 unlisted options expiring 29 June 2009.
- Mark Pearce:
  - 43,628 $0.20 listed options expiring 30 June 2009.
- Luke Watson:
  - 27,995 $0.20 listed options expiring 30 June 2009; and
  - 275,000 $0.20 unlisted options expiring 29 June 2009.

19. RELATED PARTY DISCLOSURES (Continued)

(3) The following incentive options were granted to Directors and executives of the Company or Group during the prior year, and were then subsequently cancelled after each of the individuals agreed to receive reduced cash remuneration packages:
- Robert Behets:
  - 600,000 $3.50 unlisted options expiring 30 June 2011
- Matthew Yates:
  - 600,000 $3.50 unlisted options expiring 30 June 2011
- Tony Devlin:
  - 500,000 $3.50 unlisted options expiring 30 June 2011; and
  - 500,000 $4.50 unlisted options expiring 30 September 2011.

(4) Mr Steyn has an indirect substantial beneficial interest in these options. The securities are held in the name of Highland Park S.A. and were issued pursuant to a share placement completed in April 2008 which was approved by shareholders at a General Meeting.

During the prior year, Highland Park acquired and then exercised 625,000 listed options from Denison Mines Corp.

(5) As at 30 June 2009, Mr Behets also holds 500,000 $0.35 unlisted options expiring 30 June 2010 which were granted to him as part of the Company's IPO in October 2006.

Other than Directors and executives noted above, there were no Key Management Personnel of the Company during the year.

(c) Transactions with Related Parties in the Group

The Group consists of Mantra Resources Limited (the parent entity in the wholly owned group) and its controlled entities (see Note 21).

The following loan transactions were entered into during the year within the wholly owned group:

- Mantra Resources Limited advanced $20,994,266 to Mantra Tanzania Limited by way of intercompany loan (2009: $12,755,534). The total balance at 30 June 2010 of $41,137,975 has been provided for;

- Mantra Resources Limited advanced $547,251 to OmegaCorp Minerais Limitada by way of intercompany loan (2009: $923,424). The total balance at 30 June 2010 of $1,470,675 has been provided for;

- Mantra Resources Limited advanced $397,031.43 to Mantra Uranium South Africa Pty Ltd by way of intercompany loan (2009: nil). The total balance at 30 June 2010 has been fully provided for; and

- Mavuzi Resources Pty Ltd advanced a further $1,585,961 to Mantra Resources Limited by way of intercompany loan following the disposal of some of the Company's non-core exploration assets in Mozambique (refer Note 11). During the current financial period, Mantra Resources Limited repaid $272,300 to Mavuzi Resources Pty Ltd (2009: $455,180).

These transactions were undertaken on commercial terms and conditions, except that:

(i) There is no fixed repayment of the loans; and
(ii) No interest is payable on the loans prior to the completion of a bankable feasibility study.

The loans to Mantra Tanzania Limited, Mantra Uranium South Africa Pty Ltd and OmegaCorp Minerais Limitada were fully provided for during the year ended 30 June 2010.

Remuneration and equity holdings of Key Management Personnel are disclosed in Notes 18, 19 (a) and (b).

19. RELATED PARTY DISCLOSURES (Continued)

(d) Other transactions with Related Parties

Apollo Group Pty Ltd, a company of which former Director Mr Mark Pearce was a Director and beneficial shareholder, was paid $136,000 (2009: $198,000) for the provision of serviced office facilities and administration services from 1 July 2009 to 16 February 2010 (the date he resigned as a Director of the Company). The amount is based on a monthly retainer of $17,000 due and payable in advance, with no fixed term. Furthermore, the monthly retainer charged by Apollo Group has been determined on an arms length basis and is considered fair value. This item has been recognised as an expense in the Statement of Comprehensive Income.

20. SHARE-BASED PAYMENTS

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options and share rights issued as share-based payments during the year:

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at beginning of year	8,300,000	$2.12	12,900,000	$1.01
Options Granted by the Company during the year	1,500,000	$5.00	6,150,000	$2.43
Rights Granted by the Company during the year	2,609,325	$0.63	-	-
Options cancelled by the Company during the year	-	-	(2,200,000)	$3.73
Options exercised during the year	(4,600,000)	$2.00	(8,550,000)	$0.21
Outstanding at end of year	**7,809,325**	**$2.19**	**8,300,000**	**$2.12**
Exercisable at end of year	**3,650,000**	**$2.52**	**5,650,000**	**$2.04**

The outstanding balance of options and rights issued as share based payments on issue as at 30 June 2010 is represented by:

- 2,309,325 Share Rights over ordinary shares pursuant to the Company's Employee and Contractor LTIPs which do not have an exercise price but which are subject to various performance conditions to be satisfied prior to relevant expiry dates between 31 March 2011 and 31 December 2013;
- 350,000 Unlisted Options over ordinary shares with an exercise price of $1.20 each that expire on 31 December 2010;
- 2,050,000 Unlisted Options over ordinary shares with an exercise price of $1.65 each that expire on 31 December 2010;
- 800,000 Unlisted Options over ordinary shares with an exercise price of $3.00 each that expire on 31 December 2010;
- 500,000 Unlisted Options over ordinary shares with an exercise price of $3.50 each that expire on 30 June 2011;
- 500,000 Unlisted Options over ordinary shares with an exercise price of $4.50 each that expire on 31 December 2012;
- 500,000 Unlisted Options over ordinary shares with an exercise price of $5.00 each that expire on 30 June 2013;
- 500,000 Unlisted Options over ordinary shares with an exercise price of $5.50 each that expire on 31 December 2013; and
- 300,000 Share Rights at an exercise price of $5.50 each that expire on 31 December 2013.

20. SHARE-BASED PAYMENTS (Continued)

The remaining contractual lives for the share options and share rights outstanding as at 30 June 2010 is between 0.5 and 3.5 years.

The range of exercise prices for options and rights outstanding at the end of the year was $0.00 to $5.50.

The weighted average fair value of options and rights granted during the year was $2.23.

The terms and conditions of the options and rights are disclosed in Note 16(e).

The fair value of the equity-settled share options and share rights granted are estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the valuation model used for share options and rights (unlisted) granted by the Company during the year ended 30 June 2010:

	Tranche 1 Share Rights	Tranche 2 Share Rights	Tranche 3 Share Rights	Tranche 4 Share Rights	$4.50 Unlisted Options	$5.00 Unlisted Options	$5.50 Unlisted Options	$5.50 Share Rights
Exercise price	Nil	Nil	Nil	Nil	$4.50	$5.00	$5.50	$5.50
Share price on date of grant	$4.13	$4.13	$4.13	$4.13	$4.62	$4.62	$4.62	$4.62
Share price at 30 June 2010	$4.13	$4.13	$4.13	$4.13	$4.13	$4.13	$4.13	$4.13
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Volatility	n/a	n/a	n/a	n/a	80%	80%	80%	80%
Risk-free interest rate	n/a	n/a	n/a	n/a	4.80%	4.80%	4.80%	4.80%
Probability of achieving performance milestone	100%	100%	100%	100%	n/a	n/a	n/a	n/a
Grant date	30/06/10	30/06/10	30/06/10	30/06/10	16/06/10	16/06/10	16/06/10	30/06/10
Expiry date	31/03/11	31/12/11	31/12/12	31/12/13	31/12/12	30/06/13	31/12/13	31/12/13
Expected life of option (yrs)	0.75	1.50	2.50	3.50	2.55	3.04	3.55	3.55
Fair value at grant date	$4.13	$4.13	$4.13	$4.13	$2.38	$2.45	$2.53	$2.53
Number of options / rights granted	660,056	549,756	549,756	549,756	500,000	500,000	500,000	300,000
Vesting date	By 31/03/11	By 31/12/11	By 31/12/12	By 31/12/13	25/07/10	25/01/11	25/07/11	-
Vesting period (yrs)	0.75	1.50	2.50	3.50	0.1	0.6	1.1	-
Expensed at 30 June 2010	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes (pro-rata)	Yes

4,600,000 of the share options issued as share based payments in prior years were exercised during the year. It is noted that none of the share options issued as share based payments were forfeited or expired during the year.

20. SHARE-BASED PAYMENTS (Continued)

The dividend yield reflects the assumption that the current dividend payout will remain unchanged. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The total share based payment expense recorded by the Group during the year was $6,361,060 (2009: $7,455,687) which includes $742,000 for the acquisition of the remaining 15% interest in the Mkuju River South Joint Venture (refer Note 25(d) for further details). All share based payments were accounted for as equity-settled share-based payment transactions.

Refer to Note 25(d) for acquisition of assets by share based payments.

21. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year-end of the controlled entities is the same as that of the parent entity, except for OmegaCorp Minerais Ltda which is required by Mozambique law to use a 31 December year-end (note – special purpose IFRS Accounts are maintained for the purposes of the consolidated financial statements).

	Place of Incorporation	% of Shares held	
Name of controlled entity		2010	2009
Mantra Tanzania Limited	Tanzania	100%	100%
Nyanza Goldfields Limited	Tanzania	100%	100%
Ruvuma Resources Limited	Tanzania	100%	-
Mantra Uranium South Africa (Pty) Ltd	South Africa	100%	-
Mantra East Africa Limited	Kenya	100%	100%
Mavuzi Resources Pty Ltd	Australia	100%	100%
Mavuzi Minerals Pty Ltd	Australia	100%	100%
OmegaCorp Minerais Ltda	Mozambique	100%	100%

The above named investments in controlled entities have a carrying value at balance date of $7,511,304 (2009: $7,511,304) in the Company's separate financial statements.

	Consolidated	
	2010 $	2009 $
22. REMUNERATION OF AUDITORS		
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
- an audit or review of the financial reports of the Company	123,090	31,500
- other services in relation to the Company	-	-
Total Auditors' Remuneration	**123,090**	**31,500**

In addition to the amounts noted above, PwC in Tanzania will be paid approximately US $21,800 to audit Mantra Tanzania Limited's annual financial statements for the year ended 30 June 2010.

23. SEGMENT INFORMATION

The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one operating segment and one geographical segment, being mineral exploration in Africa. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

24. EARNINGS PER SHARE

	Consolidated	
	2010 Cents per Share	2009 Cents per Share
Basic loss per share (cents)	(25.68)	(36.86)
Diluted loss per share (cents)	(25.68)	(36.86)

	2010 $	2009 $
The following reflects the income and share data used in the calculations of basic and diluted earnings per share: Net loss used in calculating basic and diluted earnings per share	**(30,195,553)**	**(30,133,817)**

	Number of Shares 2010	Number of Shares 2009
Weighted average number of ordinary shares used in calculating basic earnings per share	117,583,054	81,754,911
Effect of dilutive securities*	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**117,583,054**	**81,754,911**

***Non-dilutive securities**

As at balance date, 11,175,806 (2009: 14,300,000) unlisted options and 2,609,325 share rights (2009: Nil) were considered not dilutive as they would decrease the loss per share for the year ended 30 June 2010.

Conversions, calls, subscriptions or issues after 30 June 2010

Since 30 June 2010, the Company has not issued any securities.

	Consolidated 2010 $	Consolidated 2009 $
25. STATEMENT OF CASH FLOWS		
(a) Reconciliation of Loss from Continuing Operations after Income Tax to Net Cash Outflow from Operating Activities		
Loss from continuing operations after income tax	(30,195,553)	(30,133,817)
Adjustment for non-cash income and expense items		
Provision for employee entitlements	39,003	33,038
Provision for payroll tax	(85,143)	86,983
Depreciation	321,249	305,908
Share based payments expensed	5,619,060	7,455,687
Other share based payment expense	742,000	-
Gain on disposal of tenements	(1,467,900)	-
Provision for impairment of exploration assets	-	7,795,046
Foreign exchange (gain)/loss	715,737	(32,985)
Foreign exchange movement on cash	-	(8,639)
Changes in assets and liabilities		
Decrease/(increase) in trade and other receivables	(475,077)	158,123
Decrease/(increase) in other assets	(858,800)	161,361
Increase/(decrease) in trade and other payables	2,752,276	(727,854)
Net cash outflow from operating activities	**(22,893,148)**	**(14,907,149)**
(b) Reconciliation of Cash and Cash Equivalents		
Cash at bank and on hand	8,661,686	999,034
Bank short term deposits	70,032,252	25,117,098
	78,693,938	**26,116,132**

(c) Credit Standby Arrangements with Banks

At balance date, the Company had no used or unused financing facilities.

(d) Non-cash Financing and Investment Activities

(1) 30 June 2010

During the year ended 30 June 2010, the Company completed one investment transaction that involved the issue of shares as consideration. A summary of this transaction is provided below:

- On 18 August 2009, the Company announced that it had moved to 100% ownership of the entire MRP by acquiring the remaining 15% interest in the Mkuju River South Joint Venture. The Property is approximately 1,800km2, comprises ten tenement areas, and covers the southern portion of the Company's flagship MRP in southern Tanzania.

25. CASH FLOW STATEMENT (Continued)

It is noted that the northern half of the MRP, which includes the Nyota Prospect that hosts the MRE, was already 100% wholly owned by Mantra.

The acquisition price of the remaining 15% interest in the Property was 200,000 fully paid ordinary shares in Mantra, with a fair value of $742,000.

(2) 30 June 2009
During the year ended 30 June 2009, the Company completed one investment transaction that involved the issue of options as consideration. A summary of this transaction is provided below:

- On 30 January 2009, the Company issued 250,000 unlisted options exercisable at $1.20 each, expiring on 31 December 2010 as consideration in relation to the termination of Denison Mines Corp's rights under the Joint Venture Agreement (including the uranium rights for the Meponda and Mavuzi Projects and the exploration rights to the Zambezi Valley Project in Mozambique) and the Strategic Alliance Agreement. The options were valued at $62,500 and immediately expensed in accordance with the relevant accounting standards.

	Consolidated	
	2010 $	2009 $
26. PARENT ENTITY DISCLOSURES		
(a) Parent entity – Financial Position:		
Assets		
Current assets	78,968,569	26,311,539
Non-current assets	7,959,944	7,522,105
Total assets	86,928,513	33,833,644
Liabilities		
Current liabilities	8,683,564	7,610,358
Non- current liabilities	-	-
Total liabilities	8,683,564	7,610,358
Net assets	**78,244,949**	**26,223,286**
Equity		
Issued capital	173,045,344	91,163,906
Reserves	8,986,773	8,043,737
Retained earnings	(103,787,168)	(72,984,357)
Total equity	**78,244,949**	**26,223,286**
(b) Parent entity – Financial Performance:		
Profit/(loss) for the year	(30,802,811)	(29,831,157)
Other comprehensive income/(loss)	(1,028,223)	-
Loss attributable to members of the parent	**(31,831,034)**	**(29,831,157)**

26. PARENT ENTITY DISCLOSURES (Continued)

(c) Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

As at 30 June 2010, the Parent had not entered into any guarantees in relation to the debts of its subsidiaries.

(d) Contingent liabilities of the parent entity

As at 30 June 2010, the Parent did not have any contingent liabilities.

(e) Commitments for the acquisition of property, plant and equipment by the parent entity

As at 30 June 2010, the Parent did not have any commitments for the acquisition of property, plant and equipment.

27. FINANCIAL INSTRUMENTS

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Interest Rate Risk Exposure

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing.

The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

27. FINANCIAL INSTRUMENTS (Continued)

(b) Interest Rate Risk Exposure (Continued)

Consolidated	Weighted Average Effective Interest Rate %	Floating Interest Rate $
2010		
Financial Assets		
Cash and deposits	5.36%	78,693,938
Other financial assets	-	-
Total Financial Assets		**78,693,938**
2009		
Financial Assets		
Cash and deposits	3.04%	26,087,461
Other financial assets	-	202,362
Total Financial Assets		**26,289,823**

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 5.36% (2009: 3.04%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term interest rates. An increase of 10% in the interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit or Loss		Equity	
	10% Increase $	10% Decrease $	10% Increase $	10% Decrease $
2010				
Group				
Cash and cash equivalents	421,823	(421,823)	421,823	(421,823)
2009				
Group				
Cash and cash equivalents	79,376	(79,376)	79,376	(79,376)

It is noted that the analysis shown above is not representative of the risks faced by the Company throughout the period because interest rates and cash balances have changed significantly during the year.

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, cash equivalents and financial assets and financial liabilities approximates their carrying value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010
(Continued)

27. FINANCIAL INSTRUMENTS (Continued)

(d) Credit Risk Exposure

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents and trade and other receivables and in the Company includes loans to controlled entities.

The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Consolidated	
	2010 $	2009 $
Financial Assets		
Cash and cash equivalents	78,693,938	26,116,132
Trade and other receivables and other financial assets	1,985,139	774,858
	80,679,077	**26,890,990**

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts.

Trade and other receivables includes GST/VAT refunds receivable. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. None of the Group's receivables at 30 June 2010 or 2009 are past due. No impairment losses have been recognised.

The Company's accounts include receivables from controlled entities for which full provisions for non-recovery have been made. Provision is made against loans to controlled entities where the underlying exploration assets have been fully provided for or written off. The provision is reconciled below:

Receivables from Controlled Entities Impairment Provision	2010 $	2009 $
Opening balance	13,678,958	-
Add: Movement in balance of loan receivable (current period)	29,337,118	13,678,958
Balance at 30 June	43,016,076	13,678,958
Less: Provision for non-recovery of receivables from controlled entities	(43,016,076)	(13,678,958)
	-	**-**

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The parent entity's cash and cash equivalents are held with the ANZ Bank which is an Australian bank with a AA credit rating (Standard & Poor's).

(e) Foreign Currency Risk

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

27. FINANCIAL INSTRUMENTS (Continued)

(e) Foreign Currency Risk (Continued)

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from certain controlled entities of the Company with functional currencies other than AUD having foreign currency exposure in relation to intercompany loans which are denominated in Australian dollars. In the Group accounts, the exchange movements on these loans are taken to the foreign currency translation reserve. As noted above, these loans are fully provided for and accordingly, the carrying value of these loans at balance date is nil (2009: nil).

(f) Commodity risk

The Group is exposed to commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodity products are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage price risk.

(g) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. The Group is currently examining new business opportunities, where acquisition/working capital requirements of a new project may involve additional funding in some format.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

(h) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. As at 30 June 2010 and 2009, the Group has sufficient liquid assets to meet its financial obligations.

2010	≤ 6 months $	6 - 12 months $	1 - 5 years $	≥ 5 years $	Total $
2010					
Group					
Financial Liabilities					
Trade and other payables	4,337,114	-	-	-	4,337,114
Borrowings	740,380	-	-	-	740,380
	5,077,494	**-**	**-**	**-**	**5,077,494**
2009					
Group					
Financial Liabilities					
Trade and other payables	1,584,838	-	-	-	1,584,838
Borrowings	740,380	-	-	-	740,380
	2,325,218	**-**	**-**	**-**	**2,325,218**

28. INTEREST IN JOINT VENTURES (JOINTLY CONTROLLED ASSETS)

Joint Venture	Activity	Interest at 30 June 2010	Interest at 30 June 2009
Tanzania			
Mkuju River South JV	Uranium Exploration	100%	85%
Southern Tanzania JV #1	Uranium Exploration	90%	90%
Southern Tanzania JV #2	Uranium Exploration	95%	95%
Mbamba Bay JV	Uranium Exploration	90%	90%
Central Tanzania JV	Uranium Exploration	95%	95%
Liwale JV	Uranium Exploration	95%	95%

Notes

(1) During the year the Company announced that it had moved to 100% ownership of the entire MRP by acquiring the remaining 15% interest in the Mkuju River South Joint Venture. The Property is approximately 1,800km^2, comprises ten tenement areas, and covers the southern portion of the Company's flagship MRP in southern Tanzania. The acquisition price of the remaining 15% interest in the Property was 200,000 fully paid ordinary shares in Mantra.

It is noted that the northern half of the MRP, which includes the Nyota Prospect that hosts the MRE, was already 100% wholly owned by Mantra.

Net assets employed in the joint ventures totalling $2,379,497 previously included as exploration and evaluation assets in the Consolidated Entity's Balance Sheet were fully impaired during the year ended 30 June 2009 financial period.

	Consolidated	
	2010 $	2009 $
29. COMMITMENTS FOR EXPENDITURE		
Not longer than 1 year	12,405,117	-
Longer than 1 year and not longer than 5 years	-	-
	12,405,117	**-**

30. CONTINGENT LIABILITIES

As at 30 June 2010 and 30 June 2009, the Company did not have any contingent liabilities.

31. SUBSEQUENT EVENTS

- On 3 September 2010, Mr Ted Mayers was appointed as a non-executive Director of the Company. Mr Mayers has previously held a number of senior financial positions with publicly listed mining companies, most recently as Chief Financial Officer with Lundin Mining Corporation and has over 25 years experience.

Other than as disclosed above, there were no significant events occurring after balance date requiring disclosure.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Mantra Resources Limited, I state that:

(1) In the opinion of the Directors:

(a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with accounting standards and the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their debts as and when they become due and payable.

(2) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

(3) The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Board.

PETER BREESE
Chief Executive Officer

14 September 2010

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Mantra Resources Limited

We have audited the accompanying financial report of Mantra Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 73.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Mantra Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 24 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Mantra Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

A T Richards
Partner
Chartered Accountants
Perth, 14 September 2010