OAKAJEE CORPORATION LIMITED

ACN 123 084 453

Preliminary Financial Report and Appendix 4E
For the year ended 30 June 2010

Contents

RESULTS FOR ANNOUNCEMENT TO MARKET (Appendix 4E)

Current Reporting Period: Year ended 30 June 2010
Previous Reporting Period: Year ended 30 June 2009

Revenue and Net Profit	**Percentage change (%)**	**2010 Amount $**	**2009 Amount $**
Revenue	(36%)	147,430	232,391
Earnings before interest, taxation, depreciation and amortisation	48%	(276,740)	(536,334)
Net loss	49%	(170,582)	(333,248)
Net loss for the period attributable to members	49%	(170,582)	(333,248)
Total comprehensive income	533%	(1,441,758)	(333,248)

Brief Explanation of Revenue and Net Profit

The net loss after income tax attributable to members of the Company for the financial year ended 30 June 2010 amounted to $170,582 (2009: ($333,248)).

Revenue for the year mainly comprises interest on cash holdings since the initial public offering in June 2008 and office sub lease revenue.

Expenses of $318,012 include a provision charge of $11,616 which represents the net present value of total minimum annual royalty payments due under the 10 year term of the quarry lease. The provision is required due to the fact that the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The balance of expenditure relates to corporate overheads.

Oakajee Corporation has been investigating options for its potential limestone operation north of Geraldton. The initial focus on manufacturing and supplying reconstituted limestone products is still the company's objective. However, as stated at last year's AGM, the board requires a greater level of financial comfort in the current economic environment to commit a large portion of company funds to this area.

The view of the Board is that it would not be financially responsible to shareholders to spend the majority of funds raised on a reconstituted limestone plant without at least one major local project consumer. There are two commercial groups that could potentially provide the demand for limestone blocks that would be large enough to give us the financial comfort to proceed. They are the property developers who require big blocks for retaining walls in their sub-divisions, and the Oakajee Port and Rail consortium, which may need blocks, road base, and breakwater material in large quantities. Unfortunately the demand from property developments tends to be very lumpy with a large number of blocks already subdivided, including retaining walls ready for sale. The Oakajee Port and Rail site is still undeveloped, yet even though we have had discussions with the consortium they have only given us a verbal indication that they may require a small volume of limestone product from us, if any. This of course remains to be seen.

Due to the uncertainties in progressing with the limestone production plant in the short term, the board has decided to begin sourcing and investigating alternative projects that may offer financial benefits to the company.

NTA Backing	**Year ended 30 June 2010**	**Year ended 30 June 2009**
Net Tangible Asset Backing per Security (cents/security)	16.25	11.81

Dividends Paid and Declared

No dividends were paid during the year and the directors recommend that no dividends be paid or declared for the financial year ended 30 June 2010.

Audit Report

The preliminary final report is based on accounts which are in the process of being audited.

OAKAJEE CORPORATION LIMITED

ACN 123 084 453

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue	2	147,430	232,391
Expenses			
Administration expenses		129,595	151,322
Employee benefit expense	2	103,781	231,619
Provision for lease royalty expense	2	11,616	110,207
Consulting expense		65,279	60,110
Depreciation and amortisation expense	2	7,741	6,702
Other expenses		-	5,679
Loss Before Income Tax		**(170,582)**	**(333,248)**
Income tax expense	3	-	-
Net Loss after tax from continuing operations		**(170,582)**	**(333,248)**
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		2,175,000	386,180
Income tax relating to components of other comprehensive income		(562,660)	-
Total comprehensive income for the year		**1,441,758**	**(52,932)**
Basic and Diluted Loss per share (cents per share)	12	(0.53)	(1.03)

The above preliminary statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Notes	2010 $	2009 $
Current assets			
Cash and cash equivalents		1,758,962	2,884,842
Trade and other receivables		42,742	24,489
Other assets		15,724	25,879
Total current assets		**1,817,428**	**2,935,210**
Non-current assets			
Property, plant and equipment		8,759	16,800
Available-for-sale financial assets		4,155,000	1,030,000
Total non-current assets		**4,163,759**	**1,046,800**
Total assets		**5,981,187**	**3,982,010**
Current liabilities			
Trade and other payables		35,652	32,509
Provisions	3	20,000	20,000
Total current liabilities		**55,652**	**52,509**
Non-current liabilities			
Deferred tax liabilities		562,660	-
Provisions	3	81,823	90,207
Total non-current liabilities		**644,483**	**90,207**
Total liabilities		**700,135**	**142,716**
Net assets		**5,281,052**	**3,839,294**
Equity			
Issued capital	4	3,939,419	3,939,419
Reserves		1,998,520	386,180
Accumulated losses		(656,887)	(486,305)
Total equity		**5,281,052**	**3,839,294**

The above preliminary statement of financial position
should be read in conjunction with the accompanying notes.

OAKAJEE CORPORATION LIMITED

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity $	Accumulated Losses $	Unrealised Gains Reserve $	Total Equity $
At 30 June 2008	3,930,410	(153,057)	-	3,777,353
Net loss for the period	-	(333,248)	-	(333,248)
Reimbursed cost of share capital issued	9,009	-	-	9,009
Net change in the fair value of investments in listed entities	-	-	386,180	386,180
At 30 June 2009	3,939,419	(486,305)	386,180	3,839,294
Net loss for the period	-	(170,582)	-	(170,582)
Reimbursed cost of share capital issued	-	-	-	-
Net change in the fair value of available-for-sale financial assets	-	-	2,175,000	2,175,000
Income tax relating to components of other comprehensive income	-	-	(562,660)	(562,660)
At 30 June 2010	3,939,419	(656,887)	1,998,520	5,281,052

The above preliminary statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(298,302)	(454,055)
Interest received		94,116	194,499
Receipts from sub lessees		27,617	22,424
Net cash flows used in operating activities	21	(176,569)	(237,132)
Cash flows from investing activities			
Payments for shares in listed entities		(950,000)	(643,820)
Payments for property, plant and equipment		-	(17,168)
Receipts for property, plant and equipment		689	-
Net cash flows used in investing activities		(949,311)	(660,988)
Cash flows from financing activities			
Payment of share issue costs		-	(242,918)
Net cash flows from financing activities		-	(242,918)
Net increase in cash held		(1,125,880)	(1,141,038)
Cash at the beginning of the financial year		2,884,842	4,025,880
Cash at end of financial year	4	**1,758,962**	**2,884,842**

The above preliminary statement of cash flows
should be read in conjunction with the accompanying notes.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

1. Statement of Significant Accounting Policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the preliminary financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards, Accounting Interpretations and other mandatory professional reporting requirements. The financial report has been prepared on a historical cost basis, except for other financial assets which have been recognised at fair value, and is presented in Australian dollars.

Oakajee Corporation Limited is a company limited by shares incorporated and domiciled in Australia whose shares commenced public trading on the Australian Stock Exchange on 11 June 2008.

The Company was registered on 11 December 2006.

b) Significant accounting judgements, estimates and assumptions

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

Onerous Contracts

A provision has been raised for an onerous contract relating to the minimum annual royalty payments due under the Quarry lease to June 2019. The unavoidable nominal cash flows due under the lease over the remaining nine year term from June 2009 are $280,000.

The discounted unavoidable cash flows of these obligations are $101,823 using a discount rate of 23% based on the Company's cost of capital.

c) Revenue Recognition

Revenues are recognised to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue can be recognised.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract.

(iii) Interest income

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

(iv) Dividends

Revenue is recognised when the Company's right to receive the payment is established.

(v) Rental income

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

d) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

e) **Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of the leased item, are charged as expenses in the periods in which they are incurred.

f) **Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are 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. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

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

NOTES TO THE PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010

g) **Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

h) **Derecognition of financial assets and liabilities**

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:

  (a) has transferred substantially all the risks and rewards of the asset, or

  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

h) **Derecognition of financial assets and liabilities (continued)**

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

i) **Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

j) **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable or payable is included as a current asset or current liability in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable or payable are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

k) **Property plant and equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment is measured on a cost basis.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of fixed asset	Depreciation rate
Office Furniture	20%
Computer Software and Equipment	40%

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain of loss arising on derecognition of the asset (calculated as the difference between the net disposal and the carrying amount of the asset) is included in the profit and loss in the year the asset is derecognised

l) **Financial Assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.
The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

m) **Impairment of assets**

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

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

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

n) **Trade and other payables**

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

o) **Provisions**

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Where a contract has terms that are onerous to the Company the present obligation under the contract is recognised and measured as a provision. A contract is considered onerous where the unavoidable costs of meeting the obligations under the contact exceeds the benefits expected to be received under it.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

p) **Employee leave benefits**

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors 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.

ii. Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

r) **Share-based payment transactions**

The Company provides incentives to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using Black-Scholes and binomial methods.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

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

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

s) **Share capital**

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are shown in equity as a deduction, net of tax, from the proceeds received.

t) **Earnings per share**

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

u) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Revenue and expenses

		2010 $	2009 $
(a)	**Revenue**		
	Interest income third party	113,899	209,787
	Rental income third party	33,142	22,429
	Profit on sale of fixed assets	389	175
		147,430	232,391
(b)	**Depreciation**		
	Property plant and equipment	7,741	6,702
(c)	**Employee and director's benefits expenses**		
		103,781	231,619
(d)	**Operating leases**		
	Included in administration expenses:	92,533	102,750
	Provision for lease royalty expense	11,616	110,207
		104,149	212,957

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

3. Provisions

	2010 $	2009 $
As at 1 July	110,207	-
Amounts used during the period	(20,000)	-
Charged to provisions	11,616	110,207
As at 30 June	101,823	110,207
Current	20,000	20,000
Non – Current	81,823	90,207

A provision has been raised for an onerous contract relating to the minimum annual royalty payments due under the Quarry lease to June 2018. The unavoidable nominal cash flows due under the lease over a nine year term from June 2009 are $280,000. No amount has been recognised for any reimbursement of the resulting outflows or revenues.

The discounted unavoidable cash flows are $101,823 using a discount rate of 23% based on the Company's cost of capital.

4. Issued Capital

	2010 $	2009 $
Issued and paid up capital 32,500,000 (2009: 32,500,000) ordinary shares fully paid	3,939,419	3,939,419

Movements in fully paid ordinary shares during the year were as follows:

	2010		**2009**	
	No. of Shares	**$**	**No. of Shares**	**$**
Movements in shares on issue				
Opening balance	32,500,000	3,939,419	32,500,000	3,930,410
Reimbursed Share Issue Costs	-	-	-	9,009
Closing balance	32,500,000	3,939,419	32,500,000	3,939,419

NOTES TO THE PRELIMINARY FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

5. Segment Reporting

The Company has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Company that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The chief operating decision maker for Oakajee Corporation Limited reviews internal reports prepared as financial statements and strategic decisions of the Company are determined upon analysis of these internal reports. During the period, the Company operated predominantly in one segment being the limestone extraction sector in Australia. Accordingly, under the “management approach” outlined only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.