



**SIERRA**  
M I N I N G

**SIERRA MINING LIMITED**  
ABN 89 118 060 441

**ANNUAL REPORT 2009**

## CORPORATE DIRECTORY



Directors	Mr Ian Middlemas – Non-Executive Chairman Mr Johan Raadsma – Executive Director Mr David Cruse – Non-Executive Director Mr Maximo Sara – Technical Director Mr Sinton Spence – Non-Executive Director Mr Peter Macnab – Non-Executive Director
Company Secretary	Mr Clint McGhie
Registered and Principal Office	Level 9, BGC Centre 28 The Esplanade Perth WA 6000  Telephone +61 8 9322 6322 Facsimile +61 8 9322 6558
Website	<a href="http://www.sierramining.com.au">www.sierramining.com.au</a>
Email	<a href="mailto:info@sierramining.com.au">info@sierramining.com.au</a>
Solicitors	Hardy Bowen Lawyers
Auditor	BDO Kendalls Audit & Assurance (WA) Pty Ltd
Bankers	Australia and New Zealand Banking Group Limited
Stock Exchange Listing	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000
ASX Code	SRM – Fully paid ordinary shares SRMO - \$0.20 options
Share Register	Computershare Investor Services Pty Ltd Level 2 45 St George's Terrace Perth WA 6000  Telephone 1300 557 010 International +61 8 9323 2000 Facsimile +61 8 9323 2033

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## DIRECTORS' REPORT

The Directors of Sierra Mining Limited present their report on the Consolidated Entity consisting of Sierra Mining Limited ("the Company" or "Sierra" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2009 ("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:

#### Current Directors

Mr Ian Middlemas	Chairman (Non-Executive)
Mr Johan Raadsma	Executive Director
Mr David Cruse	Non-Executive Director
Mr Maximo Sara	Technical Director
Mr Sinton Spence	Non-Executive Director
Mr Peter Macnab	Non-Executive Director

Unless otherwise disclosed, Directors held their office from 1 July 2008 until the date of this report.

### CURRENT DIRECTORS AND OFFICERS

#### Ian Middlemas

*Non-Executive Chairman*  
*Qualifications – B.Com, CA*

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia 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 and energy sectors.

During the three year period to the end of the financial year, Mr Middlemas has held directorships in Salinas Energy Limited (November 1995 - present), OmegaCorp Ltd (October 2000 – August 2007), Global Petroleum Limited (April 2007 – present), Syngas Limited (May 2007 – February 2008), Indo Mines Limited (December 2006 – present), Mantra Resources Limited (September 2005 – present), Mavuzi Resources Limited (January 2007 – March 2008), Odyssey Energy Limited (September 2005 – present), Pacific Energy Limited (June 2006 – present), Fusion Resources Limited (May 2002 – March 2009), Newport Mining Limited (September 2008 – present), Sierra Mining Limited (January 2006 – present), Sovereign Metals Limited (July 2006 – present), Xenolith Resources Limited (March 2007 - present), and Berkeley Resources Ltd (July 2003 – November 2006).

#### Mr Johan Raadsma

*Executive Director*  
*Qualifications – B. Sc. Mining*

Mr Raadsma has over 30 years experience in mining, civil construction and resource development. He has successfully engineered, managed, and contracted mining projects ranging from feasibility study, project finance, underground rehabilitation to environmental abatement. Mr Raadsma has a BSc (Mining) from the University of New South Wales, is a Member of the Australasian Institute of Mining and Metallurgy, and is President of the Philippine Mineral Exploration Association.

Mr Raadsma was appointed a director of Sierra Mining Limited on 28 May 2008. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

## DIRECTORS' REPORT

### CURRENT DIRECTORS AND OFFICERS (Continued)

#### **Mr David Cruse**

*Non-Executive Director*

*Qualifications – B.Pharm*

Mr Cruse has had a long career in commerce and finance. He was a stockbroker for over 20 years, where he held senior management positions and directorships in the stockbroking industry, with particular focus on capital markets. Recently, Mr Cruse has been involved in the identification and commercialisation of a number of resource (including oil and gas) projects.

Mr Cruse was appointed a director of Sierra Mining Limited on 27 January 2006. He ceased to be an Executive Director of Sierra with effect from 31 January 2009, but has remained on the Board as a Non-Executive Director. During the financial year he was also appointed a Non-executive director in Odyssey Energy Limited (October 2008 – present).

#### **Mr Maximo Sara**

*Technical Director*

*Qualifications – B. Sc. Geology*

Mr Sara is a Geologist, a member of the Geological Society of the Philippines and holds a B. Sc. Geology degree. He has over 27 years experience in mineral exploration and development for precious and base metals in the Asia-Pacific region, Africa and the Middle East. He worked for major and junior companies holding senior positions. Mr Sara is currently a director of several companies in the Philippines that operate in the resources and industrial sector.

Mr Sara was appointed a director of Sierra Mining Limited on 21 August 2006. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

#### **Mr Sinton Spence MBE**

*Non-executive Director*

*Qualifications – B.Sc. Hons Administrative Science, CA*

Mr Spence is a Chartered Accountant based in Papua New Guinea, and provides advice and assistance to foreign companies establishing themselves in PNG for minerals, oil and gas exploration. Mr Spence is a Director of a number of PNG and Australian companies and has previously been a Director of companies listed on the Australian Securities Exchange.

Mr Spence was appointed a director of Sierra Mining Limited on 21 August 2006. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

#### **Mr Peter Macnab**

*Non-executive Director*

*Qualifications – BSc (Geology) UNE*

Mr Macnab has over 40 years experience in the resources sector with particular expertise in exploration in south-east Asia and Papua New Guinea ("PNG").

Mr Macnab, a resident of PNG, was seconded by the Australian Bureau of Mineral Resources to the then Territory of Papua and New Guinea Administration as a government geologist from 1965 to 1970 and was involved in regional geological mapping of the country. Subsequently as an independent contractor and consultant, he developed a detailed knowledge of the geology of many parts of Papua New Guinea. Mr Macnab developed the concept of open pit mining of the historic Misima underground gold mines and after securing tenure to the ground was responsible for introducing Placer to the project, which they successfully mined as Misima Gold Mines Ltd. Thereafter as consulting exploration manager for the Kennecott/Niugini Mining joint venture, Mr Macnab was instrumental in the discovery of the giant Lihir gold deposit. He has exploration experience in the Philippines, and was involved in the early development of the Co-O mine in Mindanao.

Mr Macnab was appointed a director of Sierra Mining Limited on 27 May 2008. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

**Mr Clint McGhie**

*Company Secretary*

*Qualifications – B.Com, CA, ACIS, FFin*

Mr McGhie is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm, before moving to commerce in the role of financial controller and company secretary. Mr McGhie now works in the corporate office of a number of public listed companies focussed on the resources sector.

Mr McGhie was appointed Company Secretary of Sierra Mining Limited on 21 August 2006.

**PRINCIPAL ACTIVITIES**

The principal activities of the Consolidated Entity during the year consisted of mineral exploration following the acquisition of the mining assets and there has been no change in the nature of those activities.

**EMPLOYEES**

	2009	2008
The number of full time equivalent people employed by the Consolidated Entity at balance date	2	5

**DIVIDENDS**

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2009 (2008: nil).

**EARNINGS PER SHARE**

	2009 Cents	2008 Cents
Basic loss per share	(4.31)	(6.31)
Diluted loss per share	(4.31)	(6.31)

**CORPORATE STRUCTURE**

Sierra Mining 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.

## DIRECTORS' REPORT

### CONSOLIDATED RESULTS

	2009 \$	2008 \$
Loss of the Consolidated Entity before income tax expense	(2,528,312)	(3,089,888)
Income tax expense	-	-
Net loss	(2,528,312)	(3,089,888)

### REVIEW OF OPERATIONS AND ACTIVITIES

Exploration activity during the year focussed on one of the Sierra's key projects in the Philippines as the Company, through its Philippines associate, Oz Metals Exploration and Development Corporation, conducted its first drilling campaign at the Taguibo Project.

A comprehensive review of the Company's operations, taking into account general market conditions, has resulted in the scaling back of activities in Papua New Guinea and the farm-out of its interest in the Kairiru Island Project. Given the current gold price and the quantity of gold being extracted by artisanal miners operating on the Company's Philippine leases, (thus increasing the prospectivity of these projects), the decision has been made to give immediate focus on the exploration and development of Sierra's key Mindanao gold tenements.

#### *The Philippines*

The Company's Philippine projects are all located in eastern Mindanao adjacent to the Philippine Fault Zone which passes down the west edge of the Pacific Cordillera. Eastern Mindanao hosts one of the world's major regional clusters of porphyry copper – gold and related epithermal gold deposits. Sierra's tenement applications have been carefully selected on the basis of extensive local knowledge of this geology and the strategic positioning of artisanal gold mining operations.

#### *Taguibo Project*

The Taguibo Project is the Company's most advanced project and was formerly an artisanal gold mining area. Work conducted by Sierra has outlined significant hydrothermal gold and copper mineralisation.

Previous exploration in 2007 outlined a mineralised zone approximately 750 metres by 250 metres in area within the Licop Creek drainage

A scout drilling and safety training program was designed for the Taguibo Project and consisted of 10 proposed drill sites with minimum target depths of 200m each. The objective of the drilling program was to derive information on what immediately underlies the mineralised outcrops in the Project area.

Drilling which commenced in late August 2008 was suspended in mid-October 2008, having completed four drill holes totalling 1,132.9 m.

The scout drilling undertaken at Taguibo is located within and immediately adjacent to the southern periphery of the mineralised system and highlights its prospectivity. Drill core confirms a high degree of brecciation, alteration and mineralisation. Assay results from within the system contain interesting polymetallic values with a best gold value of 1.0m of 14.4 g/t Au in breccia.

The copper potential of the system remains untested.

Assay results of core recovered in this initial phase of scout drilling, along with results of the wide-spaced grid soil sampling completed earlier in 2008 and follow-up infill grid soil sampling completed in the third quarter of 2008, confirm the presence of a large precious and base metal mineralised hydrothermal system with porphyry copper affinities.

### *Bunawan Project*

The Bunawan Project comprises an Exploration Permit Application (“EPA”) and an Application for a Mineral Production Sharing Agreement (“APSA”) located immediately west and north of the Co-O gold mine.

In June 2009, Sierra’s Philippine associate, Bunawan Mining Corporation (“Bunawan”) received a notice from the Department of Environment and Natural Resources (“DENR”) and Mines Geosciences Bureau (“MGB”), Caraga Regional Office No. XIII, denying the application of the EPA 000037-XIII covering 2,916 hectares of mineral area in the Province of Agusan del Sur, Philippines on the basis of certification of non-consent issued by the National Commission on Indigenous People (“NCIP”).

Bunawan’s legal counsel considers the Denial without due process to be illegal as “... the process of approving the mining tenement applications may proceed even without FPIC (“Free and Prior Informed Consent by the indigenous people”), provided that no actual mining operations may be conducted without FPIC...” and also considers the DENR/MGB decision to be unconstitutional. Bunawan has filed a Motion To Reconsider and will vigorously defend its legal position.

Further investigation uncovered the Certificate of Non-Consent was not supported by the Council of Elders and Bunawan has since received the full support from the rightful owners of the Ancestral Domain to initiate the Indigenous People’s approval process.

Bunawan is one of 38 companies listed by a circular from the Philippines Chamber of Mines with denied/rejected applications by the NCIP.

Bunawan and Sierra’s other Philippines associate; OZ Metals Exploration and Development Corporation have been able to secure indigenous approvals over four of its seven applications, with an additional MOA over a fifth application.

Bunawan and Philsaga Mining Corporation (“Philsaga” - the Philippine operating company of Medusa Mining Limited), entered into a conditional agreement (“JVA”) in August 2007, which was, amongst others, subject to Bunawan Board approval. The terms of the agreement were not approved by the Bunawan Board and Philsaga were advised in April 2008 that the JVA had not and would not be approved in its current form. The Bunawan Board has sought a legal opinion on the agreement which has confirmed that the conditions precedent to the agreement have not been satisfied. Bunawan has subsequently advised the Mines and Geosciences Bureau that the proposed JVA was not enacted and the tenements remain under the full control of Bunawan for exploration and development at its discretion.

A Demand Letter for Arbitration under the rules of the Philippine Dispute Resolution Centre Inc. (“PDRCI”) has been received by Bunawan. The Demand Letter has been rejected by Bunawan’s legal counsel on the basis that the JVA did not come into existence and it can thus not recognise nor comply with a non-existing arbitration procedure.

Bunawan has filed a motion to dismiss on the basis that PDRCI is without jurisdiction as the JVA was not enacted, and therefore, the arbitration clause of that agreement may not be invoked.

Bunawan has subsequently received a copy of a Notice of Dismissal of the Arbitration case lodged by Philsaga, withdrawing the case against Bunawan. On this basis, Bunawan has submitted a manifestation to the PDRCI requesting that, due to the Notice of Dismissal lodged by Philsaga and the Motion to dismiss lodged by Bunawan, an order should be issued dismissing the case. There are no guarantees that this Motion to dismiss will be successful or that Philsaga will not pursue other forms of legal action.

The Company considers that the area covered by the tenements is highly prospective for gold and copper mineralisation similar to that of the Co-O mine and exploration tenements. There are a number of industrious but illegal underground mining operations currently being undertaken on Bunawan’s applications. Such operations are endemic in high grade gold areas in the Philippines, and they produce varying amounts of gold from high grade epithermal veins.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS AND ACTIVITIES (Continued)

Negotiations with the artisanal miners operating at Bunawan regarding access issues and payment of past and future royalties to Sierra have been encouraging. Gold has already been extracted from the Company's tenements highlighting the prospectivity for high grade epithermal veins usually associated with artisanal mining in the Philippines. Sierra is working towards achieving a satisfactory outcome as well as instigating exploration programs to outline extensions of the known zones and additional mineralisation.

#### *Papua New Guinea*

The Company has reviewed its assets in Papua New Guinea and as a result of its current financial position has decided to scale back all operational activities in that country. Sierra has and continues to examine joint venture proposals for its PNG exploration assets.

#### *Kairiru Island Project*

Following review of its assets in PNG, Sierra has entered into an agreement to farm-out its interest in EL1398 over Kairiru Island. Under the agreement:

- Trinity Minerals Exploration Limited ("Trinity"), a private PNG exploration company, has acquired a 90% interest in Kairiru Mining Limited (the PNG subsidiary which holds EL1398), effective from 26 June 2009;
- Trinity has paid the exploration licence renewal fees and will fund all activities on the project by way of loan until commencement of a bankable feasibility study; and
- Sierra will maintain a 10% interest in the project.

Kairiru Mining Limited has been deconsolidated with effect from 26 June 2009 following the reduction in Sierra's ownership interest.

For Sierra, this agreement allows mineral exploration on the under explored project to be accelerated by Trinity whilst retaining a direct interest. This will enable Sierra to focus on its gold and copper projects in the Philippines.

### Results of Operations

The loss of the Consolidated Entity for the year ended 30 June 2009 was \$2,528,312 (2008: \$3,089,888).

The Consolidated Entity's accounting policy is to expense exploration and evaluation expenditure incurred by the Consolidated Entity subsequent to the acquisition of the rights to explore and up to the commencement of feasibility studies. During the year, exploration expenditure totalled \$809,463 (2008: \$820,110).

The loss of the Consolidated Entity also includes share based payments expense of \$398,250 (2008: Nil), of which \$373,695 is included in exploration and evaluation expenses.

The share of associate losses relating to the Philippines exploration activities was \$328,802 (2008: 338,115), however, this amount has not been bought to account as the Consolidated Entity's share of associate's losses has exceeded the initial investment in the associates.

The loss of the Consolidated Entity also includes impairment of loans to associates of \$1,015,986 (2008: \$1,423,426).

The Parent entity loss for the year ended 30 June 2009 was \$2,220,561 (2008: \$3,409,233) which includes, impairment of intercompany loans of \$237,726 (2008: \$969,061) and impairment of loans to associates of \$1,015,986 (2008: \$1,423,426).

### Corporate and Financial Position

The Company remains focussed on assessing corporate opportunities that may present, whilst progressing its current projects in the most beneficial way for shareholders.

## Business Development

The Board continues to monitor and assess its current portfolio of exploration assets with a view to enhancing shareholder value through exploration and development of these assets in the most beneficial way.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

- On 5 September 2008, following Shareholder approval on 27 August 2008, the Company issued the following securities to Directors and consultants of the Company:
  - 1,250,000 Incentive Options exercisable at \$0.15 each on or before 30 June 2010;
  - 2,250,000 Incentive Options exercisable at \$0.25 each on or before 31 March 2011; and
  - 500,000 Incentive Options exercisable at \$0.30 each on or before 30 September 2011.
- On 20 March 2009, following Shareholder approval on 6 March 2009, the Company completed a placement of 50,000,000 shares raising \$1M to fund ongoing working capital;
- In addition to the placement of shares, the following securities were also issued in accordance with Shareholder approval received on 6 March 2009:
  - 18,998,381 shares in conversion of amounts totalling A\$379,968 owed by the Company to Directors and other creditors;
  - incentive options to Mr Johan Raadsma, Executive Director:
    - 1,000,000 \$0.075 Incentive Options expiring on 30 June 2011;
    - 2,000,000 \$0.15 Incentive Options expiring on 30 June 2010; and
    - 2,000,000 \$0.25 Incentive Options expiring on 31 March 2011; and
  - incentive options to Mr Max Sara, Technical Director:
    - 500,000 \$0.075 Incentive Options expiring on 30 June 2011; and
- Sierra entered an agreement to farm-out its interest in EL 1398 over Kairiru Island in Papua New Guinea. Under the agreement:
  - Trinity Minerals Exploration Limited ("Trinity"), a private PNG exploration company, has acquired a 90% interest in Kairiru Mining Limited (the PNG subsidiary which holds EL1398), effective from 26 June 2009;
  - Trinity has paid the exploration licence renewal fees and will fund all activities on the project by way of loan until commencement of a bankable feasibility study; and
  - Sierra will maintain a 10% interest in the project.

## SIGNIFICANT POST BALANCE DATE EVENTS

Other than as outlined above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2009 of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2009 of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2009 of the Consolidated Entity.

## DIRECTORS' REPORT

### 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 focus on maximising the value of the Company's mining assets in the Philippines and Papua New Guinea, by conducting further exploration activities on these projects and continuing to examine new opportunities in mineral exploration. 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, has not been disclosed.

### INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF SIERRA

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report:

Directors	Interest in Securities at the Date of this Report							
	Shares <sup>(1)</sup>	\$0.20 Listed Options <sup>(2)</sup>	A Class Preference Shares <sup>(3)</sup>	B Class Preference Shares <sup>(4)</sup>	\$0.15 Incentive Options <sup>(5)</sup>	\$0.25 Incentive Options <sup>(6)</sup>	\$0.30 Incentive Options <sup>(7)</sup>	\$0.075 Incentive Options <sup>(8)</sup>
Ian Middlemas	8,750,000	2,333,333	-	-	-	-	-	-
Johan Raadsma	1,770,150	-	-	-	3,000,000	4,000,000	-	1,000,000
David Cruse	6,426,261	1,830,833	-	-	-	-	-	-
Maximo Sara	3,675,050	1,525,000	25,000	-	-	-	500,000	500,000
Sinton Spence	6,253,250	515,000	-	12,500	-	-	-	-
Peter Macnab	3,406,900	-	-	10,000	-	250,000	-	-

Directors	Interest in Securities issued/granted during the year							
	Shares <sup>(1)</sup>	\$0.20 Listed Options <sup>(2)</sup>	A Class Preference Shares <sup>(3)</sup>	B Class Preference Shares <sup>(4)</sup>	\$0.15 Incentive Options <sup>(5)</sup>	\$0.25 Incentive Options <sup>(6)</sup>	\$0.30 Incentive Options <sup>(7)</sup>	\$0.075 Incentive Options <sup>(8)</sup>
Ian Middlemas	5,000,000 <sup>(9)</sup>	-	-	-	-	-	-	-
Johan Raadsma	1,770,150 <sup>(10)</sup>	-	-	-	3,000,000 <sup>(11)</sup>	4,000,000 <sup>(11)</sup>	-	1,000,000 <sup>(11)</sup>
David Cruse	4,135,000 <sup>(12)</sup>	-	-	-	-	-	-	-
Maximo Sara	1,875,050 <sup>(13)</sup>	-	-	-	-	-	500,000 <sup>(14)</sup>	500,000 <sup>(14)</sup>
Sinton Spence	3,723,250 <sup>(15)</sup>	-	-	-	-	-	-	-
Peter Macnab	1,406,900 <sup>(16)</sup>	-	-	-	-	250,000 <sup>(17)</sup>	-	-

#### Notes

- (1) "Shares" means fully paid ordinary shares in the capital of the Company;
- (2) "\$0.20 Listed Options" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of \$0.20 on or before 31 December 2010;
- (3) As defined in the Subscription Agreement between the Company and the Philippine Vendors, "A Class Preference Share" means a preference share that converts into 100 Shares upon the occurrence of any of the following events:
- (i) a Philippine Tenement attains a JORC Code compliant resource of at least 1,000,000 ounces of Au equivalent;
  - (ii) the Philippine Tenements collectively attain a JORC Code compliant resource of at least 2,000,000 ounces of Au equivalent;
  - (iii) the Company's Share price is greater than \$1.00 for a minimum of 40 continuous trading days;
  - (iv) a Philippine Tenement is sold or otherwise disposed of (including by way of a joint venture) for a value of at least \$25,000,000; or
  - (v) the Philippine Tenements collectively are sold or otherwise disposed of (including by way of a joint venture) for a collective value of at least \$40,000,000;
- Each A Class Preference Share will convert into 1 Share if none of the above events occurs by the earlier of 28 February 2010 or within 3 years of the Company being admitted to the ASX;
- (4) As defined in the Subscription Agreement between the Company and the PNG Vendors, "B Class Preference Share" means a preference share that converts into 100 Shares upon the occurrence of any of the following events:
- (i) a PNG Tenement attains a JORC Code compliant resource of at least 1,000,000 ounces of Au equivalent;
  - (ii) the PNG Tenements collectively attain a JORC Code compliant resource of at least 2,000,000 ounces of Au equivalent;
  - (iii) the Company's Share price is greater than \$1.00 for a minimum of 40 continuous trading days;
  - (iv) a PNG Tenement is sold or otherwise disposed of (including by way of a joint venture) for a value of at least \$25,000,000; or
  - (v) the PNG Tenements collectively are sold or otherwise disposed of (including by way of a joint venture) for a collective value of at least \$40,000,000;
- Each B Class Preference Share will convert into 1 Share if none of the above events occurs by the earlier of 28 February 2010 or within 3 years of the Company being admitted to the ASX;
- (5) "\$0.15 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of \$0.15 on or before 30 June 2010;
- (6) "\$0.25 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of \$0.25 on or before 31 March 2011;

## DIRECTORS' REPORT

### INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF SIERRA (Continued)

- (7) "\$0.30 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of \$0.30 on or before 30 September 2011;
- (8) "\$0.075 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of \$0.075 on or before 30 June 2011;
- (9) Following Shareholder approval, Mr Middlemas acquired 5,000,000 Shares at an issue price of \$0.02 per share under a placement on the same terms and conditions as other subscribers to the issue;
- (10) Following Shareholder approval, Mr Raadsma was issued 1,770,150 Shares to convert an amount of \$35,403 owing to him at an issue price of \$0.02 per Share;
- (11) Following Shareholder approval, Mr Raadsma was issued 3,000,000 \$0.15 Incentive Options, 4,000,000 \$0.25 Incentive Options and 1,000,000 \$0.075 Incentive Options as part of his remuneration package and as an incentive to perform;
- (12) Mr Cruse acquired 2,500,000 Shares at an issue price of \$0.02 per share under a placement on the same terms and conditions as other subscribers to the issue. Mr Cruse was also issued 1,635,000 Shares to convert an amount of \$32,700 owing to him at an issue price of \$0.02 per share. Shareholder approval was received for both of these issues;
- (13) Following Shareholder approval, Mr Sara was issued 1,875,050 Shares to convert an amount of \$37,501 owing to him at an issue price of \$0.02 per Share;
- (14) Following Shareholder approval, Mr Sara was issued 500,000 \$0.30 Incentive Options and 500,000 \$0.075 Incentive Options as part of his remuneration package and as an incentive to perform;
- (15) Following Shareholder approval, Mr Spence was issued 3,723,250 Shares to convert an amount of \$74,465 owing to him at an issue price of \$0.02 per Share;
- (16) Following Shareholder approval, Mr Macnab was issued 1,406,900 Shares to convert an amount of \$28,138 owing to him at an issue price of \$0.02 per share; and
- (17) Following Shareholder approval, Mr Macnab was issued 250,000 \$0.25 Incentive Options in order to attract his services and as an incentive to perform.

### SHARE OPTIONS

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

- 18,583,333 \$0.20 Listed Options at an exercise price of \$0.20 each that expire 31 December 2010;
- 3,250,000 \$0.15 Incentive Options at an exercise price of \$0.15 each that expire 30 June 2010;
- 4,250,000 \$0.25 Incentive Options at an exercise price of \$0.25 each that expire 31 March 2011;
- 500,000 \$0.30 Incentive Options at an exercise price of \$0.30 each that expire 30 September 2011; and
- 1,500,000 \$0.075 Incentive Options at an exercise price of \$0.075 each that expire 30 June 2011.

Since 30 June 2009, 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 2009, and the number of meetings attended by each Director.

Current Directors	Board Meetings Number Eligible to Attend	Board Meetings Number Attended
Ian Middlemas	3	3
Johan Raadsma	3	3
David Cruse	3	2
Maximo Sara	3	2
Sinton Spence	3	3
Peter Macnab	3	3

## REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of Key Management Personnel of the Group.

### Remuneration Policy

The remuneration policy for the Group's Key Management Personnel 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 key management personnel:

- the Company is currently focused on undertaking exploration activities with a view to establishing a resource, and based on the results of these activities may undertake a scoping and/or feasibility study in the future. In line with the Company's accounting policy, all exploration expenditure prior to a feasibility study is expensed;
- risks associated with resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales (if any), the Company does not expect to be undertaking profitable operations until some time after the successful commercialisation, production and sales of commodities from one or more of its current projects, or the acquisition of a profitable mining operation.

### Remuneration Policy for Executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (options and in some cases, a cash bonus, see below). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning Key Management Personnel objectives with shareholder and business objectives.

#### *Performance Based Remuneration – Incentive Options*

The Board has chosen to issue incentive options to Key Management Personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the Key Management Personnel and to provide an incentive linked to the performance of the Company. The Board considers that each Key Management Personnel'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 incentive options granted to Key Management Personnel is commensurate to their value to the Company.

The Board has a policy of granting options to Key Management Personnel with exercise prices at and/or above market share price (at time of agreement). As such, incentive options granted to Key Management Personnel will generally only be of benefit if the Key Management Personnel perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to Key Management Personnel, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the Key Management Personnel and the performance and value of the Company are closely related.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (Continued)

#### *Performance Based Remuneration – Cash Bonus*

In addition, some Key Management Personnel are entitled to an annual cash bonus upon achieving various key performance indicators 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 exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs), development activities (e.g. completion of scoping and/or feasibility studies), corporate activities (e.g. recruitment of key personnel) and business development activities (e.g. project acquisitions and capital raisings). On an annual basis, after consideration of performance against these criteria, the Board determines the amount, if any, of the annual cash bonus to be paid to each Key Management Personnel.

There were no cash bonus' paid during the 2009 financial year.

#### *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 Key Management Personnel have received 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.

As a result of the Company's exploration and new business activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. 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 (eg return of capital).

#### *Impact of Earnings on Key Management Personnel Remuneration*

As discussed above, the Company is currently undertaking exploration activities, and does not expect to be undertaking profitable operations until some time after the successful commercialisation, production and sales of commodities from one or more of its current projects.

Accordingly the Board does not consider current or prior year earnings when assessing remuneration of Key Management Personnel.

#### **Remuneration Policy for Non-Executive Directors**

The Board policy is to remunerate Non-Executive Directors at 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.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Total directors' fees paid to all non-executive directors is not to exceed \$250,000 per annum. 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 economic entity. 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 in order to secure their services.

Fees for the Chairman are presently \$18,000 per annum (2008: \$36,000) and fees for Non-Executive Directors' are presently \$7,500 per annum (\$15,000 per annum to 31 December 2008). 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.

## General

Where required, Key Management Personnel receive superannuation contributions, currently equal to 9% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice all or part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive options are valued using the Trinomial Tree option valuation methodology. The value of these incentive options is expensed over the vesting period.

## Director and Executive Remuneration

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

		Short-Term	Post Employment	Share Based Payments		Total	Percentage Performance Related	Percentage Non-Performance Related
		Salary & Fees	Superannuation	Shares	Options			
Directors and Executives		\$	\$	\$	\$	\$	%	%
<b>Current Directors</b>								
Ian Middlemas	2009	18,000	-	-	-	18,000	-	100
<i>Chairman</i>	2008	36,000	-	-	-	36,000	-	100
Johan Raadsma <sup>(3)</sup>	2009	38,903	-	35,403 <sup>(2)</sup>	297,729	372,035	-	100
<i>Executive Director</i>	2008	13,440	-	-	-	13,440	-	100
David Cruse	2009	-( <sup>1</sup> )	26,175 <sup>(1)</sup>	32,700 <sup>(2)</sup>	-	58,875	-	100
<i>Non-Executive Director</i>	2008	-( <sup>1</sup> )	130,800 <sup>(1)</sup>	-	-	130,800	-	100
Maximo Sara	2009	38,334	-	37,501 <sup>(2)</sup>	51,952	127,787	-	100
<i>Technical Director</i>	2008	140,014	-	-	-	140,014	-	100
Sinton Spence	2009	4,383	-	17,409 <sup>(2)</sup>	-	21,792	-	100
<i>Non-Executive Director</i>	2008	51,147	-	-	-	51,147	-	100
Peter Macnab <sup>(4)</sup>	2009	3,750	-	26,700 <sup>(2)</sup>	24,014	54,464	-	100
<i>Non-Executive Director</i>	2008	1,438	-	-	-	1,438	-	100
<b>Current Executives</b>								
Clint McGhie <sup>(5)</sup>	2009	-	-	-	24,555	24,555	-	100
<i>Company Secretary</i>	2008	-	-	-	-	-	-	-

### Notes

- (1) Mr Cruse chose to salary sacrifice all of his salary payments for the year to superannuation;
- (2) Following Shareholder approval on 6 March 2009, amounts owed in directors' salaries and fees were converted to Shares at an issue price of \$0.02 per Share;
- (3) Mr Raadsma was appointed 28 May 2008;
- (4) Mr Macnab was appointed 27 May 2008;

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (Continued)

- (5) Mr McGhie is an employee of Apollo Group Pty Ltd that contracts to provide serviced office space and company secretarial, accounting and administrative services to the Company. Apollo Group Pty Ltd was paid \$154,000 for the provision of these services during the year ended 30 June 2009 (2008: \$180,000). Mr McGhie has received no direct remuneration from the Company other than incentive options; and
- (6) other than the above, there were no other Executive officers of the Company or Group during the year.

#### Options Granted to Key Management Personnel

2009	Issuing entity	Grant Date	Expiry Date	Exercise price \$	Grant date fair value \$	No. granted	No. vested
<b>Directors</b>							
Johan Raadsma	Sierra Mining Ltd	5-Sep-08	30-Jun-10	0.15	0.098	1,000,000	1,000,000
	Sierra Mining Ltd	5-Sep-08	31-Mar-11	0.25	0.096	2,000,000	2,000,000
	Sierra Mining Ltd	6-Mar-09	30-Jun-10	0.15	0.002	2,000,000	-
	Sierra Mining Ltd	6-Mar-09	31-Mar-11	0.25	0.003	2,000,000	-
	Sierra Mining Ltd	6-Mar-09	30-Jun-11	0.075	0.008	1,000,000	-
Maximo Sara	Sierra Mining Ltd	5-Sep-08	30-Sep-11	0.30	0.102	500,000	500,000
	Sierra Mining Ltd	6-Mar-09	30-Jun-11	0.075	0.008	500,000	-
Peter Macnab	Sierra Mining Ltd	5-Sep-08	31-Mar-11	0.25	0.096	250,000	250,000
<b>Executives</b>							
Clint McGhie	Sierra Mining Ltd	5-Sep-08	30-Jun-10	0.15	0.098	250,000	250,000

There were no options granted to Key Management Personnel of the Company or Group during the financial year ended 30 June 2008. All options have been granted for nil consideration.

2009	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Value of options included in remuneration for the year \$	Percentage of remuneration that consists of options %
<b>Directors</b>					
Johan Raadsma	309,181	-	-	297,729	80.02
Maximo Sara	54,881	-	-	51,952	40.66
Peter Macnab	24,014	-	-	24,014	44.09
<b>Executives</b>					
Clint McGhie	24,555	-	-	24,555	100.00

#### Note

- (1) For details on the valuation of options, including models and assumptions used, please refer to Note 19 to the financial statements.

The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

No Options were granted, exercised or lapsed for any of the Key Management Personnel of the Company or Group during the financial year ended 30 June 2008.

#### **Employment Contracts with Key Management Personnel**

Mr Johan Raadsma, Executive Director, has a contract of employment with Sierra Mining Limited dated 5 May 2008. The contract has a rolling annual term and may be terminated by the Company by giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. As resolved by the Board, Mr Raadsma's fixed remuneration component was US\$75,000 per annum. However, following agreement between the Company and Mr Raadsma, the fixed remuneration component was reduced to A\$50,000 per annum, with effect from 1 January 2009. Mr Raadsma's contract also provides for the payment of a cash bonus which the Board may determine at its discretion following successful completion of projects on time and within budget. As at the date of this report no cash bonus has been paid or is payable.

Following shareholder approval at a general meeting held on 27 August 2008, Mr Raadsma was granted 1,000,000 unlisted Incentive Options exercisable at \$0.15 each on or before 30 June 2010, vesting after 6 months service, and 2,000,000 unlisted Incentive Options exercisable at \$0.25 each on or before 31 March 2011, and vesting after 12 months service, as an additional incentive to perform.

In light of Mr Raadsma agreeing to reduce his fixed remuneration with effect from 1 January 2009, the Board sought Shareholder approval for the issue of an additional 1,000,000 unlisted Incentive Options exercisable at \$0.075 each on or before 30 June 2011, vesting 12 months after issue, 2,000,000 unlisted Incentive Options exercisable at \$0.15 each on or before 30 June 2010, vesting 6 months after issue and 2,000,000 unlisted Incentive Options exercisable at \$0.25 each on or before 31 March 2011, vesting 9 months after issue, as an additional incentive in order to retain his services. Shareholder approval was received at a general meeting held on 6 March 2009 and the options were granted on 20 March 2009.

Mr David Cruse, was an Executive Director of the Company until 31 January 2009, when he ceased his role as an executive. Mr Cruse remains a Non-Executive Director from this date. As an Executive Director, Mr Cruse had a contract of employment with Sierra Mining Limited dated 1 November 2006, and amended by letter dated 3 September 2007. The contract had a rolling annual term and could be terminated by the Company by giving 2 months notice. No amount was payable in the event of termination for neglect or incompetence in regard to the performance of duties. Mr Cruse's fixed remuneration component was \$120,000 per annum plus 9% superannuation with effect from March 2007.

Mr Cruse agreed to reduce his fixed remuneration to the equivalent of a Non-Executive Director with effect from 1 December 2008. Non-Executive Director fees were \$15,000 per annum until 31 December 2008, when it was agreed that the fee be reduced to \$7,500.

Following shareholder approval at the annual general meeting held on 30 November 2006, Mr Cruse was granted 1,000,000 Listed Options exercisable at \$0.20 each on or before 31 December 2010.

Mr Maximo Sara, Technical Director, has a contract of employment with Sierra Mining Limited dated 1 November 2006, and amended by letter dated 3 September 2007. The contract has a rolling annual term and may be terminated by the Company by giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. As resolved by the Board, Mr Sara's fixed remuneration component was increased from \$100,000 to \$140,000 per annum with effect from June 2007. However, following agreement between the Company and Mr Sara, the fixed remuneration component was reduced to A\$30,000 per annum, with effect from 1 December 2008.

Following shareholder approval at the annual general meeting held on 30 November 2006, Mr Sara was granted 1,500,000 Listed Options exercisable at \$0.20 each on or before 31 December 2010.

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (Continued)

Further, following shareholder approval at a general meeting held on 27 August 2008, Mr Sara was granted an additional 500,000 unlisted Incentive Options exercisable at \$0.30 each on or before 30 September 2011 as an additional incentive to perform.

In light of Mr Sara agreeing to reduce his fixed remuneration with effect from 1 December 2008, the Board sought Shareholder approval for the issue of an additional 500,000 unlisted Incentive Options exercisable at \$0.075 each on or before 30 June 2011, vesting 12 months after issue, as an additional incentive in order to retain his services. Shareholder approval was received at a general meeting held on 6 March 2009 and the options were granted on 20 March 2009.

In addition to agreed Non-Executive Director Fees of \$7,500 per annum from 1 January 2009 (\$15,000 per annum to 31 December 2008), Mr Spence may also provide accounting and taxation services to Sierra's PNG subsidiaries, Kairiru Mining Limited, Rossel Island Exploration Limited and Sierra Mining (PNG) Limited. During the year ended 30 June 2009, Sinton Spence Chartered Accountants, a partnership of which Mr Spence is a beneficial Partner, was paid \$10,542 (2008: \$36,147) for the provision of these services. \$9,909 of this amount was settled through the issue of Shares in the Company.

Mr Macnab received Non-Executive Director Fees of \$15,000 per annum to 31 December 2008, and following agreement with the Company, \$7,500 per annum, effective from 1 January 2009. In addition to the Non-Executive Director Fees, Mr Macnab may also provide technical services to the Company as a consultant. The agreed day rate for technical services performed in addition to his duties as a non-executive director is \$800 per day.

Following shareholder approval at a general meeting held on 27 August 2008, Mr Macnab was granted 250,000 unlisted Incentive Options exercisable at \$0.25 each on or before 31 March 2011, and vesting after 12 months service.

This is the end of the audited Remuneration Report.

### 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 audit engagement letter signed with the auditor of the Company and Group, BDO Kendalls Audit & Assurance (WA) Pty Ltd requires the Company, to the extent permitted by law, to indemnify the auditor for any liability caused as such auditor and any legal costs incurred by the auditor in defending an action for any liability caused as such auditor.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During or since the end of the financial year, the Company or Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by a person who is or has been a director, officer or auditor of the Company or Group.

### NON-AUDIT SERVICES

During the year, BDO Kendalls Audit & Assurance (WA) Pty Ltd, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the auditor of the Company, BDO Kendalls Audit & Assurance (WA) Pty Ltd, and its related practices for audit and non-audit services provided during the year are set out below:

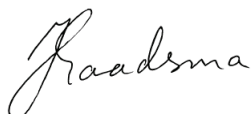
	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Amounts received or due and receivable by BDO Kendalls Audit & Assurance (WA) Pty Ltd for:				
– an audit or review of the financial reports of the Company	27,000	19,109	27,000	19,109
– option valuation services in relation to the Company	1,066	1,215	1,066	1,215
	<b>28,066</b>	<b>20,324</b>	<b>28,066</b>	<b>20,324</b>
Other auditors for:				
– an auditor or review of the financial reports	8,647	10,039	-	-
<b>Total Auditors Remuneration</b>	<b>36,713</b>	<b>30,363</b>	<b>28,066</b>	<b>20,324</b>

#### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on Page 18 and forms part of this 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



**JOHAN RAADSMA**  
Executive Director

Perth, 30 September 2009

The information in this report relating to exploration results, mineral resources or ore reserves is based on information provided to Mr Robert McLean by Sierra Mining Limited. Mr McLean is an independent consultant geologist and is a corporate member of the Australian Institute of Mining and Metallurgy. Mr McLean has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and "Competent Person" under the JORC Code.

## AUDITOR'S INDEPENDENCE DECLARATION



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
Subiaco WA 6008  
PO Box 700 West Perth WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

30 September 2009

The Directors  
Sierra Mining Limited  
Level 9, 28 The Esplanade  
PERTH WA 6000

Dear Sirs

### **DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF SIERRA MINING LIMITED**

As lead auditor of Sierra Mining Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sierra Mining Limited and the entities it controlled during the period.

**Brad McVeigh**  
Director

*BDO Kendalls Audit & Assurance (WA) Pty Ltd*  
Perth, Western Australia.

**INCOME STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009



	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Continuing Operations</b>					
Revenue	2(a)	11,814	125,768	11,814	125,768
Other income					
Gain on disposal of asset		8,679	-	-	-
Corporate and administrative expenses		(361,263)	(592,599)	(332,318)	(565,881)
Exploration and evaluation expense		(809,463)	(820,110)	(646,345)	(233,631)
Gain on deconsolidation		36,716	-	-	-
Business development expenses		-	(41,406)	-	(41,406)
Impairment of capitalised exploration expenditure	5(b)	(398,809)	-	-	-
Share of losses of associates accounted for using equity method	6(d)	-	(338,115)	-	-
Impairment of investment in subsidiary	7(a)	-	-	-	(301,596)
Impairment of intercompany loans	7(b)	-	-	(237,726)	(969,061)
Impairment of loans to associates	7(c)	(1,015,986)	(1,423,426)	(1,015,986)	(1,423,426)
Loss from continuing operations before income tax expense		(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
Income tax expense	3	-	-	-	-
Loss from continuing operations after income tax expense		(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
Loss attributable to members of the parent		(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
Basic loss per share from continuing operations (cents per share)	24	(4.31)	(6.31)		
Diluted loss per share from continuing operations (cents per share)	24	(4.31)	(6.31)		

The above Income Statements should be read in conjunction with the accompanying notes.

**BALANCE SHEETS**  
AS AT 30 JUNE 2009

	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Current Assets</b>					
Cash and cash equivalents	25(b)	576,714	711,004	576,177	696,965
Trade and other receivables	4	35,273	26,575	31,026	15,478
<b>Total Current Assets</b>		<b>611,987</b>	<b>737,579</b>	<b>607,203</b>	<b>712,443</b>
<b>Non-current Assets</b>					
Exploration and evaluation assets	5	-	351,643	-	-
Equity accounted investments	6	-	-	-	-
Other financial assets	7	-	363,483	-	425,291
Property, plant and equipment	8	37,865	58,105	2,657	5,885
Other non-current assets	9	10,921	13,074	-	-
<b>Total Non-current Assets</b>		<b>48,786</b>	<b>786,305</b>	<b>2,657</b>	<b>431,176</b>
<b>TOTAL ASSETS</b>		<b>660,773</b>	<b>1,523,884</b>	<b>609,860</b>	<b>1,143,619</b>
<b>Current Liabilities</b>					
Trade and other payables	10	141,920	151,004	85,868	96,749
Borrowings	11	13,103	19,790	-	-
Provisions	12	-	33,859	-	33,859
<b>Total Current Liabilities</b>		<b>155,023</b>	<b>204,653</b>	<b>85,868</b>	<b>130,608</b>
<b>Non-current Liabilities</b>					
Borrowings	13	7,648	31,342	-	-
<b>Total Non-current Liabilities</b>		<b>7,648</b>	<b>31,342</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>162,671</b>	<b>235,995</b>	<b>85,868</b>	<b>130,608</b>
<b>NET ASSETS</b>		<b>498,102</b>	<b>1,287,889</b>	<b>523,992</b>	<b>1,013,011</b>
<b>EQUITY</b>					
Issued capital	14	6,503,617	5,170,325	6,503,617	5,170,325
Reserves	15	836,549	431,316	858,250	460,000
Accumulated losses	16	(6,842,064)	(4,313,752)	(6,837,875)	(4,617,314)
<b>TOTAL EQUITY</b>		<b>498,102</b>	<b>1,287,889</b>	<b>523,992</b>	<b>1,013,011</b>

The above Balance Sheets should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENTS**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009



	Note	Consolidated		Company	
		2009 \$	2008 \$	2009 \$	2008 \$
<b>Cash flows from operating activities</b>					
Interest received		12,590	124,823	12,590	124,823
Payments to suppliers and employees		(646,936)	(1,343,866)	(465,486)	(766,408)
Interest paid		(4,280)	-	-	-
GST paid		(6,224)	(309)	(6,224)	(309)
<b>Net cash outflow from operating activities</b>	<b>25(a)</b>	<b>(644,850)</b>	<b>(1,219,352)</b>	<b>(459,120)</b>	<b>(641,894)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		-	(76,394)	-	(8,042)
Proceeds on sale of property, plant and equipment		34,153	-	-	-
Security bonds		-	(7,065)	-	-
Loans to equity accounted associates		(520,742)	(1,347,167)	(520,742)	(1,347,167)
<b>Net cash outflow from investing activities</b>		<b>(486,589)</b>	<b>(1,430,626)</b>	<b>(520,742)</b>	<b>(1,355,209)</b>
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		59,151	61,064	-	-
Repayment of borrowings		(46,076)	(9,848)	-	-
Loan to related entity		-	-	(125,000)	(591,424)
Proceeds from issue of shares		1,000,000	-	1,000,000	-
Transaction costs from issue of shares		(15,926)	(11,837)	(15,926)	(11,837)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>997,149</b>	<b>39,379</b>	<b>859,074</b>	<b>(603,261)</b>
<b>Net (decrease) in cash and cash equivalents held</b>		<b>(134,290)</b>	<b>(2,610,599)</b>	<b>(120,788)</b>	<b>(2,600,364)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>711,004</b>	<b>3,321,603</b>	<b>696,965</b>	<b>3,297,329</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>25(b)</b>	<b>576,714</b>	<b>711,004</b>	<b>576,177</b>	<b>696,965</b>

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

**STATEMENTS OF CHANGES IN EQUITY**  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Consolidated	Issued Capital	Share Based Payments Reserve	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2007	5,182,162	460,000	(12,061)	(1,223,864)	4,406,237
Exchange differences arising on translation of foreign operations	-	-	(16,623)	-	(16,623)
Total income recognised directly in equity	-	-	(16,623)	-	(16,623)
Net loss for the year	-	-	-	(3,089,888)	(3,089,888)
Total recognised income and expense	-	-	(16,623)	(3,089,888)	(3,106,511)
Transactions with equity holders in their capacity as equity holders:					
Share issue costs	(11,837)	-	-	-	(11,837)
Share-based payments	-	-	-	-	-
Balance at 30 June 2008	5,170,325	460,000	(28,684)	(4,313,752)	1,287,889
Exchange differences arising on translation of foreign operations	-	-	6,983	-	6,983
Total income recognised directly in equity	-	-	6,983	-	6,983
Net loss for the year	-	-	-	(2,528,312)	(2,528,312)
Total recognised income and expense			6,983	(2,528,312)	(2,521,329)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	1,379,967	-	-	-	1,379,967
Share issue costs	(46,675)	-	-	-	(46,675)
Share-based payments	-	398,250	-	-	398,250
Balance at 30 June 2009	6,503,617	858,250	(21,701)	(6,842,064)	498,102

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

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**  
(Continued)



Company	Issued Capital	Share Based Payments Reserve	Foreign Exchange Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2007	5,182,162	460,000	-	(1,208,081)	4,434,081
Net loss for the year	-	-	-	(3,409,233)	(3,409,233)
Total recognised income and expense	-	-	-	(3,409,233)	(3,409,233)
Transactions with equity holders in their capacity as equity holders:					
Share issue costs	(11,837)	-	-	-	(11,837)
Share-based payments	-	-	-	-	-
Balance at 30 June 2008	5,170,325	460,000	-	(4,617,314)	1,013,011
Net loss for the year	-	-	-	(2,220,561)	(2,220,561)
Total recognised income and expense	-	-	-	(2,220,561)	(2,220,561)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	1,379,967	-	-	-	1,379,967
Share issue costs	(46,675)	-	-	-	(46,675)
Share-based payments	-	398,250	-	-	398,250
Balance at 30 June 2009	6,503,617	858,250	-	(6,837,875)	523,992

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

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in preparing the financial report of the Company, Sierra Mining Limited and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2009 are stated to assist in a general understanding of the financial report.

Sierra Mining Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Company for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the Directors on 29 September 2009.

**(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 issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars, which is the Company's functional currency.

**Statement of Compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS).

**(b) New Accounting Standards and Interpretations not yet Adopted**

The following standards, amendments to standards and interpretations have been identified as those which may not impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an 'exchange transaction'.	Applies prospectively to transfers of assets from customers received on or after 1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. In addition, the amendments may have an impact on the Company's segment disclosures.	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Company has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Company's financial report.	1 July 2009

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) New Accounting Standards and Interpretations not yet Adopted (Continued)**

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 101 (revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Company's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Company has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report as the Company does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 3 (revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) New Accounting Standards and Interpretations not yet Adopted (Continued)**

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the “cost method” and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Company financial report	Application date for Company
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	<p>The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy:</p> <ul style="list-style-type: none"> <li>• quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);</li> <li>• inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and</li> <li>• inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).</li> </ul> <p>These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009.</p> <p>The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.</p>	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	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.	1 July 2009	These amendments are not expected to have any impact on the Company's financial report.	1 July 2009
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.	1 January 2010	These amendments are not expected to have any impact on the Company's financial report.	1 July 2010
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	<p>The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular:</p> <ul style="list-style-type: none"> <li>• the scope of AASB 2; and</li> <li>• the interaction between IFRS 2 and other standards.</li> </ul>	1 January 2010	These amendments are not expected to have any impact on the Company's financial report as the Company does not have any cash-settled share based payment transactions.	1 July 2010

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Principles of Consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sierra Mining Limited ("Company" or "Parent Entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Sierra Mining 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 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.

#### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

#### **(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.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and/or
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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 costs associated with the preparation of a feasibility study.

Capitalised exploration costs are reviewed each reporting date to establish whether any 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.

#### **(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.

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income 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.

**(g) Business Combinations**

The purchase method of accounting is used for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the business combination. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

**(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.

**(j) Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost 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 there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off as incurred.

**(k) Investments and Other Financial Assets**

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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.

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 or other financial assets in the balance sheet.

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.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded 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, investments in subsidiaries) 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, such as discounted cash flows, 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:

	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.

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 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 recognised initially at fair value and subsequently at amortised cost.

### (o) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (Note 22(a)). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in Current / Non-Current Liabilities – Borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

**(p) 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.

**(q) Issued Capital**

Ordinary shares are classified as 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.

**(r) Dividends**

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

**(s) 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 period, adjusted for bonus elements in ordinary shares issued during the period.

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.

**(t) 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 component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (u) Going Concern

For the year ended 30 June 2009, the Group has incurred losses of \$2,528,312 (Company losses: \$2,220,561) and experienced net cash outflows of \$644,850 (Company outflow: \$459,120) from operations and \$486,589 (Company outflow: \$520,742) from investing activities, as disclosed in the income statement and cash flow statement, respectively.

For the Company to continue as a going concern the board will need to obtain funding arrangements, which may include further capital raisings or debt facilities. Given the prospectivity of the Company's Philippine assets, the directors have reasonable expectations that additional cash resources can be raised through further capital raisings or debt facilities. The Company's Mindanao tenements have, in the opinion of the directors, been enhanced in value by recent positive exploration and the results of artisanal mining activities. Additionally, expressions of interest, including joint venture proposals, in relation to these assets have been received from third parties.

Accordingly, the Directors have prepared the financials on a going concern basis. As such, the financial statements do not include any adjustments as to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

#### (v) Share-Based Payments

Share-based payments are provided to Directors, employees, consultants and other advisors.

The fair value of options granted (determined using the Trinomial Tree option pricing model and validated by the Black-Scholes option pricing model) 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 option holders become unconditionally entitled to the options.

#### (w) Joint Ventures

Interests in joint venture operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

#### (x) Significant Accounting Judgements and Estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### *Impairment of financial assets*

In the 2009 financial report, the parent entity made a significant judgement about the impairment of a number of its financial assets (Loans to controlled entities and Loans to equity accounted associates – refer Note 7).

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and near term business outlook for the investee, including factors such as industry and operational and financing cash flows.

*Impairment of exploration and evaluation assets*

The group's accounting policy for exploration and evaluation assets is set out at Note 1(d). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

As the Company has made a decision to focus its activity on its Philippines assets, the decision has been made to fully impair the value of the capitalised exploration expenditure, which relates to PNG.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>2. LOSS FROM OPERATIONS</b>				
<b>(a) Revenue</b>				
<i>Revenue from continuing operations consisted of the following items:</i>				
Interest revenue	11,814	125,768	11,814	125,768
<b>(b) Other Income</b>				
<i>Other income from continuing operations consisted of the following items:</i>				
Net gain on disposal of property, plant and equipment	8,679	-	-	-
	8,679	-	-	-
The net gain on disposal of property, plant and equipment in 2009 relates to the sale of a boat held in one of the Company's subsidiaries in Papua New Guinea.				
<b>(c) Loss Before Tax</b>				
<i>Loss before income tax has been arrived at after charging the following expenses attributable to the continuing operations:</i>				
Employee benefit expense				
Salary and wages	(59,732)	(244,418)	(59,732)	(153,440)
Defined contribution plan	(6,982)	(139,475)	(6,982)	(133,042)
Share based payments	(398,250)	-	(398,250)	-
	(464,964)	(383,893)	(464,964)	(286,482)
Depreciation expense	(4,981)	(18,289)	(3,228)	(2,157)
Interest paid	(4,280)	-	-	-

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	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>3. INCOME TAX</b>				
<b>(a) Recognised in the Income Statement</b>				
<i>Current income tax</i>				
Current income tax benefit	(169,180)	(292,384)	(111,030)	(112,534)
Adjustments in respect of current income tax of previous years	110,864	180,592	40	29,152
<i>Deferred income tax</i>				
Origination and reversal of temporary differences	(399,067)	(540,284)	(364,891)	(820,047)
Deferred tax assets not previously brought to account	-	-	-	-
Deferred tax assets not brought to account	457,383	652,076	475,881	903,429
Income tax expense reported in the income statement	-	-	-	-
<b>(b) Reconciliation Between Tax Expense and Accounting Loss Before Income Tax</b>				
Accounting loss before income tax	(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
At the domestic income tax rate of 30% (2008: 30%)	(758,494)	(926,966)	(666,168)	(1,022,770)
Expenditure not allowable for income tax purposes	190,247	94,298	190,247	90,189
Deferred tax assets not previously brought to account	-	-	-	-
Capital allowances	-	-	-	-
Adjustments in respect of current income tax of previous years	110,864	180,592	40	29,152
Deferred tax assets not brought to account	457,383	652,076	475,881	903,429
Income tax expense reported in the income statement	-	-	-	-
<b>(c) Deferred Income Tax</b>				
Deferred income tax at 30 June 2009 relates to the following:				
<i>Deferred Tax Liabilities</i>				
Accrued interest	51	-	51	-
Exploration and evaluation assets	-	105,493	-	-
Deferred tax assets used to offset deferred tax liabilities	(51)	(105,493)	(51)	-
	-	-	-	-

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(d) Deferred Income Tax (Continued)</b>				
<i>Deferred Tax Assets</i>				
Accruals	10,200	14,700	10,200	14,700
Provisions	-	10,158	-	10,158
Capital allowances	-	-	-	-
Other financial assets	875,074	570,278	1,231,705	855,591
Tax losses available to offset against future taxable income	428,461	366,658	270,985	156,509
Deferred tax assets used to offset deferred tax liabilities	(51)	(105,493)	(51)	-
Deferred tax assets not brought to account	(1,313,684)	(856,301)	(1,512,839)	(1,036,958)
	-	-	-	-

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.

**(e) Tax Consolidation**

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group from 1 July 2006 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Sierra Mining Limited. The members of the tax consolidated group are Sierra Mining Limited and Sierra Philippines Pty Ltd.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>4. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES</b>				
GST receivable	16,900	8,339	16,900	8,339
Interest accrued	170	946	170	946
Other receivable	18,203	17,290	13,956	6,193
	35,273	26,575	31,026	15,478

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	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>5. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS</b>				
The Company has mineral exploration costs carried forward in respect of the following areas of interest:				
<b>(a) Areas of Interest</b>				
Papua New Guinea	-	351,643	-	-
<b>(b) Reconciliation</b>				
Areas in Exploration at cost				
Balance at the beginning of the year	351,643	351,643	-	-
Amount expended during the year	-	-	-	-
Impairment loss	(398,809)	-	-	-
Foreign exchange differences	47,166	-	-	-
Balance at end of year	-	351,643	-	-

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

During the year ended 30 June 2009, the Group has made a decision to focus its activity on its Philippines assets. As a result of this decision, an impairment loss of \$398,809 has been charged to the Consolidated Entity's exploration and evaluation assets (which relate to the Group's interests in PNG). Following the recognition of the impairment loss, the exploration and evaluation assets have a nil carrying value.

<b>6. NON-CURRENT ASSETS – EQUITY ACCOUNTED INVESTMENTS</b>				
<b>(a) Investment Details</b>				
Equity accounted associate	-	-	-	-
	-	-	-	-

The Group has a 40% direct ownership interest in each of Bunawan Mining Corporation ("Bunawan") and OZ Metals Exploration and Development Corporation ("OZ Metals") which are both involved in exploration and development of a portfolio of mineral tenements in the Philippines. The Group's proportion of voting power held in each associate is the same as its direct ownership interest. The remaining 60% interest in Bunawan and OZ Metals is held beneficially by Mr Maximo Sara (a Director of Sierra Mining Limited) and Mr Sara has granted a call option over the 60% interest in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of Sierra Mining Limited). The exercise price for the call option is \$1 and the term of the call option is in perpetuity.

Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements.

Bunawan and OZ Metals are both incorporated in the Philippines and have 30 June reporting dates.

**(b) Impairment**

The Group's investments in the associates, Bunawan and Oz Metals have been reduced to nil as the Group's share of the associate's losses has exceeded the initial investment in the associates.

**(c) Movements in the Carrying Amount of the Group's Investment in Associates**

	Consolidated	
	2009 \$	2008 \$
Opening balance	-	338,115
Acquisition of interest in associates at fair value	-	-
Share of Bunawan Mining Corporation loss	(196,843)	(272,614)
Share of OZ Metals Exploration and Development Corporation loss	(131,959)	(177,869)
Share of associates loss not brought to account	328,802	112,368
Closing Balance	-	-
Cumulative share of associates losses not brought to account	441,170	112,368

**(d) Summarised Financial Information**

The following table illustrates summarised financial information relating to the Group's associates:

Extract from the associates' balance sheets		
Current assets	29,479	81,397
Non-current assets	162,141	159,914
Total assets	191,620	241,311
Current liabilities	212,570	21,323
Non-current liabilities	2,439,412	1,508,884
Total liabilities	2,651,982	1,530,207
Net liabilities	(2,460,362)	(1,288,896)
Share of associates net liabilities (at 40%)	(984,145)	(515,558)

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	Consolidated	
	2009 \$	2008 \$
<b>6. NON-CURRENT ASSETS – EQUITY ACCOUNTED INVESTMENTS (Continued)</b>		
<b>(d) Summarised Financial Information (Continued)</b>		
Extract from the associates' income statements		
Revenue	63,795	19,510
Net loss	(822,005)	(1,126,208)
Share of associates loss (at 40%)	(328,802)	(450,483)
Share of associates loss not brought to account (refer note 6(b))	328,802	112,368
Net Share of associates loss in consolidated results accounted for using the equity method	-	(338,115)

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>7. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS</b>				
Investment in controlled entities	-	-	-	-
Loans to controlled entities	-	-	-	61,808
Loans to equity accounted associates	-	363,483	-	363,483
	-	363,483	-	425,291

**(a) Movements in the Carrying Amount of the Company's Investment in Controlled Entities**

	Company	
	2009 \$	2008 \$
Opening balance	-	301,596
Acquisition of controlled entities at cost	-	-
Impairment	-	(301,596)
Closing balance	-	-

**(b) Movements in the Carrying Amount of the Company's Loans to Controlled Entities**

	Company	
	2009 \$	2008 \$
Opening balance	61,808	439,445
Loan advanced	175,918	591,424
Impairment	(237,726)	(969,061)
Closing balance	-	61,808

The Company will not call upon the controlled entities to repay the above loans within the next 12 months.

**(c) Movements in the Carrying Amount of the Group and Company's Loans to Associated Entities**

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Opening balance	363,483	439,742	363,483	439,742
Loan advanced	652,503	1,347,167	652,503	1,347,167
Impairment	(1,015,986)	(1,423,426)	(1,015,986)	(1,423,426)
Closing balance	-	363,483	-	363,483

The Company will not call upon the associated entities to repay the above loans within the next 12 months.

**8. NON-CURRENT ASSETS –  
PROPERTY, PLANT AND EQUIPMENT**

Office, plant and equipment (at cost)	8,270	8,270	8,042	8,042
Accumulated depreciation and impairment	(5,369)	(2,170)	(5,385)	(2,157)
Net carrying amount	2,901	6,100	2,657	5,885
Machinery and vehicles (at cost)	49,632	68,124	-	-
Accumulated depreciation and impairment	(14,668)	(16,119)	-	-
Net carrying amount	34,964	52,005	-	-
Total	37,865	58,105	2,657	5,885

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	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>8. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (Continued)</b>				
<b>(a) Reconciliations</b>				
<i>Office, plant and equipment</i>				
At 1 July, net of accumulated depreciation and impairment	6,100	-	5,885	-
Additions	-	8,270	-	8,042
Depreciation expense	(3,238)	(2,170)	(3,228)	(2,157)
Foreign exchange differences	39	-	-	-
Net carrying amount	2,901	6,100	2,657	5,885
<i>Machinery and vehicles</i>				
At 1 July, net of accumulated depreciation and impairment	52,005	-	-	-
Additions	-	68,124	-	-
Disposals	(25,474)	-	-	-
Depreciation expense	(1,743)	(16,119)	-	-
Foreign exchange differences	10,176	-	-	-
Net carrying amount	34,964	52,005	-	-
<b>9. NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS</b>				
Capitalised incorporation costs	2,588	3,577	-	-
Security bond	8,333	9,497	-	-
	10,921	13,074	-	-
<b>10. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES</b>				
Trade creditors	107,920	102,004	51,868	47,749
Accrued expenses	34,000	49,000	34,000	49,000
	141,920	151,004	85,868	96,749

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>11. CURRENT LIABILITIES – BORROWINGS</b>				
Unsecured				
Lease liabilities (note 22)	13,103	19,790	-	-

**(a) Financial Guarantee**

The parent entity has given unsecured guarantees in respect of the above leases, which were initially in the name of Kairiru Mining Limited before being transferred to Sierra PNG Limited, and amount to \$20,751.

<b>12. CURRENT LIABILITIES – PROVISIONS</b>				
Employee benefits	-	33,859	-	33,859
<b>13. NON-CURRENT LIABILITIES – BORROWINGS</b>				
Unsecured				
Lease liabilities (note 22)	7,648	31,342	-	-

**(a) Financial Guarantee**

The parent entity has given unsecured guarantees in respect of the above leases, which were initially in the name of Kairiru Mining Limited before being transferred to Sierra PNG Limited, and amount to \$20,751.

<b>14. ISSUED CAPITAL</b>				
<b>(a) Issued and Paid Up Capital</b>				
117,998,382 fully paid ordinary Shares (2008: 49,000,001)	6,499,617	5,166,325	6,499,617	5,166,325
50,000 A Class Preference Shares (2008: 50,000)	2,500	2,500	2,500	2,500
50,000 B Class Preference Shares (2008: 50,000)	1,500	1,500	1,500	1,500
	6,503,617	5,170,325	6,503,617	5,170,325

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**14. ISSUED CAPITAL (Continued)**

**(b) Movements in Ordinary Share Capital During the Past Two Years Were as Follows:**

Date	Details	Number of Shares	Issue Price \$	\$
1 Jul 07	Opening Balance	49,000,001		5,178,162
	Share issue expenses	-		(11,837)
30 Jun 08	Closing Balance	49,000,001		5,166,325
1 Jul 08	Opening Balance	49,000,001		5,166,325
20 Mar 09	Share placement	50,000,000	0.02	1,000,000
	Shares issued in lieu of amounts outstanding	18,998,381	0.02	379,967
	Share issue expenses	-		(46,675)
30 Jun 09	Closing Balance	117,998,382		6,499,617

**(c) Movements in Preference Shares During the Past Two Years Were as Follows:**

Date	Details	Number A Class Preference Shares	Number B Class Preference Shares	Issue Price \$	\$
1 Jul 07	Opening Balance	50,000	50,000		4,000
30 Jun 08	Closing Balance	50,000	50,000		4,000
1 Jul 08	Opening Balance	50,000	50,000		4,000
30 Jun 09	Closing Balance	50,000	50,000		4,000

**(d) Terms and Conditions of Ordinary Shares**

**(1) General**

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the 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 its registered office.

**(2) Reports and Notices**

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(3) *Voting*

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(4) *Variation of Shares and Rights Attaching to Shares*

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(5) *Unmarketable Parcels*

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(6) *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.

**(e) Terms and Conditions of A Class Preference Shares**

50,000 A Class Preference Shares were issued pursuant to an agreement with vendors, to acquire Exploration Assets in the Philippines. The A Class Preference Shares are issued based upon the following terms and conditions:

- The subscription price of each A Class Preference Share is \$0.001.
- Each A Class Preference Share is convertible into Ordinary Shares of the Company in accordance with the following formula:
  - (i) each A Class Preference Share converts into 100 Sierra Shares if the Commercial Milestone is achieved; or
  - (ii) each A Class Preference Share will automatically convert into one (1) Sierra Share if they do not convert into Sierra Shares in accordance with (i) above on or before the earlier of 28 February 2010 or within 3 years of the Company being admitted to the ASX, being 13 December 2009.

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**14. ISSUED CAPITAL (Continued)**

**(e) Terms and Conditions of A Class Preference Shares (continued)**

- “Commercial Milestone” is defined to mean either:
  - a Philippine Tenement attains a JORC Code compliant resource of at least 1,000,000 ounces of Au equivalent;
  - the Philippine Tenements collectively attain a JORC Code compliant resource of at least 2,000,000 ounces of Au equivalent;
  - the Company's Share price is greater than \$1.00 for a minimum of 40 continuous trading days;
  - a Philippine Tenement is sold or otherwise disposed of (including by way of a joint venture) for a value of at least \$25,000,000; or
  - the Philippine Tenements collectively are sold or otherwise disposed of (including by way of a joint venture) for a collective value of at least \$40,000,000;
- The A Class Preference Shares are only redeemable at the option of Sierra on the conversion of the A Class Preference Shares into Sierra Shares.
- The A Class Preference Shares are entitled to a cumulative dividend of 1% of the Subscription Price of each A Class Preference Share.
- The A Class Preference Shares are not transferable.
- The Preference Shareholders shall have no right to vote save for those circumstances listed in Listing Rule 6.3.

**(f) Terms and Conditions of B Class Preference Shares**

50,000 B Class Preference Shares were issued pursuant to an agreement with vendors, to acquire Exploration Assets in Papua New Guinea (“PNG”). The B Class Preference Shares are issued based upon the following terms and conditions:

- The subscription price of each B Class Preference Share is \$0.002.
- Each B Class Preference Share is convertible into Ordinary Shares of the Company in accordance with the following formula:
  - (i) each B Class Preference Share converts into 100 Sierra Shares if the Commercial Milestone is achieved; or
  - (ii) each B Class Preference Share will automatically convert into one (1) Sierra Share if they do not convert into Sierra Shares in accordance with (i) above on or before the earlier of 28 February 2010 or within 3 years of the Company being admitted to the ASX.
- “Commercial Milestone” is defined to mean either:
  - a PNG Tenement attains a JORC Code compliant resource of at least 1,000,000 ounces of Au equivalent;
  - the PNG Tenements collectively attain a JORC Code compliant resource of at least 2,000,000 ounces of Au equivalent;
  - the Company's Share price is greater than \$1.00 for a minimum of 40 continuous trading days;
  - a PNG Tenement is sold or otherwise disposed of (including by way of a joint venture) for a value of at least \$25,000,000; or
  - the PNG Tenements collectively are sold or otherwise disposed of (including by way of a joint venture) for a collective value of at least \$40,000,000;
- The B Class Preference Shares are only redeemable at the option of Sierra on the conversion of the B Class Preference Shares into Sierra Shares.
- The B Class Preference Shares are entitled to a cumulative dividend of 1% of the Subscription Price of each B Class Preference Share.
- The B Class Preference Shares are not transferable.
- The Preference Shareholders shall have no right to vote save for those circumstances listed in Listing Rule 6.3.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>15. RESERVES</b>				
<b>(a) Reserves</b>				
Share based payments reserve	858,250	460,000	858,250	460,000
Foreign exchange reserve	(21,701)	(28,684)	-	-
<b>Total Reserves</b>	<b>836,549</b>	<b>431,316</b>	<b>858,250</b>	<b>460,000</b>

(1) *Share Based Payments Reserve*

The share based payments reserve is used to record the fair value of share-based payments made by the Company.

(2) *Foreign Exchange Reserve*

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

**(b) Movements in Options During the Past Two Years Were as Follows:**

Date	Details	Number of Listed Options	Number of Unlisted Options	Fair Value \$	\$
1 Jul 07	Opening balance	18,583,333	-	-	460,000
30 Jun 08	Closing balance	18,583,333	-	-	460,000
1 Jul 08	Opening balance	18,583,333	-	-	460,000
5 Sep 2008	\$0.15 incentive options (30 June 2008: Nil)	-	1,250,000	0.0982	122,775
	\$0.25 incentive options (30 June 2008: Nil)	-	2,250,000	0.0961	216,128
	\$0.30 incentive options (30 June 2008: Nil)	-	500,000	0.1016	50,800
6 Mar 2009	\$0.075 incentive options (30 June 2008: Nil)	-	1,500,000	0.0082	3,454
	\$0.15 incentive options (30 June 2008: Nil)	-	2,000,000	0.0022	2,407
	\$0.25 incentive options (30 June 2008: Nil)	-	2,000,000	0.0032	2,686
<b>30 Jun 09</b>	<b>Closing balance</b>	<b>18,583,333</b>	<b>9,500,000</b>	<b>-</b>	<b>858,250</b>

Note

- (1) The value of options granted during the year is recognised over the vesting period of the grant, in accordance with Australian Accounting Standards.

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**15. RESERVES (Continued)**

**(c) Terms and Conditions of Listed Options**

The Listed Options are granted based upon the following terms and conditions:

- each Listed Option entitles the holder to subscribe for one Share upon exercise of each Listed Option;
- the exercise price of each Listed Option is \$0.20;
- each Listed Option has an expiry date of 31 December 2010;
- the Listed Options are exercisable at any time prior to the Expiry Date;
- shares issued on exercise of the Listed Options 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 Listed Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- application for quotation of the Listed Options will be made by the Company; and
- the Listed Options are transferable.

**(d) Terms and Conditions Unlisted Options**

The Unlisted Incentive Options are granted based upon the following terms and conditions

- each Unlisted Incentive Option entitles the holder to subscribe for one Share upon exercise of each Unlisted Incentive Option;
- the exercise price and expiry date of each Unlisted Incentive Option is:

Exercise Price	Expiry Date
\$0.30	30 September 2011
\$0.25	31 March 2011
\$0.15	30 June 2010
\$0.075	30 June 2011

- the Unlisted Incentive Options are exercisable at any time after the later of the date of issue and the vesting date (if applicable) and before the Expiry Date;
- shares issued on exercise of the Unlisted Incentive Options 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 Unlisted Incentive Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders 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 Unlisted Incentive Options will be made by the Company; and
- the Unlisted Incentive Options are transferable provided that the transfer complies with section 707(3) of the Corporations Act.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>(e) Movement in Foreign Exchange Reserve</b>				
Balance at beginning of year	(28,684)	(12,061)	-	-
Foreign exchange adjustments	6,983	(16,623)	-	-
Balance at end of year	(21,701)	(28,684)	-	-
<b>16. ACCUMULATED LOSSES</b>				
Balance at beginning of year	(4,313,752)	(1,223,864)	(4,617,314)	(1,208,081)
Net loss	(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
Balance at end of year	(6,842,064)	(4,313,752)	(6,837,875)	(4,617,314)

**(a) Franking Account**

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

**17. RELATED PARTY DISCLOSURES**

**(a) Transactions with Related Parties in the Consolidated Group**

The consolidated group consists of Sierra Mining Limited (the ultimate parent entity in the wholly owned group) and its controlled entities (see Note 20).

Sierra Mining Limited entered into the following transactions during the period with related parties in the wholly owned group:

- loans were advanced on an inter-company account to Sierra Philippines Pty Ltd, Kairiru Mining Limited, Rossel Island Exploration Limited and Sierra Mining (PNG) Limited.

Sierra Mining Limited also entered into the following transactions during the period with associates:

- loans were advanced to associates of the Company including Bunawan Mining Corporation and OZ Metals Exploration and Development Corporation.

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

- there was no fixed repayment of loans between the related parties; and
- no interest was payable on the loans.

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**17. RELATED PARTY DISCLOSURES (Continued)**

**(a) Transactions with Related Parties in the Consolidated Group (Continued)**

	2009 \$	2008 \$
<b>Movement in loans to controlled entities</b>		
Balance at the beginning of year	61,808	439,445
Loan advanced	175,918	591,424
Impairment of intercompany loans	(237,726)	(969,061)
Balance at end of year	-	61,808
<b>Movement in loans to associates</b>		
Balance at the beginning of year	363,483	439,742
Loan advanced	652,503	1,347,167
Impairment of loans to associates	(1,015,986)	(1,423,426)
Balance at end of year	-	363,483

**(b) Other Transactions**

Sinton Spence Chartered Accountants, a partnership of which Mr Spence is a beneficial Partner, provided accounting and taxation services to Sierra's PNG subsidiaries, Kairiru Mining Limited (subsidiary until 26 June 2009), Rossel Island Exploration Limited and Sierra Mining (PNG) Limited, to the value of \$10,542. This expense was in part paid by the issue of 495,450 shares in the Company.

During the year, Mr Spence also provided loans to Kairiru Mining Limited and Sierra Mining (PNG) Limited totalling A\$57,056 (PGK 100,000). This was repaid via the issue of 2,852,800 Shares in the Company, at an issue price of \$0.02 per share and was approved by shareholders on 6 March 2009. There was a foreign exchange gain of \$2,095 on repayment of the loan. No interest was payable on the loans.

**18. KEY MANAGEMENT PERSONNEL COMPENSATION**

**(a) Details of Key Management Personnel**

The Key Management Personnel of the Group during or since the end of the financial year were as follows:

**Directors**

Mr Ian Middlemas	Non-Executive Chairman
Mr Johan Raadsma	Executive Director
Mr David Cruse	Non-Executive Director
Mr Maximo Sara	Technical Director
Mr Sinton Spence	Non-Executive Director
Mr Peter Macnab	Non-Executive Director

**Executives**

Mr Clint McGhie	Company Secretary
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There were no other key management personnel of the Company or the Consolidated Entity.

**(b) Key Management Personnel Compensation**

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Short-term benefits	103,370	242,039	102,737	205,892
Post-employment benefits	26,175	130,800	26,175	130,800
Share-based payments	547,963	-	538,054	-
	677,508	372,839	666,966	336,692

**(c) Optionholdings of Key Management Personnel**

2009	Held at 1 July 2008 (#)	Granted as Compensation (#)	Net Other Change (#)	Held at 30 June 2009 (#)
<b>Current Directors</b>				
Mr Ian Middlemas	2,333,333	-	-	2,333,333
Mr Johan Raadsma	-	8,000,000	-	8,000,000
Mr David Cruse	1,830,833	-	-	1,830,833
Mr Maximo Sara	1,525,000	1,000,000	-	2,525,000
Mr Sinton Spence	515,000	-	-	515,000
Mr Peter Macnab	-	250,000	-	250,000
<b>Executives</b>				
Mr Clint McGhie	119,267	250,000	-	369,267

2008	Held at 1 July 2007 (#)	Granted as Compensation (#)	Net Other Change (#)	Held at 30 June 2008 (#)
<b>Current Directors</b>				
Mr Ian Middlemas	2,333,333	-	-	2,333,333
Mr Johan Raadsma	_(1)	-	-	-
Mr David Cruse	1,743,333	-	87,500	1,830,833
Mr Maximo Sara	1,525,000	-	-	1,525,000
Mr Sinton Spence	515,000	-	-	515,000
Mr Peter Macnab	_(2)	-	-	-
<b>Executives</b>				
Mr Clint McGhie	119,267	-	-	119,267

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**18. KEY MANAGEMENT PERSONNEL COMPENSATION (Continued)**

**(c) Optionholdings of Key Management Personnel (Continued)**

Notes

- (1) Mr Raadsma became a Director on 28 May 2008 and this balance refers to the number of Options held as at 28 May 2008.  
 (2) Mr Macnab became a Director on 27 May 2008 and this balance refers to the number of Options held as at 27 May 2008.

**(d) Shareholdings of Key Management Personnel**

Ordinary Shares	Held at 1 July 2007 (#)	Purchases (#)	Other (#)	Held at 30 June 2008 (#)	Purchases <sup>(5)</sup> (#)	Other (#)	Held at 30 June 2009 (#)
<b>Current Directors</b>							
Mr Ian Middlemas	3,750,000	-	-	3,750,000	5,000,000	-	8,750,000
Mr Johan Raadsma	-( <sup>1</sup> )	-	-	-	-	1,770,150 <sup>(3)</sup>	1,770,150
Mr David Cruse	2,120,001	171,260	-	2,291,261	2,500,000	1,635,000 <sup>(3)</sup>	6,426,261
Mr Maximo Sara	1,800,000	-	-	1,800,000	-	1,875,050 <sup>(3)</sup>	3,675,050
Mr Sinton Spence	2,530,000	-	-	2,530,000	-	3,723,250 <sup>(3)(4)</sup>	6,253,250
Mr Peter Macnab	2,000,000 <sup>(2)</sup>	-	-	2,000,000	-	1,406,900 <sup>(3)</sup>	3,406,900
<b>Executives</b>							
Mr Clint McGhie	265,000	-	-	265,000	525,000	-	790,000

Notes

- (1) Mr Raadsma became a Director on 28 May 2008 and this balance refers to the number of Shares held as at 28 May 2008.  
 (2) Mr Macnab became a Director on 27 May 2008 and this balance refers to the number of Shares held as at 27 May 2008.  
 (3) Shares issued subject to shareholder approval received at meeting held on 6 March 2009. All shares issued at \$0.02 in full and complete satisfaction of fees owed by the Company to each director.  
 (4) Mr Spence was also issued 2,852,800 shares in full and complete satisfaction of the loan provided to the Company. This was also approved at the meeting held on 6 March 2009.  
 (5) These Shares were subscribed for by Directors/Executives on terms no more favourable than to other unrelated parties.

Preference Shares	Held at 1 July 2008 (#)		Issued in Consideration (#)		Held at 30 June 2009 (#)	
	A Class	B Class	A Class	B Class	A Class	B Class
<b>Current Directors</b>						
Mr Maximo Sara	25,000	-	-	-	25,000	-
Mr Sinton Spence	-	12,500	-	-	-	12,500
Mr Peter Macnab	-	10,000	-	-	-	10,000

Preference Shares	Held at 1 July 2007 (#)		Issued in Consideration (#)		Held at 30 June 2008 (#)	
	A Class	B Class	A Class	B Class	A Class	B Class
<b>Current Directors</b>						
Mr Maximo Sara	25,000	-	-	-	25,000	-
Mr Sinton Spence	-	12,500	-	-	-	12,500
Mr Peter Macnab	-	10,000 <sup>(1)(2)</sup>	-	-	-	10,000

Note

(1) Mr Macnab became a Director on 27 May 2008 and this balance refers to the number of Preference Shares held as at 27 May 2008.

## 19. SHARE-BASED PAYMENTS

### (a) Recognised Share-based Payment Expense

From time to time, the Group provides incentive options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of shares/options granted, and the terms of the shares/options granted are determined by the Board. Shareholder approval is sought where required.

In the current year, the Company has also granted shares in lieu of payments for directors' and consulting fees and other expenses.

During the past two years, the following equity settled share based payments have been made:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Expense arising from equity-settled share-based payment transactions to:				
Employees				
- Incentive options	398,250	-	398,250	-
- Shares	141,242	-	141,242	-
Non-employees				
- Shares	49,909	-	40,000	-
<b>Total expense arising from share-based payment transactions</b>	<b>589,401</b>	<b>-</b>	<b>579,492</b>	<b>-</b>

The expense that will be recognised in the 2010 financial year from incentive options that were granted in the 2009 financial year but that will vest in 2010 will be as follows:

- \$0.075 unlisted incentive options expiring 30 June 2011 maximum expense amount in 2010 will be \$8,787.
- \$0.25 unlisted incentive options expiring 31 March 2011 maximum expense amount in 2010 will be \$3,701.
- \$0.15 unlisted incentive options expiring 30 June 2010 maximum expense amount in 2010 will be \$1,893.

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**19. SHARE-BASED PAYMENTS (Continued)**

**(b) Summary of Options Granted**

The following unlisted incentive options were in granted during the past two years:

2009 Option Series Number	Number	Grant Date	Note	Expiry Date	Exercise Price \$	Grant Date Fair Value \$
<b>Series 1</b>						
Tranche A	1,250,000	5 Sept 2008	(1)	30 June 2010	0.15	0.098
Tranche B	2,250,000	5 Sept 2008	(1)	31 Mar 2011	0.25	0.096
Tranche C	500,000	5 Sept 2008	(1)	30 Sept 2011	0.30	0.102
<b>Series 2</b>						
Tranche A	1,500,000	6 Mar 2009	(2)	30 June 2011	0.075	0.008
Tranche B	2,000,000	6 Mar 2009	(3)	30 June 2010	0.15	0.002
Tranche C	2,000,000	6 Mar 2009	(4)	31 Mar 2011	0.25	0.003

Notes

- (1) These options are fully vested as at balance date;
- (2) These options are yet to vest at balance date. 1,500,000 options will vest on 19 March 2010;
- (3) These options are yet to vest at balance date. 2,000,000 options will vest on 19 September 2009; and
- (4) These options are yet to vest at balance date. 2,000,000 options will vest on 19 December 2009.

There were no Options issued during 2008.

The following table illustrates the number and weighted average exercise prices (WAEP) of share options at the beginning and end of the financial year:

	2009 Number	2009 WAEP	2008 Number	2008 WAEP
Outstanding at beginning of year	4,000,000	\$0.20	4,000,000	\$0.20
Exercised during the year	-	-	-	-
Granted by the Company during the year	9,500,000	\$0.19	-	-
Outstanding at end of year	13,500,000	\$0.19	4,000,000	\$0.20

The outstanding balance of options granted as share based payments on issue as at 30 June 2009 is represented by:

- 4,000,000 \$0.20 Listed Options;
- 3,250,000 \$0.15 Unlisted Incentive Options;
- 4,250,000 \$ 0.25 Unlisted Incentive Options;
- 500,000 \$0.30 Unlisted Incentive Options; and
- 1,500,000 \$0.075 Unlisted Incentive Options.

**(c) Weighted Average Remaining Contractual Life**

The weighted average remaining contractual life for share options outstanding as at 30 June 2009 is 1.1 years (2008: 2.5 years).

**(d) Range of Exercise Prices**

The exercise price for share options outstanding as at 30 June 2009 was \$0.075 to \$0.30 (2008: \$0.20).

**(e) Weighted Average Fair Value**

The weighted average fair value of options granted by the Group during the year ended 30 June 2009 was \$0.043. There were no options granted during the year ended 30 June 2008.

**(f) Option Pricing Model**

The following table lists the inputs to the valuation model used for share options granted by the Group during the year ended 30 June 2009:

Inputs	SERIES 1		
	Tranche A	Tranche B	Tranche C
Exercise Price	\$0.15	\$0.25	\$0.30
Grant date share price	\$0.165	\$0.165	\$0.165
Dividend yield	-	-	-
Volatility <sup>(1)</sup>	99%	99%	99%
Risk free interest rate	5.25%	5.25%	5.25%
Grant date	5 Sept 2008	5 Sept 2008	5 Sept 2008
Expiry date	30 June 2010	31 March 2011	30 Sept 2011
Expected life of option <sup>(2)</sup>	1.83 years	2.58 years	3.08 years
Fair value at grant date	\$0.098	\$0.096	\$0.102

Inputs	SERIES 2		
	Tranche A	Tranche B	Tranche C
Exercise Price	\$0.075	\$0.15	\$0.25
Grant date share price	\$0.02	\$0.02	\$0.02
Dividend yield	-	-	-
Volatility <sup>(1)</sup>	120%	120%	120%
Risk free interest rate	2.75%	2.75%	2.75%
Grant date	6 March 2009	6 March 2009	6 March 2009
Expiry date	30 June 2011	30 June 2010	31 March 2011
Expected life of option <sup>(2)</sup>	2.33 years	1.33 years	2.08 years
Fair value at grant date	\$0.008	\$0.002	\$0.003

**Notes**

- (1) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.
- (2) The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

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**19. SHARE-BASED PAYMENTS (Continued)**

**(g) Summary of Shares Issued**

On 20 March 2009, following shareholder approval on 6 March 2009, the Company issued 9,557,550 shares in consideration for services and expenses totalling \$191,151 which had been incurred by the Consolidated Entity. Following agreement with creditors, including Directors and independent third parties, the shares were issued at \$0.02 per share. The issue price was based on the subscription price of shares issued on the same date to independent third parties (as well as to related parties) in a placement raising \$1 million.

**20. 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.

Name of Controlled Entity	Place of Incorporation	% of Shares Held	
		2009	2008
Kairiru Mining Limited	PNG	10	100
Rossel Island Exploration Limited	PNG	100	100
Sierra Mining (PNG) Limited	PNG	100	100
Sierra Philippines Pty Ltd	Australia	100	100

Note

(1) Kairiru Mining Limited was deconsolidated from the Group with effect from 26 June 2009 under an agreement to farm-out its interest in EL 1398 over Kairiru Island, whereby Sierra's interest in Kairiru Mining Limited was diluted to 10%. Refer to below for further details.

The above-named investments in controlled entities have a carrying value at balance date of \$nil (2008: \$nil).

**(a) Deemed disposal of controlled entity**

On 26 June 2009, following a review of its assets in Papua New Guinea, Sierra entered into an agreement to farm-out its interest in EL1398 over Kairiru Island. Under the agreement:

- Trinity Minerals Exploration Limited ("Trinity"), a private PNG exploration company, has acquired a 90% interest in Kairiru Mining Limited (the PNG subsidiary which holds EL1398), through the issue of shares, diluting the Company's interest;
- Trinity has paid the exploration licence renewal fees and will fund all activities on the project by way of loan until commencement of a bankable feasibility study; and
- Sierra will maintain a 10% interest in the project.

Sierra received no consideration on deemed disposal as Trinity's interest was acquired through the issue of new shares in Kairiru Mining Limited.

(b) Details of deemed disposal of controlled entity

	\$
<b>Consideration Received</b>	
Cash received	-
Total value of consideration received on deconsolidation	-
<b>Net assets relinquished at 26 June 2009</b>	
Net value of assets in Kairiru Mining Limited	6,026
Foreign currency translation movement	(42,742)
Transaction costs	-
Net assets relinquished at 26 June 2009	(36,716)
<b>Gain on deconsolidation</b>	<b>36,716</b>

The carrying amounts of Kairiru Mining Limited's assets and liabilities as at the date of deemed disposal (26 June 2009) were:

	26 June 2009 \$
Trade receivables	11,178
Exploration and evaluation assets	29,250
Other non-current financial assets	4,279
Total assets	44,707
Trade Creditors	(13,956)
Other non-current financial liabilities	(24,725)
Total liabilities	(38,681)
<b>Net assets</b>	<b>6,026</b>

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	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>21. REMUNERATION OF AUDITORS</b>				
Amounts received or due and receivable by BDO Kendalls Audit & Assurance (WA) Pty Ltd for:				
– an audit or review of the financial reports of the Company	27,000	19,109	27,000	19,109
– option valuation services in relation to the Company	1,066	1,215	1,066	1,215
	<b>28,066</b>	<b>20,324</b>	<b>28,066</b>	<b>20,324</b>
Other auditors for:				
– an auditor or review of the financial reports	8,647	10,039	-	-
<b>Total Auditors Remuneration</b>	<b>36,713</b>	<b>30,363</b>	<b>28,066</b>	<b>20,324</b>

**22. COMMITMENTS**

**(a) Finance Leases**

The Group leases various plant and equipment with a carrying amount of \$34,964 (2008: \$52,005) under finance leases expiring within three years. Under the terms of the leases, the combined residual value for the assets is 2 Kina (approximately A\$0.92).

Commitments in relation to finance leases are payable as follows:				
– within one year	13,103	19,790	-	-
– later than one year but not later than three years	7,648	31,342	-	-
Minimum lease payments	<b>20,751</b>	<b>51,132</b>	-	-
Representing lease liabilities:				
Current (note 11)	13,103	19,790	-	-
Non-current (note 13)	7,648	31,342	-	-
	<b>20,751</b>	<b>51,132</b>	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2009

#### 23. SEGMENT INFORMATION

The Group operates in the mineral exploration industry in the following geographical segments:

Geographical Segment	Australia		Papua New Guinea		Philippines		Consolidated Entity	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Share of associates losses	-	-	-	-	(338,115)	(338,115)	-	(338,115)
Unallocated revenue					11,814	125,768	11,814	125,768
Total revenue					11,814	(212,347)	11,814	(212,347)
Results								
Segment result	(697,188)	(600,808)	(396,806)	(722,941)	(179,772)	(468,481)	(1,273,766)	(1,792,230)
Unallocated expenses and revenue							(1,254,546)	(1,297,658)
Loss before income tax expense							(2,528,312)	(3,089,888)
Income tax expense							-	-
Net loss							(2,528,312)	(3,089,888)
Assets								
Segment assets	33,683	14,532	50,376	433,919	-	-	84,059	448,451
Unallocated assets							576,714	1,075,433
Total assets							660,773	1,523,884
Liabilities								
Segment liabilities	(85,868)	(130,608)	(76,803)	(105,387)	-	-	(162,671)	(235,995)
Unallocated liabilities							-	-
Total liabilities							(162,671)	(235,995)
Other								
Share of associates loss	-	-	-	-	-	(338,115)	-	(338,115)
Impairment losses	-	-	(398,809)	-	(1,015,986)	(1,761,541)	(1,414,795)	(1,761,541)
Acquisition/(Disposal) of PPE	-	8,042	(34,153)	68,352	-	-	(34,153)	76,394
Depreciation expense	3,228	2,157	1,753	16,132	-	-	4,981	18,289

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	Consolidated	
	2009 Cents per Share	2008 Cents per Share
<b>24. EARNINGS PER SHARE</b>		
Basic loss per share:		
From continuing operations	(4.31)	(6.31)
From discontinued operations	-	-
<b>Total basic loss per share</b>	<b>(4.31)</b>	<b>(6.31)</b>
Diluted loss per share:		
From continuing operations	(4.31)	(6.31)
From discontinued operations	-	-
<b>Total diluted loss per share</b>	<b>(4.31)</b>	<b>(6.31)</b>

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated	
	2009 \$	2008 \$
Net loss used in calculating basic and diluted earnings per share	(2,528,312)	(3,089,888)

	Number of Shares	
	2009	2008
Weighted average number of ordinary shares used in calculating basic earnings per share	58,722,071	49,000,001
Effect of dilutive securities*	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	58,722,071	49,000,001

\*Non-dilutive securities

As at balance date, 18,583,333 listed options, 9,500,000 unlisted options (which represent 28,083,333 potential ordinary shares), and 100,000 convertible preference shares (which represent 10,000,000 potential ordinary shares) were not dilutive as they would decrease the loss per share.

**Conversions, calls, subscriptions or issues after 30 June 2009**

Since 30 June 2009, nil Incentive Options have been issued.

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>25. NOTES TO THE CASH FLOW STATEMENT</b>				
<b>(a) Reconciliation of Loss for the Period to Net Cash Flows from Operating Activities</b>				
Loss for the period	(2,528,312)	(3,089,888)	(2,220,561)	(3,409,233)
Adjustment for non-cash income and expense items				
Share of associates loss	-	338,115	-	-
Impairment of investment	-	-	-	301,596
Impairment of capitalised exploration	398,809	-	-	-
Adjustment to profit & loss not operating	-	-	1,238	-
Share-based payments expensed - incentive options	398,250	-	398,250	-
Impairment of loans to associates	1,015,986	1,423,426	1,253,712	2,392,487
Provision for depreciation	4,981	18,289	3,228	2,157
Provision for employee entitlements	(33,859)	21,976	(33,859)	21,976
Share-based payments - shares	181,242	-	181,242	-
Profit on sale of property, plant and equipment	(8,679)	-	-	-
Foreign exchange movement	(25,898)	(9,650)	-	-
Changes in assets and liabilities				
Increase in trade and other receivables	(8,698)	(18,501)	(739)	(7,448)
Increase in trade and other payables	(9,084)	103,947	(10,881)	56,571
Non-operating accrued expenses	(30,750)	-	(30,750)	-
Other non current assets	1,162	(7,066)	-	-
<b>Net cash outflow from operating activities</b>	<b>(644,850)</b>	<b>(1,219,352)</b>	<b>(459,120)</b>	<b>(641,894)</b>
<b>(b) Reconciliation of Cash Assets</b>				
Cash at bank and on hand	102,681	370,836	102,144	356,797
Bank short term deposits	474,033	340,168	474,033	340,168
	576,714	711,004	576,177	696,695

**(c) Credit Standby Arrangements with Banks**

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

**(d) Non-cash Financing and Investing Activities**

30 June 2009

During the year the Company issued 2,852,800 shares at an issue price of \$0.02 as repayment of loans from a related party to Kairiru Mining Limited and Sierra Mining (PNG) Limited totalling \$57,056. (Refer Note 17(b)).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 25. NOTES TO THE CASH FLOW STATEMENT (Continued)

#### (d) Non-cash Financing and Investing Activities (Continued)

In addition, the Company also issued 6,588,031 shares to a creditor of the Company's Philippines associate, Bunawan Mining Corporation. The issue of shares at \$0.02 per share to convert an amount owing of A\$131,761 (US\$86,696) has been recorded through the loan account with Bunawan Mining Corporation which has been fully impaired at 30 June 2009.

30 June 2008

There were no non-cash financing or investing activities during the year ended 30 June 2008.

### 26. FINANCIAL INSTRUMENTS

#### (a) Overview

The Group's principal financial instruments comprise receivables, payables, borrowings, 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) Credit Risk

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 risk arises principally from cash and cash equivalents and trade and other receivables.

With the exception of loans to controlled entities and equity accounted associates (for which amounts have been provided for), there are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	576,714	711,004	576,177	696,965
Trade and other receivables	18,373	18,236	14,126	7,139
Loans to controlled entities	-	-	-	61,808
Loans to equity accounted associates	-	363,483	-	363,483
	595,087	1,092,723	590,303	1,129,395

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts on trade receivables. No receivables are past due.

Trade and other receivables comprise accrued interest and other miscellaneous receivables. 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.

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. Cash and cash equivalents are held on deposit with 'A' rated banks where available.

### (c) 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. At 30 June 2008 and 2009, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	Carrying Amount \$	Contractual Cash Flows \$	≤6 months \$	6-12 months \$	1-5 years \$	≥5 years \$
2009 – Group						
Financial Liabilities						
Trade and other payables	141,920	141,920	141,920	-	-	-
Leases	21,751	23,894	7,599	7,599	8,696	-
	163,671	165,814	149,519	7,599	8,696	-
2009 – Company						
Financial Liabilities						
Trade and other payables	85,868	85,868	85,868	-	-	-
	85,868	85,868	85,868	-	-	-

**NOTES TO AND FORMING PART OF THE  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 30 JUNE 2009

**26. FINANCIAL INSTRUMENTS (Continued)**

**(c) Liquidity Risk (Continued)**

	Carrying Amount \$	Contractual Cash Flows \$	≤6 months \$	6-12 months \$	1-5 years \$	≥5 years \$
<b>2008 - Group</b>						
Financial Liabilities						
Trade and other payables	151,004	151,004	151,004	-	-	-
Leases	51,132	58,486	11,477	11,477	35,562	-
	202,136	209,490	162,481	11,477	35,562	-
<b>2008 – Company</b>						
Financial Liabilities						
Trade and other payables	96,749	96,749	96,749	-	-	-
	96,749	96,749	96,749	-	-	-

**(d) Interest Rate Risk**

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, security deposits, investments in securities, and payables are non-interest bearing.

The Group invests surplus cash in call or term deposit accounts with internationally recognised financial institutions. Interest rate risk is managed by the selection of term deposit interest rates and terms that reflect management's market expectations, to terms not exceeding 12 months. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated		Company	
	2009 \$	2008 \$	2009 \$	2008 \$
Interest-bearing financial instruments				
Cash at bank and on hand	102,681	370,836	102,144	356,797
Bank short term deposits	474,033	340,168	474,033	340,168
	576,714	711,004	576,177	696,965

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 2.82% (2008: 6.11%).

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

*Interest rate sensitivity*

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) 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 2008.

	Profit or Loss	
	10% Increase	10% Decrease
2009		
Group		
Cash and cash equivalents	1,181	(1,181)
Company		
Cash and cash equivalents	1,181	(1,181)
2008		
Group		
Cash and cash equivalents	12,577	(12,577)
Company		
Cash and cash equivalents	12,577	(12,577)

**(e) Foreign Currency Risk**

As a result of activities overseas, the Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in foreign currencies.

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

The Group does not have any significant exposure to currency risk as it does not have any significant transactions or balances denominated in foreign currencies.

*(i) Sensitivity Analysis for Currency Risk – Papua New Guinea Kina (“PGK”)*

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. This has been applied to the net financial instruments of Sierra Mining (PNG) Limited, Rossel Island Exploration Limited and Kairiru Mining Limited (2008 only). The sensitivity analysis is prepared as at balance date.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 26. FINANCIAL INSTRUMENTS (Continued)

#### (e) Foreign Currency Risk (Continued)

The year end PGK:AUD exchange rate was 0.46296 (2008: 0.39251). Had the value of the PGK increased by 10% against the AUD to 0.50926 (2008: 0.43176) the net assets of the Consolidated Entity would have decreased by \$6,368 (2008: \$7,083). Had the value of the PGK decreased by 10% against the AUD to 0.41666 (2008: 0.35326) the net assets of the Consolidated Entity would have increased by \$6,368 (2008:\$ 7,083).

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

#### (f) Commodity Price Risk

The Group is exposed to copper, gold and other base metal 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 commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity 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.

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) Fair Value

The fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

### 27. SUBSEQUENT EVENTS

Other than as outlined above, as at the date of this report there are no matters or circumstances which have arisen since 30 June 2009 that have significantly affected or may significantly affect:

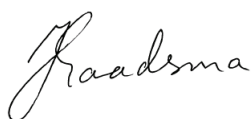
- the operations, in financial years subsequent to 30 June 2009, of the Company;
- the results of those operations, in financial years subsequent to 30 June 2009, of the Company; or
- the state of affairs, in financial years subsequent to 30 June 2009, of the Company.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sierra Mining Limited, I state that:

- (1) In the opinion of the Directors:
  - (a) the financial statements and notes 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 2009 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 Consolidated Entity will be able to pay its debts as and when they become due and payable.
- (2) The remuneration disclosures included in pages 13 to 18 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.
- (3) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

On behalf of the Board.



**JOHAN RAADMSA**  
Executive Director

Perth, 30 September 2009

## INDEPENDENT AUDITOR'S REPORT



BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd  
128 Hay Street  
Subiaco WA 6008  
PO Box 700 West Perth WA 6872  
Phone 61 8 9380 8400  
Fax 61 8 9380 8499  
aa.perth@bdo.com.au  
www.bdo.com.au

ABN 79 112 284 787

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SIERRA MINING LIMITED

#### Report on the Financial Report

We have audited the accompanying financial report of Sierra Mining Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

#### 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 controls 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 opinions.

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

BDO Kendalls is a national association of separate partnerships and entities.  
Liability limited by a scheme approved under Professional Standards Legislation.

### Auditor's Opinion

In our opinion:

- (a) the financial report of Sierra Mining Limited is 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 2009 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.

### Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(u) in the financial report which indicates that the company incurred a net loss of \$2,220,561 during the year ended 30 June 2009 and a net cash outflow from operating activities of \$459,120, and as such, these conditions, along with other matters as set forth in Note 1(u), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the report.


### Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2009. 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 Sierra Mining Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

### BDO Kendalls Audit & Assurance (WA) Pty Ltd



**Brad McVeigh**  
Director

Perth, Western Australia  
Dated this 30<sup>th</sup> day of September 2009

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Sierra Mining Limited is responsible for its corporate governance, that is, the system by which the Group is managed.

### 1. Board of Directors

#### 1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Executive Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

#### 1.2 Composition of the Board and New Appointments

The Company currently has the following Board members:

Mr Ian Middlemas	Non-Executive Chairman
Mr Johan Raadsma	Executive Director
Mr David Cruse	Non-Executive Director
Mr Maximo Sara	Technical Director
Mr Peter Macnab	Non Executive Director
Mr Sinton Spence	Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board has assessed the independence status of the directors and has determined that there are no independent directors.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically to determine the optimum number of directors required for the Board to properly perform its responsibilities and functions.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

## CORPORATE GOVERNANCE STATEMENT

### 1. Board of Directors (Continued)

#### 1.3 Committees of the Board

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

#### 1.4 Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

#### 1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

## 2. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

### 2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

### 2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

## CORPORATE GOVERNANCE STATEMENT

### 2. Ethical Standards (Continued)

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

#### 2.3 Dealings in Company Securities

The Group's share trading policy imposes basic trading restrictions on all employees of the Group with 'inside information', and additional trading restrictions on the directors of the Company. 'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (e.g. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

These restrictions have been developed having regard to the current nature of the Group's activities, being exploration and development rather than production. Should the Group move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of operating results.

#### 2.4 Interests of Other Stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group'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 the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

### 3. Disclosure of Information

#### 3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Executive Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

- a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
- b) The information is confidential; or
- c) One of the following applies:
  - i. It would breach a law or regulation to disclose the information;
  - ii. The information concerns an incomplete proposal or negotiation;
  - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - iv. The information is generated for internal management purposes;
  - v. The information is a trade secret;
  - vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information;
  - vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Executive Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

#### 3.2 Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on *the Company's website*.

## CORPORATE GOVERNANCE STATEMENT

### 4. Risk Management and Internal Control

#### 4.1 *Approach to Risk Management and Internal Control*

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- acquisition of new business opportunities;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

#### 4.2 *Risk Management Roles and Responsibilities*

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control.

In 2009 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

#### 4.3 *Integrity of Financial Reporting*

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

#### 4.4 *Role of External Auditor*

The Group's practice is to invite the auditor (who now must attend) to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### 5. **Performance Review**

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Executive Director.

In 2009, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

### 6. **Remuneration Arrangements**

The broad remuneration policy is to ensure that remuneration properly reflects the relevant persons duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

## COMPLIANCE WITH ASX CORPORATE GOVERNANCE RECOMMENDATIONS

During the 2009 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1, 2.2	There are no independent directors, including the chairman.	<p>The Board considers that the Group is not currently of a size nor are its affairs of such complexity to justify the expense of the appointment of independent Non-Executive Directors.</p> <p>The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.</p> <p>The Company's Chairman, Mr Ian Middlemas, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However, the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.</p>
2.4	A Separate Nomination Committee has not been formed	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed and there is not an Audit Committee operating charter.	The Board considers that the Group is not of a size, nor is its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1	A separate Remuneration Committee has not been formed.	The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

As the Company's activities increase in size, scope and/or nature the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.



## ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2009.

### 1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

#### Ordinary Shares

Name	No of ordinary shares held	Percentage of issued shares
National Nominees Limited	6,588,031	5.58%
Mr James Sinton Spence	6,223,250	5.27%
Cantori Pty Ltd	6,035,000	5.11%
Arredo Pty Ltd	5,500,000	4.66%
Mountainside Investments Pty Ltd <The Oasis Super Fund A/C>	5,000,000	4.24%
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	4,100,000	3.47%
AWJ Family Pty Ltd <A W Johnson Family A/C>	4,000,000	3.39%
Maximo Sara	3,675,050	3.11%
Mr Ian Middlemas	3,250,000	2.75%
Minturn Pty Ltd	2,924,295	2.48%
Greenslade Holdings Pty Ltd	2,708,052	2.29%
Mr Arthur Gilbert Smedley	2,500,000	2.12%
Mr Scott Andrew Springett & Mrs Jo-anne Springett <Springett Family A/C>	2,500,000	2.12%
Showteam Enterprises Pty Ltd <Bayview Super Fund A/C>	2,450,000	2.08%
Mr Angus William Johnson & Mrs Lindy Johnson <Dena Super Fund A/C>	2,340,000	1.98%
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	2,284,000	1.94%
Mr Robert James Pullar & Mrs Rebecca Anne Pullar <Robert Pullar S/Fund A/C>	2,100,000	1.78%
Apollo Group Pty Ltd	2,000,000	1.70%
Mr John Darroch & Mrs Gloria Darroch & Mr Richard Darroch & Ms Helen Darroch <J N Darroch Private S/F A/C>	2,000,000	1.70%
Mr Robert Peter Macnab	2,000,000	1.70%
<b>Total Top 20</b>	<b>70,177,678</b>	<b>59.47%</b>
Others	47,820,704	40.53%
<b>Total Ordinary Shares on Issue</b>	<b>117,998,382</b>	<b>100.00%</b>

## ADDITIONAL INFORMATION

### 1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES (Continued)

#### \$0.20 Listed Options

Name	No of listed options held	Percentage of listed options
Mr Ian Middlemas	2,083,333	11.21%
Cantori Pty Ltd	1,633,333	8.79%
Maximo Sara	1,525,000	8.21%
Dinwoodie Investments Pty Ltd <Dinwoodie Investments A/C>	1,400,000	7.53%
Marine Investments (WA) Pty Ltd	837,500	4.51%
Nefco Nominees Pty Ltd	625,000	3.36%
Argonaut Investments Pty Ltd <Argonaut Investment A/C>	583,333	3.14%
Mousetrap Nominees Pty Ltd	549,500	2.96%
Invia Custodian Pty Limited <M3788965B A/C>	500,000	2.69%
Mr James Sinton Spence	500,000	2.69%
Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	437,500	2.35%
Bouchi Pty Ltd	312,500	1.68%
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	292,000	1.57%
Arredo Pty Ltd	250,000	1.35%
Mambat Pty Ltd	250,000	1.35%
Mr Simon Thomas O'Loughlin	250,000	1.35%
Mr Patrick Philip Hood	229,500	1.23%
Chalkstick Pty Ltd <The Fragomeni Super Fund A/C>	225,000	1.21%
R W W Pty Ltd	225,000	1.21%
Beacon Exploration Pty Ltd	200,000	1.07%
<b>Total Top 20</b>	<b>12,908,499</b>	<b>69.46%</b>
Others	5,674,834	30.54%
<b>Total \$0.20 Listed Options on Issue</b>	<b>18,583,333</b>	<b>100.00%</b>

## 2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares		\$0.20 Listed Options	
	Number of Shareholders	Number of Shares	Number of Optionholders	Number of Options
1 - 1,000	4	2,082	1	500
1,001 - 5,000	9	31,400	91	450,500
5,001 - 10,000	66	648,500	15	126,000
10,001 - 100,000	118	4,942,156	132	3,868,334
More than 100,000	93	112,374,244	28	14,137,999
Totals	290	117,998,382	267	18,583,333

There were 79 holders of less than a marketable parcel of ordinary shares.

## 3. VOTING RIGHTS

See Note 14(d) of the Notes to the Financial Statements.

## 4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
Arredo Pty Ltd	8,750,000
Bradley Group Limited	6,588,031
James Sinton Spence	6,253,250
Cantori Pty Ltd	6,426,261

## ADDITIONAL INFORMATION

### 5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

#### Convertible Preference Shares

	A Class CPS	B Class CPS
Mr Maximo Sara	25,000	-
Mr Martin Sara	25,000	-
Mr James Sinton Spence	-	12,500
Mr Arthur Gilbert Smedley	-	12,500
Mr Neil John McIntyre	-	12,500
Mr Robert Peter Macnab	-	10,000
Others (holding less than 20%)	-	2,500
<b>Total</b>	<b>50,000</b>	<b>50,000</b>

#### Options

	\$0.075 Unlisted Options	\$0.15 Unlisted Options	\$0.25 Unlisted Options	\$0.30 Unlisted Options
Mr Johan Raadsma	1,000,000	3,000,000	4,000,000	-
Mr Maximo Sara	500,000	-	-	500,000
Others (holding less than 20%)	-	250,000	250,000	-
<b>Total</b>	<b>1,500,000</b>	<b>3,250,000</b>	<b>4,250,000</b>	<b>500,000</b>

### 6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Sierra Mining Limited's listed securities.

## 7. EXPLORATION INTERESTS

As at 30 September 2009, the Company has an interest in the following projects;

Project Name	Permit Number	Percentage Interest	Status
<b>Philippines<sup>(1)</sup></b>			
Taguibo/Ayan Project	EP001-06-X1	100%	Granted
	EPA-118-XI	100%	Application
	EPA-131-XI	100%	Application
Bunawan Project	EPA-037-XIII	100% <sup>(2)(3)</sup>	Application
	APSA-003-XIII	100% <sup>(2)</sup>	Application
Mawab Project	EPA-121-XI	100%	Application
Bahayan Prjoect	EPA-123-XI	100%	Application
<b>Papua New Guinea</b>			
Kairiru Project	EL 1398	10% <sup>(3)</sup>	Granted
Rossel Island Project	EL 1414	100%	Granted
Magavara Project	EL 1463	100%	Granted
Salumei Project	EL 1468	100%	Granted

### Notes

- (1) The Philippines Projects are held through Sierra's associate entities in the Philippines in which Sierra has a direct 40% interest and a \$1 call option over the remaining 60% interest.
- (2) The Bunawan Project was the subject of a conditional agreement ("JVA") in August 2007, between Bunawan Mining Corporation ("Bunawan") and Philsaga Mining Corporation ("Philsaga" – the Philippine operating company of Medusa Mining Limited). The terms of the agreement were not approved by the Bunawan Board and Philsaga were informed that the JVA had not and would not be approved in its current form. Bunawan received a Demand Letter for Arbitration under the rules of the Philippine Dispute Resolution Center Inc., however, this has now been dismissed after Philsaga lodged a Notice of Dismissal, withdrawing the case against Bunawan.
- (3) Bunawan has received a notice from the Mines and Geosciences Bureau Regional Office XIII, denying the application of EPA 000037-XIII on the basis of certification of non-consent issued by the National Commission on Indigenous People Regional Office XIII. Bunawan's legal counsel considers the denial without due process and to be illegal, and Bunawan has filed a Motion to Reconsider and will vigorously defend its legal position.
- (4) The Company holds a 10% interest in Kairiru Mining Limited, which is the company that holds the licence for the Kairiru Project.



**SIERRA**  
M I N I N G

**Sierra Mining Limited  
Level 9, BGC Centre,  
28 The Esplanade Perth,  
Western Australia 6000**

**Tel: +61 8 9322 6322  
Fax: +61 8 9322 6558**

[www.sierramining.com.au](http://www.sierramining.com.au)