

Appendix 4E Preliminary Final Report

30 JUNE 2010

COMPANY PARTICULARS.....	2
DIRECTORS' REVIEW.....	3
RESULTS FOR ANNOUNCEMENT TO THE MARKET	5
STATEMENT OF COMPREHENSIVE INCOME	6
STATEMENT OF FINANCIAL POSITION	9
STATEMENT OF CHANGES IN EQUITY.....	11
STATEMENT OF CASH FLOWS.....	12
DISCONTINUED OPERATIONS	14
ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD	15
SEGMENT REPORTING.....	16
COMMENTS BY DIRECTORS	18
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	19
COMPLIANCE STATEMENT.....	20
APPENDIX A – OPTION EXERCISE PERIODS AND EXPIRY DATES FOR UNQUOTED SHARES/OPTIONS .	21



COMPANY PARTICULARS

Directors	L E Case – Chairman & Non-Executive Director C R Bernecker – Non-Executive Director P B Harrison – Executive Director
Company Secretary	C Riquelme
Principal place of business and registered office in Australia	31 Market Street South Melbourne Vic 3205 Telephone:(03) 9926 1155 Facsimile: (03) 9696 1411 Website: www.longreach.com
Share register	Advanced Share Registry Services 150 Stirling Highway Nedlands WA 6008 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871
Auditor	Lawler Partners 763 Hunter Street Newcastle West NSW 2302
Lawyers	Addisons Level 12 60 Carrington Street Sydney NSW 2000
Stock exchange listing	LongReach Group Limited shares are listed on the Australian Stock Exchange. The trading code is LRG.

DIRECTORS' REVIEW

Preliminary Final Report for the year ended 30 June 2010

Your directors submit their preliminary final report for the year ended 30 June 2010 for LongReach Group Limited and its controlled entities.

Directors

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

Director		Appointed	Resigned
L E Case	Chairman & Director – Non-Executive	18 January 2007	Current
C R Bernecker	Director – Non-Executive	31 October 2008	Current
P B Harrison	Director	28 November 2008	Current

Operating and Financial Review

During the year the principal continuing activities of the Consolidated Entity encompassed the design, integration, installation and maintenance of integrated information and communications technology based products and services to the defence, security and intelligence sectors, as well as to government, telecommunications and corporate customers, both locally and internationally.

The Group's continuing operations for the current year ending 30 June 2010 were comprised of the operations of C4i Pty Ltd ("C4i"). For 20 years, C4i has specialised in delivering standard-setting communication solutions for mission-critical military and government customers around the globe. In the areas of defence, homeland security, public safety and public infrastructure, C4i systems have been used to improve decision-making capabilities by enhancing and extending the speed and flow of information.

Results

The consolidated net profit for the economic entity for the year ended 30 June 2010 was \$1,066,591 before providing for income tax (2009: \$1,294,978 from continuing operations) and \$418,648 after providing for income tax (2009: \$974,802 from continuing operations)

The financial results for the financial year were impacted by the following significant events:

- During the year the Company issued 39 million ordinary shares pursuant to the Employee Share Plan approved at the 2009 Annual General Meeting. Although the shares were issued at market price, Accounting Standards require that the value of these shares be charged to Employment expenses over the 4 year vesting period, with the offsetting credit being to "Other Comprehensive Income". Consequently there is a \$239,063 non-cash expense and a corresponding non-cash income item in Statement of Comprehensive Income. Under the relevant accounting standard, the expense is included in the consolidated net profit reported above but the offsetting income entry is not. Directors are of the view that the amount expensed in the reported results does not reflect the economic cost to the company of issuing the Employee Share Plan share. Furthermore, because employees were granted a non-recourse loan to purchase their shares and because the shares only vest when and if significant performance hurdles are achieved, the relevant Accounting Standard treats the shares as 'in substance' options rather than issued capital.
- During the year the Company committed significant resources to expanding the operations of our US subsidiary, C4i Inc. This expenditure led to a loss for the year for C4i Inc of \$A1.2 million, which was in line with expectations. The US subsidiary has greatly expanded its sales pipeline and early orders are being received. The nominal tax rate of 60.7% partially reflects the fact that the consolidated group cannot offset the US losses against the Australian profits. The company has not raised a deferred tax asset, although we are hopeful to recover our US tax losses in the current financial year.
- During the year it was discovered that the Consolidated Tax Group had under-provided for income taxes in the 2008 and 2009 financial years. All current and past taxes have now been paid. The payment of prior year taxes has not impacted the 2010 financial results and the 2009 comparatives have been restated to reflect the actual tax paid on that year's profits.

Continuing Operations

The revenues from continuing operations of \$12,246,084 (2009: \$13,800,634) are comprised of:

- a) the sale of goods and services of \$12,075,161 (2009: \$13,397,589) being decrease of 9.87% over the corresponding period last year;
- b) interest received of \$119,417 (2009: \$194,103)
- c) Net foreign exchange gains of \$51,507 (2009: \$208,942); and
- d) Sundry income of \$30,321 (2009: 11,931).

The expenses from continuing operations of \$11,209,814 (2009: \$12,517,813) represents a 10.45% decrease over the corresponding period last year.

Dividends

No dividends were paid or declared during the year. The directors, however, will review the dividend policy in light of the results for the first six months of the current financial year and in the absence of unforeseen events expect to recommence paying dividends in the second half of the 2011 financial year. Directors also plan to reintroduce the dividend reinvestment plan with details being provided to shareholders well before the plan being reintroduced.

Issue of Shares, Share Options and Convertible Notes

The Company announced a Share Buyback of unmarketable parcels on 24 April 2009. The buyback was completed on 03 July 2009 when the Company bought back and cancelled 3,278,614 shares for \$49,184.74. Total ordinary shares on issue as at the date of this report for the financial reporting purposes are 262,876,348.

On 02 February 2010, Longreach Group issued 39,000,000 shares to its employees at a price of \$0.03 per share. The shares are issued to the employees under an Employee Share Plan. Under the plan, the loan is non-recourse and will operate over a four year period with vesting date of 01 September each year. Due to the non-recourse nature of the Employee Share Loan, These shares are considered to be in-substance options for accounting purposes and no loan receivable is recognised as the non-recourse loan does not satisfy the definition of financial instrument. The shares granted to employees are conditional on the performance hurdles and predetermined exercise price of \$0.03 at vesting dates (refer to Appendix A). There were no other issues of fully paid ordinary shares pursuant to Employee Share Plan during the financial period.

No other share options were issued during the year ended 30 June 2010. Certain of these options have lapsed or been cancelled before the end of the financial year and as at 30 June 2010 there remained 1,663,890 (2009: 3,330,558) issued share options.

Matters Subsequent to the End of the Financial Year

There are no matters subsequent to the end of the financial year.



L E Case
Chairman



P B Harrison
Director

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Extracts from this report for announcement to the market.

Results from Operations

Revenues from Continuing Operations	down	11.12%	to	\$12,276,405
Profit (loss) before tax from Continuing Operations	down	17.63%	to	\$1,066,591
Profit (loss) after tax from Continuing Operations	down	57.05%	to	\$418,648
Net profit (loss) for the period attributable to members	down	63.80%	to	\$418,648

Dividends

	Amount per security	Franked Amount per security
Final dividend	-	-
Interim dividend	-	-
Previous corresponding period	-	-
Record date for determining entitlements to the dividend	N/A	

Explanation

LRG's net profit attributable to members in the 2010 financial year included expense of \$239,063 relating to the Employee Share plan.

Refer to additional commentary in the Directors Report at the beginning of this document.

STATEMENT OF COMPREHENSIVE INCOME

	Consolidated 2010	Consolidated Restated 2009
CONTINUING OPERATIONS		
Revenues	12,246,084	13,800,634
Other Income	30,321	12,157
Expenses	(11,146,246)	(12,432,310)
Finance costs	(63,568)	(85,503)
Profit / (loss) from continuing operations before tax	1,066,591	1,294,978
Income tax (expense) / benefit on continuing operations	(647,943)	(320,176)
Profit / (loss) from continuing operations after tax	418,648	974,802
DISCONTINUED OPERATIONS		
Profit / (loss) from discontinued operations before tax	-	259,755
Income tax (expense) / benefit on discontinued operations	-	(77,926)
Profit / (loss) after tax from discontinued operations	-	181,829
Net profit / (loss) for the period attributable to members	418,648	1,156,631
OTHER COMPREHENSIVE INCOME		
Reserves - Employee Share Plan	239,063	-
Foreign currency translation	(106,052)	(17,970)
Other comprehensive income for the period	133,011	(17,970)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	551,659	1,138,661
TAX RECONCILIATION – CONTINUING OPERATIONS		
Prima facie tax (expense) / benefit on profit from continuing operations	(319,977)	(388,493)
Unrecognised tax losses - current year	(373,045)	(201,978)
Prior year tax losses not previously brought to account now utilised	233,918	182,177
Expenditure not allowed for income tax purposes	(75,243)	(7,060)
Other	(113,596)	95,179
Income tax credit / (expense)	(647,943)	(320,176)

	Consolidated 2010	Consolidated Restated 2009
EARNINGS PER SECURITY (EPS)		
Basic EPS	0.16c	0.69c
Basic EPS – continuing operations	0.16c	0.56c
Diluted EPS	0.16c	0.69c
Diluted EPS – continuing operations	0.16c	0.56c
Weighted no. of ordinary shares	262,894,313	202,875,333
REVENUE AND EXPENSES FROM CONTINUING OPERATIONS		
Revenue and Other Income from Continuing Operations		
Revenue	12,126,668	13,606,531
Interest revenue	119,417	194,103
Other income	30,321	12,157
Total revenue and other income	12,276,405	13,812,791
Expenses from Continuing Operations		
Details of relevant expenses (including borrowing costs) :		
Costs of Goods Sold and Project Direct Costs	(2,692,656)	(4,716,841)
Employee Costs	(5,520,656)	(5,059,214)
Remuneration Employee Share Plan	(239,063)	-
Professional & Consultancy Fees	(144,350)	(70,064)
Finance Costs	(63,568)	(85,503)
Communication Costs	(76,241)	(65,521)
Occupancy Costs	(400,774)	(421,856)
Insurance	(117,159)	(158,914)
Travelling Costs	(24,211)	(14,490)
Depreciation and amortisation of PP&E	(181,612)	(106,561)
Amortisation of intangible assets	(824,166)	(840,773)
Impairment of PP&E	-	-
Write-down or impairment of Intangible Assets	(698,038)	(691,652)
Other Expenses	(227,320)	(286,424)
Total expenses from continuing operations	(11,209,814)	(12,517,813)

	Consolidated 2010	Consolidated Restated 2009
CONSOLIDATED ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial period	(24,384,625)	(25,795,113)
Net profit (loss) attributable to members	418,648	1,156,631
Settlement of convertible notes	-	177,700
Tax effect of settling convertible notes	-	76,157
	<hr/>	<hr/>
Accumulated losses at end of financial period	(23,965,977)	(24,384,625)

STATEMENT OF FINANCIAL POSITION

	Consolidated 2010	Consolidated Restated 2009
CURRENT ASSETS		
Cash and cash equivalents	5,220,544	3,736,037
Receivables	2,085,793	2,525,688
Inventories	3,283,774	4,222,549
Prepayments	22,492	15,797
Other	-	-
Total current assets	10,612,603	10,500,071
NON-CURRENT ASSETS		
Property, plant and equipment	359,132	358,194
Intangibles	5,649,673	4,960,461
Deferred tax assets	410,733	460,358
Total non-current assets	6,419,537	5,779,013
Total assets	17,032,141	16,279,084
CURRENT LIABILITIES		
Payables	1,908,421	1,962,101
Interest bearing liabilities	-	-
Income tax payable	306,229	577,089
Employee provisions	102,822	129,561
Other provisions	201,746	245,287
Other	982,979	576,157
Total current liabilities	3,502,197	3,490,195
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,694,905	1,472,905
Employee provisions	168,858	152,278
Total non-current liabilities	1,863,762	1,625,183
Total liabilities	5,365,960	5,115,377
Net assets	11,666,181	11,163,707

	Consolidated 2010	Consolidated Restated 2009
EQUITY		
Capital/contributed equity	34,724,847	34,774,032
Reserves	907,311	774,300
(Accumulated losses)	(23,965,977)	(24,384,625)
Total equity	11,666,181	11,163,707
RATIOS		
Profit before tax / revenue		
Consolidated profit / (loss) from continuing operations before tax as a percentage of revenue	8.69%	9.38%
Profit after tax / equity interests		
Consolidated net profit / (loss) after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	3.59%	4.53%
NTA BACKING		
Net tangible asset backing per ordinary security	2.13cents	2.31cents

STATEMENT OF CHANGES IN EQUITY

	Issued Capital	(Accumulated Losses)	Other Reserves	Reserves - Employee Share Plan	Total
At 1 July 2008	32,824,032	(25,621,553)	969,970	-	8,172,449
Restatement of Equity for the year 2008*	-	(173,560)	-		173,560
Profit / (loss) for the period	-	1,404,273	-		1,404,273
Adjustment for correction of year 2009 Income Tax *	-	(247,642)	-		(247,642)
Other Comprehensive Income	-	-	(17,970)	-	(17,970)
Shares issued	1,950,000	-	-		1,950,000
Share cancelled during the year	-	-	-		-
Settlement of convertible notes	-	177,700	(177,700)		-
Tax effect of settling convertible notes	-	76,157	-		76,157
At 30 June 2009	34,774,032	(24,384,625)	774,300	-	11,163,707
Profit / (loss) for the period	-	418,648	-		418,648
Adjustment for correction of prior years Income Taxes *	-	-	-		-
Other Comprehensive Income	-	-	(106,052)	239,063	133,011
Shares issued	-	-	-		-
Share cancelled during the year	(49,185)	-	-		(49,185)
At 30 June 2010	34,724,847	(23,965,977)	668,248	239,063	11,666,181

* see directors notes for more details.

STATEMENT OF CASH FLOWS

	Consolidated 2010	Consolidated 2009
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
Receipts from customers	15,168,201	14,429,046
Payments to suppliers and employees	(10,543,162)	(14,159,886)
Interest and other items of similar nature received	119,417	194,103
Interest and other costs of finance paid	(63,568)	(356,052)
Income tax paid	(647,178)	-
Net operating cash flows	4,033,710	107,211
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
Payment for purchases of property, plant and equipment	(182,549)	(360,203)
Capitalised development costs	(2,211,417)	(1,991,503)
Acquisition of subsidiaries	-	-
Proceeds from disposal of controlled entity	-	576,938
Net investing cash flows	(2,393,966)	(1,774,768)
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
Proceeds from issues of shares	-	1,950,000
Share buyback	(49,185)	-
Disposal group non-recourse financial commitments extinguished	-	-
Repayment of borrowings	-	(4,040,742)
Finance lease proceeds (payments)	-	-
Net financing cash flows	(49,185)	(2,090,742)
Net increase / (decrease) in cash and cash equivalents	1,590,558	(3,758,299)
Effect of FX rates on cash holdings in foreign currencies	(106,052)	-
Cash and cash equivalents at beginning of period (see Reconciliation of cash)	3,736,037	7,494,336
Cash and cash equivalents at end of period (see Reconciliation of cash)	5,220,544	3,736,037

Non-cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. (If an amount is quantified, show comparative amount.)

Effect of FX rates on cash holdings in foreign currencies: (\$106,052)

Reconciliation of Cash and Cash Equivalents

Reconciliation of cash and cash equivalents at the end of the period (as shown in the consolidated cash flow statement) to the related items in the accounts is as follows:

	Consolidated 2010	Consolidated 2009
Cash on hand and at bank	1,172,531	926,404
Deposits at call	4,047,923	2,809,633
Cash and cash equivalents at end of period per balance sheet	5,220,544	3,736,037
Invested funds (commercial bills) included in Other Assets	-	-
Cash on hand included in assets of disposal group	-	-
Interest bearing overdraft included in liabilities of disposal group	-	-
Cash on hand included in assets held for sale	-	-
Total cash and cash equivalents at end of period per cash flow	5,220,544	3,736,037

DISCONTINUED OPERATIONS

	Consolidated 2010	Consolidated 2009
Profit / (loss) after tax from discontinued operations	-	181,829

During the year ended 30 June 2009, LongReach Group Limited finalised the disposal of ServicePoint Australia Pty Limited. The final sale price was subject to an adjustment to the extent that the net assets of ServicePoint Australia Pty Limited as per its final Completion Accounts vary from a \$2.1 million net asset value. The Completion Accounts had been prepared by the purchaser and an audit certificate had been issued pre 30 June 2009. However, LongReach Group Limited had issued a Notice of Dispute in respect of the Completion Accounts and the net asset value as per these accounts. The dispute was finalised in the 2009 financial year resulting in additional proceeds of \$259,755 over the already accrued \$317,813 in 2008.

The gain/(loss) recognised in the 2010 for discontinued operations is Nil and in the 2009 financial year it was \$259,755 net of tax of \$77,926 and profit after tax of \$181,829.

ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

	Total Number	Number Quoted	Issue Price per security (cents)	Amount Paid Up per security (cents)
ORDINARY SECURITIES	262,876,348	262,876,348	-	-
Changes during current period				
a) Increases through issues - non renounceable rights issue	-	-	-	-
b) Increase through exercising of share options	-	-	-	-
c) Decreases through on market buy back	3,278,614	3,278,614	1.5c	49,185

	Total Number	Exercise Price	Vesting Date	Expiry Date (if any)
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SHARES ISSUED UNDER EMPLOYEE SHARE PLAN

Issued during current period	39,000,000	\$0.03	Refer to Appendix A	-
Exercised during current period	-	-	-	-
Expired and/or cancelled during current period	-	-	-	-
Expired and/or cancelled subsequent to year end	-	-	-	-

OPTIONS

Issued during current period	-	-	-	-
Exercised during current period	-	-	-	-
Expired and/or cancelled during current period	83,334	\$0.465	-	-
	1,000,000	\$0.25	-	-
	583,334	\$0.03	-	-
Expired and/or cancelled subsequent to year end	-	-	-	-

Dividends

No dividends were declared or paid during the year ended 30 June 2010. The directors, however, will review the dividend policy in light of the results for the first six months of the current financial year and in the absence of unforeseen events expect to recommence paying dividends in the second half of the 2011 financial year. Directors also plan to reintroduce the dividend reinvestment plan with details being provided to shareholders well before the plan being reintroduced.

SEGMENT REPORTING

Geographical Segments

The consolidated entity operated in two geographical areas, being Australia and the United States of America (USA). Pursuant to AASB 8 operating segments, the results in operating segments being reported in a manner consistent with internal reporting to chief operating decision maker.

An operating segment's operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance. Comparatives for 2009 have been restated to reflect prior year income tax adjustments.

30 JUNE 2010	Australia	USA	Elimination	Consolidated
REVENUE				
Revenue from external customers:				
Sales	9,478,980	1,250,369	-	10,729,348
Services	1,345,813	-	-	1,345,813
Other	200,904	340	-	200,904
Total revenue from external customers	11,025,696	1,250,709	-	12,276,405
Total revenue	11,025,696	1,250,709	-	12,276,405
RESULT				
Segment results	2,362,385	(1,243,484)	52,310	1,066,591
Results from continuing operating activities				1,066,591
Income tax expense on continuing operations				(647,943)
Gain on sale of discontinued operations (net of tax)				-
Profit for the year				418,648
ASSETS				
Segment assets	19,779,350	302,393	(3,049,603)	17,032,141
Unallocated assets				-
Total assets				17,032,141
LIABILITIES				
Segment liabilities	(5,086,953)	(3,276,300)	2,997,293	(5,365,960)
Unallocated liabilities				-
Total liabilities				(5,365,960)
Capital expenditure	182,549	-	-	182,549
Depreciation	181,612	-	-	181,612
Amortisation of intangible assets	824,166	-	-	824,166
Impairment losses on intangible assets	698,038	-	-	698,038

30 JUNE 2009	Australia	USA	Elimination	Consolidated
REVENUE				
Revenue from external customers:				
Sales	10,898,080	1,421,067	-	12,319,147
Services	1,078,442	-	-	1,078,442
Other	415,032	170	-	415,202
Total revenue from external customers	12,391,554	1,421,237	-	13,812,791
Total revenue	5,270,382	1,421,237	-	13,812,791
RESULT				
Segment results	1,968,237	(673,259)	-	1,294,978
Results from continuing operating activities				1,294,978
Income tax expense on continuing operations				(72,534)
Gain on sale of discontinued operations (net of tax)				181,829
Profit for the year				1,404,273
ASSETS				
Segment assets	17,693,659	775,465	(2,190,040)	16,279,084
Unallocated assets				-
Total assets				16,279,084
LIABILITIES				
Segment liabilities	(4,906,581)	(2,399,836)	2,191,040	(5,115,377)
Unallocated liabilities				-
Total liabilities				(5,115,377)
Capital expenditure	360,203	-	-	360,203
Depreciation	106,561	-	-	106,561
Amortisation of intangible assets	840,773	-	-	840,773
Impairment losses on intangible assets	691,652	-	-	691,652

Business Segments

The Group operates predominately in one industry sector, The Information and Communications Technology sector.

COMMENTS BY DIRECTORS

1. *Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.*

Please refer to the Directors' Review

2. *A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).*

Please refer to the Directors' Review

3. *Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.*

LongReach Group Limited has franking credits in the order of \$8,939,522, which are available for distribution to the shareholders.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows.

Basis of Preparation of Preliminary Final Report

The preliminary final report has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The preliminary final report has also been prepared on a historical cost basis.

The preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the last annual report and any public announcements to the market made by the Company during the reporting period in accordance with the continuous disclosure requirement of the Corporations Act 2001 and the listing rules of the Australian Stock Exchange.

The accounting policies adopted are consistent with those of the previous year.

The preliminary final report is presented in Australian dollars.

Comparative information is reclassified where appropriate to enhance comparability.

Changes in Contingent Liabilities or Assets

The bankers of the Group's controlled entities have issued performance guarantees to certain customers in respect of bonds of \$244,450.

COMPLIANCE STATEMENT

1. This preliminary report, and the accounts upon which the report is based, use the same accounting policies
2. This report does give a true and fair view of the matters disclosed
3. The accounts are in the process of being audited.
4. The entity has a formally constituted audit committee.



L E Case
Chairman



P B Harrison
Director

Date: 30 August 2010

APPENDIX A – OPTION EXERCISE PERIODS AND EXPIRY DATES FOR UNQUOTED SHARES/OPTIONS

Number of Shares Issued under Employee Share Plan

Number	Exercise Price	Vesting Date	Exercise Periods	Expiry Dates
12,750,000	\$0.03	30-Sep-10	30-Sep-10 to 01-Jan-14	31-Jan-14
8,750,000	\$0.03	30-Sep-11	30-Sep-11 to 01-Jan-14	31-Jan-14
8,750,000	\$0.03	30-Sep-12	30-Sep-12 to 01-Jan-14	31-Jan-14
8,750,000	\$0.03	30-Sep-13	30-Sep-13 to 01-Jan-14	31-Jan-14
<u>39,000,000</u>				

Number of Options Outstanding as at 30 June 10

Number	Exercise Price	Exercise Periods	Expiry Dates
1,600,000	\$0.24	31-Dec-07 to 31-Dec-12	31-Dec-12
58,334	\$0.47	31-Mar-07 to 31-Mar-11	31-Mar-11
5,556	\$0.47	31-Mar-08 to 31-Mar-12	31-Mar-12
<u>1,663,890</u>			