HARTE HANKS INC
Form 10-Q
November 10, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2008

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission File Number 1-7120

HARTE-HANKS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**74-1677284**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
200 Concord Plaza Drive, San Antonio, Texas	**78216**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number including area code 210/829-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock: $1 par value per share, 63,305,445 shares as of October 31, 2008.

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HARTE-HANKS, INC. AND SUBSIDIARIES

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FORM 10-Q REPORT

September 30, 2008

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Item 1. Interim Condensed Consolidated Financial Statements
Harte-Hanks, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (in thousands, except per share and share amounts)

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets		
Cash and cash equivalents	$ 22,017	$ 22,847
Accounts receivable *(less allowance for doubtful accounts of $4,990 and $3,556 at September 30, 2008 and December 31, 2007, respectively)*	179,867	199,222
Inventory	7,749	6,007
Prepaid expenses	17,679	15,473
Current deferred income tax asset	12,082	12,628
Other current assets	9,271	9,503
Total current assets	248,665	265,680
Property, plant and equipment *(less accumulated depreciation of $227,569 and $229,190 at September 30, 2008 and December 31, 2007, respectively)*	103,091	112,354
Goodwill, net	552,840	543,583
Other intangible assets *(less accumulated amortization of $11,503 and $10,235 at September 30, 2008 and December 31, 2007, respectively)*	18,727	20,939
Other assets	10,193	9,370
Total assets	$ 933,516	$ 951,926
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	$ 43,800	$ 67,167
Accrued payroll and related expenses	18,216	26,443
Customer deposits and unearned revenue	69,379	61,988
Income taxes payable	8,762	12,482
Other current liabilities	12,339	12,028
Total current liabilities	152,496	180,108
Long-term debt	295,500	259,125
Other long-term liabilities *(including deferred income taxes of $72,775 at September 30, 2008 and $66,060 at December 31, 2007)*	111,411	104,181
Total liabilities	559,407	543,414
Stockholders equity		
Common stock, $1 par value per share, 250,000,000 shares authorized. 117,976,368 and 117,692,688 shares issued at September 30, 2008 and December 31, 2007, respectively	117,976	117,693
Additional paid-in capital	331,167	323,182
Retained earnings	1,179,819	1,145,736
Less treasury stock: 54,675,191 and 49,756,675 shares at cost at September 30, 2008 and December 31, 2007, respectively	(1,236,670)	(1,160,205)
Accumulated other comprehensive loss	(18,183)	(17,894)
Total stockholders equity	374,109	408,512
Total liabilities and stockholders equity	$ 933,516	$ 951,926

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Harte-Hanks, Inc. and Subsidiaries

Consolidated Statements of Operations (in thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30, 2008	2007
Operating revenues	$ 269,913	$ 286,696
Operating expenses		
Labor	108,728	117,589
Production and distribution	100,665	97,743
Advertising, selling, general and administrative	20,464	22,236
Depreciation and amortization	8,073	8,334
Intangible asset amortization	737	794
Total operating expenses	238,667	246,696
Operating income	31,246	40,000
Other expenses (income)		
Interest expense	3,450	3,346
Interest income	(90)	(110)
Other, net	363	412
	3,723	3,648
Income before income taxes	27,523	36,352
Income tax expense	10,908	14,470
Net income	$ 16,615	$ 21,882
Basic earnings per common share	$ 0.26	$ 0.30
Weighted-average common shares outstanding	63,281	72,249
Diluted earnings per common share	$ 0.26	$ 0.30
Weighted-average common and common equivalent shares outstanding	63,393	73,491

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Harte-Hanks, Inc. and Subsidiaries

Consolidated Statements of Operations (in thousands, except per share amounts)

(Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Operating revenues	$ 813,178	$ 859,869
Operating expenses		
Labor	335,894	348,381
Production and distribution	295,546	298,285
Advertising, selling, general and administrative	63,052	67,886
Depreciation and amortization	24,677	24,948
Intangible asset amortization	2,212	2,675
Total operating expenses	721,381	742,175
Operating income	91,797	117,694
Other expenses (income)		
Interest expense	10,788	9,603
Interest income	(316)	(414)
Other, net	2,001	766
	12,473	9,955
Income before income taxes	79,324	107,739
Income tax expense	30,909	42,635
Net income	$ 48,415	$ 65,104
Basic earnings per common share	$ 0.76	$ 0.89
Weighted-average common shares outstanding	64,118	73,454
Diluted earnings per common share	$ 0.75	$ 0.87
Weighted-average common and common equivalent shares outstanding	64,278	74,850

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Harte-Hanks, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (in thousands)

(Unaudited)

	Nine Months Ended September 30, 2008	2007
Cash Flows from Operating Activities		
Net income	$ 48,415	$ 65,104
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,677	24,948
Intangible asset amortization	2,212	2,675
Stock-based compensation	4,530	5,530
Excess tax benefits from stock-based compensation	(120)	(2,292)
Deferred income taxes	6,493	4,977
Other, net	83	323
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable, net	21,028	5,173
(Increase) decrease in inventory	(1,742)	1,142
Increase in prepaid expenses and other current assets	(1,744)	(1,819)
(Decrease) increase in accounts payable	(24,730)	13,855
Decrease in other accrued expenses and other current liabilities	(5,494)	(1,491)
Other, net	1,700	(4,014)
Net cash provided by operating activities	75,308	114,111
Cash Flows from Investing Activities		
Acquisitions, net of cash acquired	(8,655)	
Purchases of property, plant and equipment	(16,141)	(20,570)
Proceeds from sale of property, plant and equipment	202	117
Net cash used in investing activities	(24,594)	(20,453)
Cash Flows from Financing Activities		
Long-term borrowings	197,000	74,000
Repayment of long-term borrowings	(160,625)	(59,000)
Issuance of common stock	3,593	14,407
Purchase of treasury stock	(76,649)	(121,589)
Excess tax benefits from stock-based compensation	120	2,292
Dividends paid	(14,332)	(15,372)
Net cash used in financing activities	(50,893)	(105,262)
Effect of exchange rate changes on cash and cash equivalents	(651)	371
Net decrease in cash and cash equivalents	(830)	(11,233)
Cash and cash equivalents at beginning of year	22,847	38,270
Cash and cash equivalents at end of period	$ 22,017	$ 27,037

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Harte-Hanks, Inc. and Subsidiaries

Consolidated Statements of Stockholders Equity and Comprehensive Income (in thousands, except per share amounts)

(2008 Unaudited)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
Balance at December 31, 2006	$ 116,497	$ 295,555	$ 1,073,395	$ (974,625)	$ (17,346)	$ 493,476
Common stock issued-employee benefit plans	213	3,851				4,064
Exercise of stock options	983	13,163		(1,892)		12,254
Tax benefit of options exercised		3,554				3,554
Stock-based compensation		7,057				7,057
Dividends paid ($0.28 per share)			(20,299)			(20,299)
Treasury stock repurchased				(183,867)		(183,867)
Treasury stock issued		2		179		181
Comprehensive income:						
Net income			92,640			92,640
Adjustment to pension liability (net of tax benefit of $595)					(484)	(484)
Change in value of derivative instrument accounted for as a cash flow hedge (net of tax benefit of $1,038)					(1,557)	(1,557)
Foreign currency translation adjustment					1,493	1,493
Total comprehensive income						92,092
Balance at December 31, 2007	117,693	323,182	1,145,736	(1,160,205)	(17,894)	408,512
Common stock issued-employee benefit plans	194	2,143				2,337
Exercise of stock options	89	1,262		(42)		1,309
Tax benefit of options exercised		136				136
Stock-based compensation		4,530				4,530
Dividends paid ($0.23 per share)			(14,332)			(14,332)
Treasury stock repurchased				(76,649)		(76,649)
Treasury stock issued		(86)		226		140
Comprehensive income:						
Net income			48,415			48,415
Adjustment to pension liability (net of tax expense of $648)					975	975
Change in value of derivative instrument accounted for as a cash flow hedge (net of tax expense of $151)					222	222
Foreign currency translation adjustment					(1,486)	(1,486)
Total comprehensive income						48,126
Balance at September 30, 2008	$ 117,976	$ 331,167	$ 1,179,819	$ (1,236,670)	$ (18,183)	$ 374,109

See Notes to Unaudited Condensed Consolidated Financial Statements.

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Harte-Hanks, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

Note A Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Harte-Hanks, Inc. and its subsidiaries (the Company). Intercompany transactions and balances have been eliminated.

The statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The preparation of financial statements in accordance with U.S generally accepted accounting principles for interim financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. The information included in this Form 10-Q should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2007.

As used in this report, the terms Harte-Hanks, we, us, or our may refer to Harte-Hanks, one or more of its consolidated subsidiaries, or all of them taken as a whole.

Note B Recent Accounting Pronouncements

We adopted SFAS No. 157, *Fair Value Measurements*, (SFAS 157) on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The adoption of SFAS 157 did not have a significant impact on our consolidated financial statements. New disclosures required by SFAS 157 are included in Note F, *Interest Rate Risk*.

We adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an Amendment of FASB Statement No. 115* (SFAS 159) on January 1, 2008. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. We have not made any fair value elections as permitted under the provisions of SFAS 159; therefore, the adoption of this standard did not have an impact on our consolidated financial statements.

In December 2007, the FASB revised SFAS No. 141, *Business Combinations* (SFAS 141). The revised SFAS No. 141 (SFAS 141R) establishes principles and requirements for how an acquiring company:

- Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree;
- Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and
- Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

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SFAS 141R requires an acquiring company to recognize the assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at fair value as of the acquisition date. Under SFAS 141, acquisition-related costs were included in the total costs of the acquisition that were allocated to the assets acquired and the liabilities assumed. Under SFAS 141R, these acquisition-related costs will be expensed in the period in which they occur. SFAS 141R requires an acquiring company to recognize contractual contingencies as assets or liabilities at fair value as of the acquisition date. SFAS 141 permitted deferred recognition of preacquisition contingencies until certain recognition criteria were met. Under SFAS 141, contingent consideration usually was not recognized until the contingency was resolved, in which case an adjustment was made to goodwill. SFAS 141R requires an acquiring company to recognize contingent consideration at fair value as of the acquisition date. SFAS 141R is effective for us beginning January 1, 2009. Our adoption of SFAS 141R will affect the way we account for acquisitions, including acquisition-related costs, contractual contingencies and contingent consideration. Our adoption of SFAS 141R may also impact the amount of information we disclose about acquisitions.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair values and amounts of and gains and losses on derivative instruments, and disclosures about contingent features related to credit risk in derivative agreements. SFAS 161 is effective for us beginning January 1, 2009. As SFAS 161 only affects disclosure requirements, our adoption of SFAS 161 will not affect our consolidated financial statements.

Note C Income Taxes

Our third quarter 2008 income tax provision of $10.9 million was calculated using an effective income tax rate of approximately 39.6%. Our income tax provision for the first nine months of 2008 of $30.9 million was calculated using an effective income tax rate of approximately 39.0%. Our effective income tax rate is derived by estimating pretax income and income tax expense for the year ending December 31, 2008. The effective income tax rate calculated is higher than the federal statutory rate of 35%, primarily due to the addition of state income taxes.

At January 1, 2008, unrecognized tax benefits for uncertain tax positions totaled $11.8 million, of which $2.0 million represents accruals for interest and penalties that were recorded as additional tax expense in accordance with our accounting policy. If recognized, the entire unrecognized tax benefit amount, net of tax, would impact the effective tax rate. There have been no significant changes to these amounts during the nine months ended September 30, 2008.

Harte-Hanks or one of our subsidiaries files income tax returns in the U.S. federal, U.S. state and foreign jurisdictions. For U.S. state and foreign returns, we are no longer subject to tax examinations for years prior to 2003. For U.S. federal returns, we are no longer subject to tax examinations for the years prior to 2005. We believe that it is reasonably possible that a reduction in our unrecognized tax liabilities in the range of $1.7 million to $1.9 million, net of tax, will occur in the next twelve months related to the statute expiring on various tax returns. If this reduction were to occur, it would decrease the tax expense and effective tax rate for the full year 2008.

Note D Stock-Based Compensation

We recognized $1.6 million and $2.0 million of stock-based compensation during the three months ended September 30, 2008 and 2007, respectively. We recognized $4.5 million and $5.5 million of stock-based compensation during the nine months ended September, 2008 and 2007, respectively.

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Our annual grant of stock-based awards occurred in the first quarter, which is consistent with the timing of previous annual grants. We did not have any significant stock-based compensation activity in the third quarter of 2008.

Note E New Credit Facility

On March 7, 2008, we entered into a new four-year $100 million term loan facility (2008 Term Loan Facility) with Wells Fargo Bank, N.A., as Administrative Agent. The 2008 Term Loan Facility is in addition to, and does not replace, our existing Revolving Credit Facility and our existing 2006 Term Loan Facility. We utilized the funds from the 2008 Term Loan Facility primarily to repurchase shares of our common stock and for other general corporate purposes.

Note F Interest Rate Risk

We use derivative instruments to manage the risk of changes in prevailing interest rates adversely affecting future cash flows associated with our credit facilities. The derivative instrument used to manage such risk is the interest rate swap. We account for interest rate swaps in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

As with any financial instrument, derivative instruments have inherent risks, primarily market and credit risk. Market risk associated with changes in interest rates is managed as part of our overall market risk monitoring process by establishing and monitoring limits as to the degree of risk that may be undertaken. Credit risk occurs when a counterparty to a derivative contract in which we have an unrealized gain fails to perform according to the terms of the agreement. We minimize our credit risk by entering into transactions with counterparties that maintain high credit ratings.

We have designated our interest rate swap as a cash flow hedge. For a derivative instrument designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative instrument is recorded in other comprehensive income (loss) and is recognized as a component of interest expense in the statement of operations when the hedged item affects results of operations. We discontinue hedge accounting prospectively if it is determined that (i) an interest rate swap is not highly effective in offsetting changes in the cash flows of a hedged item, (ii) the derivative expires or is sold, terminated or exercised, or (iii) the derivative is undesignated as a hedge instrument.

If hedge accounting is discontinued, the derivative instrument will continue to be carried at fair value, with changes in the fair value of the derivative instrument recognized in the current period s results of operations. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the accumulated gains and losses included in accumulated other comprehensive income (loss) will be recognized immediately in results of operations. When hedge accounting is discontinued because the derivative instrument has not been or will not continue to be highly effective as a hedge, the remaining amount in accumulated other comprehensive income (loss) is amortized into earnings over the period that cash flows that were being hedged affect earnings.

In September 2007, we entered into a two-year interest rate swap agreement with a notional amount of $150.0 million and a fixed rate of 4.655%. The two-year term began on September 28, 2007. This interest rate swap changes the variable-rate cash flow exposure on the $150.0 million notional amount to fixed-rate cash flows by entering into receive-variable, pay-fixed interest rate swap transactions. Under this swap transaction, we receive London Interbank Offered Rate (LIBOR) based variable interest rate payments

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and make fixed-interest rate payments, thereby creating fixed-rate debt. We designated this hedging relationship as hedging the risk of changes in cash flows (a cash flow hedge) attributable to changes in the LIBOR rate applicable to our 2005 five-year revolving credit facility (Revolving Credit Facility) and 2006 five-year term loan facility (2006 Term Loan Facility). As such, we report the fair value of the swap as an asset or liability on our balance sheet, any ineffectiveness as interest expense, and effective changes to the fair value of the swap in other comprehensive income (loss). Fair value is determined using projected discounted future cash flows calculated using readily available market information (future LIBOR rates). At September 30, 2008, this swap is recorded at fair value as a $2.2 million liability. We reclassified into earnings losses of $0.8 million and $1.9 million for the three months and nine months ended September 30, 2008, respectively, that were related to the swap and previously reported in other comprehensive loss. We expect losses of $2.2 million to be reclassified into earnings over the next twelve months related to the swap and currently reported in other comprehensive loss. The amount ultimately realized, however, could differ as interest rates change.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 also establishes a fair value hierarchy that prioritizes the inputs used in valuation methodologies into three levels. Fair values determined by Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs are based on quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The following table provides additional detail of the fair value of our swap liability at September 30, 2008 by level within the SFAS 157 fair value measurement hierarchy, as required by SFAS 157:

In thousands	**September 30, 2008**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Interest rate swap liability	$ 2,222	$	$ 2,222	$
Total	$ 2,222	$	$ 2,222	$

On a quarterly basis, we assess the ineffectiveness of the hedging relationship, and any gains or losses related to the ineffectiveness are recorded as interest expense in our statement of operations. We do not expect the ineffectiveness related to our current hedging activity to be material to our financial results in the future. There were no components of the derivative instruments that were excluded from the assessment of hedge effectiveness.

We do not enter into derivative instruments for any purpose other than cash flow hedging. We do not speculate using derivative instruments.

We assess interest rate risk by regularly identifying and monitoring changes in interest rate exposure that may adversely impact expected future cash flows and by evaluating hedging opportunities.

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Note G Earnings Per Share

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding stock options and nonvested shares.

A reconciliation of basic and diluted earnings per share (EPS) is as follows:

	Three Months Ended September 30,	
In thousands, except per share amounts	**2008**	**2007**
BASIC EPS		
Net Income	$ 16,615	$ 21,882
Weighted-average common shares outstanding used in earnings per share computations	63,281	72,249
Earnings per common share	$ 0.26	$ 0.30
DILUTED EPS		
Net Income	$ 16,615	$ 21,882
Shares used in diluted earnings per share computations	63,393	73,491
Earnings per common share	$ 0.26	$ 0.30
Computation of shares used in earnings per share computations:		
Weighted-average outstanding common shares	63,281	72,249
Weighted-average common equivalent shares - dilutive effect of stock options and awards	112	1,242
Shares used in diluted earnings per share computations	63,393	73,491

7.3 million and 2.6 million anti-dilutive market price options have been excluded from the calculation of shares used in the diluted EPS calculation for the three months ended September 30, 2008 and 2007, respectively.

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In thousands, except per share amounts	Nine Months Ended September 30, 2008	2007
BASIC EPS		
Net Income	$ 48,415	$ 65,104
Weighted-average common shares outstanding used in earnings per share computations	64,118	73,454
Earnings per common share	$ 0.76	$ 0.89
DILUTED EPS		
Net Income	$ 48,415	$ 65,104
Shares used in diluted earnings per share computations	64,278	74,850
Earnings per common share	$ 0.75	$ 0.87
Computation of shares used in earnings per share computations:		
Weighted-average outstanding common shares	64,118	73,454
Weighted-average common equivalent shares - dilutive effect of stock options and awards	160	1,396
Shares used in diluted earnings per share computations	64,278	74,850

7.0 million and 2.3 million anti-dilutive market price options have been excluded from the calculation of shares used in the diluted EPS calculation for the nine months ended September 30, 2008 and 2007, respectively.

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Note H Business Segments

Harte-Hanks is a worldwide, direct and targeted marketing company with operations in two segments Direct Marketing and Shoppers.

Information about the operations of our two business segments follows:

In thousands	Three Months Ended September 30, 2008	2007
Operating revenues		
Direct Marketing	$ 182,567	$ 181,313
Shoppers	87,346	105,383
Total operating revenues	$ 269,913	$ 286,696
Operating Income		
Direct Marketing	$ 26,521	$ 27,606
Shoppers	7,427	17,926
Corporate Activities	(2,702)	(5,532)
Total operating income	$ 31,246	$ 40,000
Income before income taxes		
Operating income	$ 31,246	$ 40,000
Interest expense	(3,450)	(3,346)
Interest income	90	110
Other, net	(363)	(412)
Total income before income taxes	$ 27,523	$ 36,352

In thousands	Nine Months Ended September 30, 2008	2007
Operating revenues		
Direct Marketing	$ 543,880	$ 526,958
Shoppers	269,298	332,911

Net loss attributable to non-controlling interests	419	-	972	-	972
Net profit/(loss) attributable to Golden River Resources Stockholders	(875)	(146)	13,844	(334)	2,555
Basic and diluted net profit/(loss) per common equivalent shares	$(0.05)	$(0.04)	$0.87	$(0.09)	$0.72
Weighted average number of common equivalent shares used in per share calculation (000's)	17,728	3,671	15,833	3,671	3,550

The accompanying notes are an integral part of the consolidated financial statements.

GOLDEN RIVER RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
Six Months Ended December 31, 2009 and 2008 and for the cumulative period
July 1, 2002 (inception of exploration activities) to December 31, 2009
(Unaudited)

	2009 (As restated) CDN$000's	2008 CDN$000's	July 1, 2002 to Dec 31, 2009 (As restated) CDN$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss)	12,872	(334)	1,583
Adjustments to reconcile net profit (loss) to net cash provided by(used) in operating activities			
Foreign currency exchange (gain)/ loss	(5)	22	134
Depreciation /amortization of plant and equipment	220	-	246
Stock based compensation	39	117	2,760
Provision for deferred income tax	2,624	-	2,624
Equity in profits/(losses) of non-consolidated entities	(326)	-	(66)
Adjustment to fair value on stepped acquisition	(7,433)	-	(7,433)
Bargain purchase of controlled entities	(10,305)	-	(10,305)
Accrued interest added to principal	139	-	312
Net change net of acquisition in:			
Receivables	(2)	11	(8)
Staking deposit	-	-	22
Prepaid expenses and deposits	(97)	-	(97)
Accounts payable and accrued expenses	4,010	144	4,129
Net Cash Provided by(Used) in Operating Activities	1,736	(40)	(6,099)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of majority owned subsidiary net of cash acquired	(7,585)	-	(8,585)
Purchase of plant and equipment	-	-	(25)
Net Cash (Used) in Investing Activities	(7,585)	-	(8,610)
CASH FLOW PROVIDED BY FINANCING ACTIVITIES			
Borrowings from affiliates	4,578	-	5,544
Repayments to affiliates	(3,166)	-	(3,166)
Proceeds from issuance of stock	5,568	-	5,568

Repayment of borrowings	(139)	-	(139)
Sale of warrants (net)	-	637	4,749
Re-purchase of warrants	(579)	-	(579)
Proceeds from loan payable	-	-	3,261
Net Cash Provided by Financing Activities	6,262	637	15,238
Effects of Exchange Rate on Cash	-	(13)	(97)
Net Increase in Cash	413	584	432
Cash at Beginning of Period	19	7	-
Cash at End of Period	432	591	432
Supplemental Disclosures			
Interest Paid	139	-	479
NON CASH FINANCING ACTIVITY			
Debt repaid through issuance of shares	-	-	5,771
Stock options recorded as deferred compensation	-	-	1,258
Extinguishment of related party debt	-	-	593
Acquisition of subsidiary (note 10)			

The accompanying notes are an integral part of the consolidated financial statements.

GOLDEN RIVER RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
December 31, 2009
and for the cumulative period July 1, 2002
(inception of exploration activities) to December 31, 2009
(Unaudited)

	Shares 000's	Common Stock Amount CDN$000's	Treasury Stock, at Cost CDN$000's	Additional Paid-in Capital CDN$000's	Retained Profit/(Deficit) during the Exploration stage CDN$000's	Retained (Deficit) prior to Exploration Activities CDN$000's	Deferred Compen-sation CDN$000's	Accumulated Other Compre-hensive Loss CDN$000's	Non-Controlling Interests CDN$000's	Total CDN$000's
Balance June 30, 2002	635	-	$ (19)	$ 24,061	-	$ (24,748)	-	$ (461)	-	$ (1,167)
Net loss	-	-	-	-	$ (639)	-	-	-	-	(639)
Balance June 30, 2003	635	-	$ (19)	$ 24,061	$ (639)	$ (24,748)	-	$ (461)	-	$ (1,806)
Issuance of 175,398 shares and warrants in lieu of debt repayment	175	-	-	$ 2,331	-	-	-	-	-	$ 2,331
Sale of 167,000 shares and warrants	167	-	-	$ 2,221	-	-	-	-	-	$ 2,221
Issuance of 694,306 shares on cashless exercise of options	694	-	-	-	-	-	-	-	-	$ 0
Net unrealized (loss) on foreign exchange	-	-	-	-	-	-	-	$ (317)	-	$ (317)
Net (loss)	-	-	-	-	$ (1,616)	-	-	-	-	$ (1,616)
Balance June 30, 2004	1,671	-	$ (19)	$ 28,613	$ (2,255)	$ (24,748)	-	$ (778)	-	$ 813
Issuance of 140,000 options	-	-	-	$ 1,646	-	-	$ (1,646)	-	-	$ 0

under 2004 stock option plan										
Amortization of 140,000 options under 2004 stock option plan	-	-	-	-	-	-	$ 1,095	-	-	$ 1,095
Net unrealized (loss) on foreign exchange	-	-	-	-	-	-	-	$ (17)	-	$ (17)
Net/(loss)	-	-	-	-	$ (3,156)	-	-	-	-	$ (3,156)
Balance June 30, 2005	1,671	-	$ (19)	$ 30,259	$ (5,411)	$ (24,748)	$ (551)	$ (795)	-	$ (1,265)
To eliminate deferred compensation against Additional Paid-In Capital	-	-	-	$ (551)	-	-	$ 551	-	-	$ 0
Issuance of 1,000,000 shares and 2,000,000 options in lieu of debt repayment	1,000	-	-	$ 3,321	-	-	-	-	-	$ 3,321
Capital gain on shares and options issued in lieu of debt repayment	-	-	-	$ (1,610)	-	-	-	-	-	$ (1,610)
Sale of 2,000,000 normal warrants	-	-	-	$ 827	-	-	-	-	-	$ 827
Sale of 1,000,000 special warrants	-	-	-	$ 887	-	-	-	-	-	$ 887
Amortization of 140,000 options under 2004 stock option plan	-	-	-	$ 532	-	-	-	-	-	$ 532

Net unrealized gain on foreign exchange	-	-	-	-	-	-	-	$ 369	-	$ 369
Net (loss)	-	-	-	-	$ (1,588)	-	-	-	-	$ (1,588)
Balance June 30, 2006	2,671	-	$ (19)	$ 33,665	$ (6,999)	$ (24,748)	$ -	$ (426)	-	$ 1,473

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GOLDEN RIVER RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)
December 31, 2009
and for the cumulative period July 1, 2002
(inception of exploration activities) to December 31, 2009
(Unaudited) Continued

	Shares 000's	Common Stock Amount CDN$000's	Treasury Stock, at Cost CDN$000's	Additional Paid-in Capital CDN$000's	Retained Profit/(Deficit) during the Exploration stage CDN$000's	Retained (Deficit) prior to Exploration Activities CDN$000's	Deferred Compen-sation CDN$000's	Accumulated Other Compre-hensive Loss CDN$000's	Non-Controlling Interests CDN$000's	Total CDN$000's
Costs associated with sale of normal and special warrants	-	-	-	$ (3)	-	-	-	-	-	$ (3)
Amortization of 140,000 options under 2004 stock option plan	-	-	-	$ 19	-	-	-	-	-	$ 19
Amortization of 465,000 options under 2006 stock option plan	-	-	-	$ 510	-	-	-	-	-	$ 510
Net unrealized gain on foreign exchange	-	-	-	-	-	-	-	$ 48	-	$ 48
Net (loss)	-	-	-	-	$ (1,965)	-	-	-	-	$ (1,965)
Balance June 30, 2007	2,671	$ -	$ (19)	$ 34,191	$ (8,964)	$ (24,748)	$ -	$ (378)	-	$ 82
Amortization of 465,000 options under 2006 stock option plan	-	-	-	$ 333	-	-	-	-	-	333
Net unrealized gain on foreign exchange	-	-	-	-	-	-	-	$ 27	-	$ 27
Net (loss)	-	-	-	-	$ (1,073)	-	-	-	-	$ (1,073)

Balance June 30, 2008	2,671	$ -	$ (19)	$ 34,524	$ (10,037)	$ (24,748)	$ -	$ (351)	-	$ (631)
Amortization of 465,000 options under 2006 stock option plan	-	-	-	$ 173	-	-	-	-	-	173
Sale of 10,000,000 shares	10,000	$ 1	-	$ 681	-	-	-	-	-	682
Net unrealized loss on foreign exchange	-	-	-	-	-	-	-	$ (43)	-	$ (43)
Forgiveness of advances from affiliate	-	-	-	$ 588	-	-	-	-	-	588
Net (loss)	-	-	-	-	$ (1,252)	-	-	-	-	$ (1,252)
Balance June 30, 2009	12,671	$ 1	$ (19)	$ 35,966	$ (11,289)	$ (24,748)	$ -	$ (394)	-	$ (483)
Amortization of 465,000 options under 2006 stock option plan	-	-	-	$ 39	-	-	-	-		$ 39
Sale of 5,056,671 shares	5,057	$ 1	-	$ 5,567	-	-	-	-	-	$ 5,568
Re-Purchase of warrants	-	-	-	$ (579)	-	-	-	-	-	$ (579)
Net unrealised gain on foreign exchange	-	-	-	-	-	-	-	$ 38	-	$ 38
Net profit	-	-	-	-	$ 12,872	-	-	-	-	$ 24,451
Adjustment for additional investment in consolidated subsidary	-	-	-	$ 1,994	-	-	-	-	$ (1,994)	$ 0
Fair value of non-controlling	-	-	-	-	-	-	-	-	$ 20,552	$ 20,552

interest										
Net loss attributable to non-controlling interests	-	-	-	-	$ 972	-	-	-	$ (972)	$ 0
Balance December 31, 2009 (restated)	17,728	$ 2	$ (19)	$ 42,988	$ 2,555	$ (24,748)	-	$ (356)	$ 17,586	$ 38,008

The accompanying notes are an integral part of the consolidated financial statements -n eign Currency Losses".

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GOLDEN RIVER RESOURCES CORPORATION AND SUBSIDIARIES
(An Exploration Stage Company)
Notes to Consolidated Financial Statements
December 31, 2009

(1) Organisation

Golden River Resources Corporation ("Golden River Resources"), formerly Bay Resources Ltd, is incorporated in the State of Delaware. The principal shareholders of Golden River Resources are companies associated with Mr JI Gutnick and Mrs S Gutnick. These companies owned 96.7% of Golden River Resources as of December 31, 2009.

During fiscal 1998, Golden River Resources incorporated a further subsidiary, Baynex.com Pty Ltd, under the laws of Australia. Baynex.com Pty Ltd has not traded since incorporation. On August 21, 2000, Golden River Resources incorporated a new wholly owned subsidiary, Bay Resources (Asia) Pty Ltd, a corporation incorporated under the laws of Australia. In May 2002, the Company incorporated a new wholly owned subsidiary, Golden Bull Resources Corporation (formerly 4075251 Canada Inc), a corporation incorporated under the laws of Canada. Golden Bull Resources Corporation is undertaking exploration activities for gold in Canada. On March 8, 2006, shareholders approved the change of the Company's name to Golden River Resources.

Golden River Resources as part of its business strategy is increasing its gold and base metal exploration activity in Canada and is continually sourcing new ground in Canada which is one of the most prospective areas for new gold discoveries. On March 17, 2009, the Company announced that it had reached agreement with Acadian Mining Corporation (TSX: ADA) ("Acadian") to subscribe in a private placement transaction for up to 338,111,334 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The Offering was contemplated to close in two or more tranches giving Golden River a 68.76% holding of Acadian.

The closing of the first tranche, for an aggregate of CDN$1.0 million (38,111,334 shares) was subject to receipt of the required regulatory approvals, including the approval of the Toronto Stock Exchange which occurred in early June 2009. Upon completion of closing of the initial tranche, the Company was entitled to nominate one member to the board of directors of Acadian and nominated Mr Menachem Vorchheimer. The Company held a 19.9% interest in Acadian at June 30, 2009.

The balance of the subscription by Golden River Resources into Acadian of CDN$9 million (300,000,000 shares at CDN$0.03 per share) was expected to be completed in one or more tranches upon the receipt of all necessary regulatory approvals, approval of the shareholders of Acadian and the satisfaction of certain other conditions precedent, including completion of due diligence by the Company. Acadian obtained approval from its shareholders at its annual meeting in June 2009.

Throughout July 2009, Golden River Resources subscribed for further shares to a value of CDN$4 million and at July 31, 2009, the Company held a 52.764% interest in Acadian. As a result, Golden River Resources has since that time consolidated the results of Acadian. On September 30, 2009, a further closing for an aggregate of CDN$1 million occurred increasing the Company interest in Acadian to 57.145% and during October 2009, Golden River Resources completed its subscription in Acadian by subscribing for shares to the value of CDN$4 million which increased its interest in Acadian to 68.76%.

The financial statements presented herein have been prepared on a consolidated basis to include the accounts of Golden River Resources, Acadian and its other subsidiaries (collectively "the Company"). All intercompany balances and transactions have been eliminated in consolidation.

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

(2) Summary of Significant Accounting Policies

(i) Functional and Reporting Currency

Prior to July 1, 2009, the Company's functional and reporting currency was the Australian dollar and its subsidiary, Golden Bull Resources Corporation's functional currency was the Canadian dollar. However, as a result of the purchase of the controlling interest in Acadian Mining Corporation in Canada in July 2009, the Company's fiscal 2010 revenue and expenses will be primarily denominated in Canadian dollars (CDN$). ASC Topic 830 "Foreign Currency Matters" states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that from July 1, 2009 the functional and reporting currency of the Company is the Canadian dollar. Assets, liabilities and portions of equity were translated at the rate of exchange at July 1, 2009 and portions of equity were translated at historical exchange rates. Revenue and expenses were translated at actual rates. Translation gains and losses were included as part of accumulated other comprehensive loss.

Restatement of comparative numbers was made for the change in functional and reporting currency. The change was adopted prospectively beginning July 1, 2009 in accordance with ASC Topic 830.

(ii) Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is provided for on office assets using the declining balance method at the following annual rates (in the year of acquisition one-half of the calculated depreciation is recognized):

Vehicles	30%
Building	5 %
Office fixtures and computer equipment	20%

Mine site assets are depreciated on a straight line balance method over the expected life of the mine at thirteen and one half years; assets under capital lease are depreciated on a straight line basis over the four year term of the lease.

All other assets are depreciated over a period covering their estimated useful lives.

(iii) Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, receivables, payables, advances from and payables to affiliates due to the short term maturities of these instruments. The Company believes that the fair values of the Company's financial instruments approximate the carrying values, unless otherwise stated since the current interest rates approximate market rates.

(iv) Lease Liability

Leases meeting certain criteria are accounted for as a capital lease. Imputed interest is charged against income. The capitalised value of the assets is depreciated over the term of the lease. The Company has entered into leasing agreements of four year terms for mining equipment. Obligations under capital lease are reduced by the rental payments net of imputed interest. All other leases are treated as operating leases.

(v) Net Profit/Loss per Share

The Company follows the FASB ASC Topic 260 “Earnings per Share” provisions which require the reporting of both basic and diluted profit/(loss) per share. Basic profit/(loss) per share is computed by dividing net profit/(loss) available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net profit/(loss) per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Anti-dilutive effects on net profit/(loss) per share are excluded.

(vi) Impairment of Long-Lived Assets

In accordance with FASB ASC Topic 360, "Impairment or Disposal of Long-Lived Assets," the Company assesses potential impairments to its long-lived assets including property, plant and equipment and mineral rights when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. If such an indication exists, the recoverable amount of the asset, being the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset compared to the asset’s carrying value. If the asset's carrying value exceeds the recoverable amount, any excess of the asset’s carrying value over its fair value is expensed to the consolidated statement of operations. In assessing fair value, the estimated future cash flows are discounted to their present value using a pre-tax discount rate

(3) Affiliate Transactions

Golden River Resources advances to and receives advances from various affiliates. All advances between consolidated affiliates are eliminated on consolidation.

During the six months ended December 31, 2009 and 2008, AXIS advanced the Company CDN$251,091 and CDN$105,862 respectively and provided services in accordance with the service agreement of CDN$74,515 and CDN$65,032 respectively. The amounts owed to AXIS at December 31, 2009 and 2008 was CDN$853,252 and CDN$704,467 respectively and are reflected in current liabilities – advances from affiliates and accounts payable and accruals. During the six months ended December 31, 2009 and 2008 AXIS did not charge interest. AXIS is affiliated through common management and ownership.

In order to settle the first tranche of the acquisition of Acadian, Wilzed Pty Ltd, a company associated with Mr Joseph I Gutnick, President and Chief Executive Officer of the Company advanced C$582,790 (A$650,000) to the Company. The Company repaid the advance on July 24, 2009. Wilzed did not charge interest on the advance.

During the six months ended December 31, 2009, the Company entered into a subscription agreement with Northern Capital Resources Corp (“NCRC”) whereby NCRC would subscribe, by March 31, 2010, for 8.5 million shares at an issue price of US$1.00 per share to raise US$8.5 million. During September 2009 pursuant to the subscription agreement, the Company has closed in private placement transactions with NCRC, the sale of 5,056,671 shares of common stock at an issue price of US$1.00 per share raising CDN$5,567,587. The proceeds have been utilized to fund the closing of several further tranches of the acquisition of shares in Acadian and for working capital purposes Mr. Joseph Gutnick is the Chairman and Chief Executive Officer of NCRC and certain companies with which Mr. Gutnick is associated own approximately 51.05% of the outstanding common stock of NCRC. The amount owed to NCRC at December 31, 2009 under current liabilities – advances from affiliates was CDN$4,578,600, It is the intention of NCRC and the Company to convert approximately CDN$4 million into shares of common stock in the Company. NCRC currently holds approximately 90.73% of the outstanding common stock of the Company.

Acadian shares office facilities with Royal Roads Corp and Buchans River Ltd (non-consolidated entities of Acadian). During the period ended December 31, 2009 Acadian charged CDN$124,844 in common costs to these companies. The amount charged is estimated to be the fair value of the costs.

On November 24, 2009, CDN$2,583,459 was repaid to Royal Roads Corp by Acadian on behalf of ScoZinc Ltd, a 100% owned subsidiary of Acadian. Royal Roads Corp charged interest at 10% per annum, payable quarterly. Acadian guaranteed the full amount of the debt and, as security, granted security over all of its assets, including the shares of Royal Roads Corp. that Acadian owns. During the period ended December 31, 2009, Acadian paid CDN$103,085 in interest to Royal Roads Corp on behalf of ScoZinc.

During the six months ended December 31, 2009 Acadian paid CDN$12,000 in consulting fees to a director of Acadian.

Acadian acquired the remaining 50% of the 15 Mile Stream mineral claims for a cash payment of CDN$70,000 and a non-interest bearing note for CDN$1.0 million due one year from the date of acquisition and 1% Net Smelter Royalty payable to Mr. Will Felderhof, President and CEO of Acadian, and members of his family. Amounts due are included in accounts payable and accrued liabilities at December 31, 2009. Acadian also paid an amount due to Mr. Felderhof of CDN$9,610.

(4) Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, also known as FASB Accounting Standards Codification ("ASC") 105-10, Generally Accepted Accounting Principles, ("ASC 105-10"). ASC 105-10 establishes the FASB Accounting Standards Codification ("Codification") as the single source of authoritative US GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission ("SEC") under authority of federal securities laws are also sources of authoritative US GAAP for SEC registrants. The subsequent issuances of new standards will be in the form of Accounting Standards Updates ("ASU") that will be included in the Codification. Generally, the Codification is not expected to change US GAAP. All other accounting literature excluded from the Codification will be considered non-authoritative. This ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted this ASC for its quarter ended September 30, 2009. The adoption did not have any effect on our financial condition or results of operations. All accounting references have been updated, and therefore SFAS references have been replaced with ASC references.

In December 2007, the FASB issued amended ASC Topic 805, Business Combinations. ASC 805 establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired and the liabilities assumed. The provisions of ASC 805 are effective for the Company's fiscal year beginning July 1, 2009 which applies prospectively to all business combinations entered into on or after such date. Golden River's acquisition of Acadian (see note 10) was and any other future acquisitions will be impacted by application of this statement.

In April 2008, the FASB issued amended ASC Topic 350, Intangibles - Goodwill and Other ("ASC 350"). ASC 350 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under former SFAS No. 142, Goodwill and Other Intangible Assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. ASC 350 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The adoption of ASC 350 has had no impact on the Company's financial position, results of operations, or cash flows.

The Company adopted the "Financial Instruments Topic", ASC 825 on April 1, 2009. This standard requires disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements.

In April 2009, the FASB issued ASC Topic 320-10-65, "Recognition and Presentation of Other-Than-Temporary Impairments" ("ASC 320-10-65"). ASC 320-10-65 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. ASC 320-10-65 does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. ASC 320-10-65 is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. ASC 320-10-65 does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, ASC 320-10-65 requires comparative disclosures only for periods ending after initial adoption. The adoption of ASC 320-10-65 has had no impact on the Company's financial position, results of operations or cash flows.

In May 2009, the FASB issued ASC Topic 855, Subsequent Events. This topic requires management to evaluate subsequent events through the date the financial statements are either issued, or available to be issued. Companies will be required to disclose the date through which subsequent events have been evaluated. The Company adopted the provisions of ASC 855 effective for the quarter ended June 30, 2009. The adoption of this topic did not have a material effect on our financial position or results of operations.

Effective July 1, 2009, the Company adopted the provisions of ASC Topic 820, Fair Value Measurements and Disclosures. This topic defines fair value, establishes a hierarchal disclosure framework for measuring fair value, and requires expanded disclosures about fair value measurements. The provisions of this topic apply to all financial instruments that are being measured and reported on a fair value basis. The adoption of ASC 820 has had no material impact on the Company's financial position or results of operations.

In August 2009, the FASB issued Accounting Standards Update No. ("ASU") 2009-05, "Measuring Liabilities at Fair Value." ASU 2009-05 supplements and amends the existing definition of fair value while reintroducing the concept of entry value (amount an entity would receive to enter into an identical liability) into the definition. Additionally, ASU 2009-05 clarifies that restrictions preventing the transfer of a liability should not be considered as a separate input or adjustment in the measurement of its fair value. ASU 2009-05 is effective for the first reporting period, including interim periods, beginning after August 2009. The provisions of ASU 2009-05 do not have a material impact on our consolidated financial statements..

In January 2010, the FASB issued ASU 2010-02, Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary. This amendment to Topic 810 clarifies, but does not change, the scope of GAAP. It clarifies the decrease in ownership provisions of Subtopic 810-10. For those entities that have already adopted FAS No. 160 the amendments are effective at the beginning of the first interim or annual reporting period ending on or after December 15, 2009. The amendments should be applied retrospectively to the first period that an entity adopted FAS160. The provisions of ASU 2010-02 did not have a material effect on the financial position, results of operations, or cash flows of the Company.

(5) Comprehensive Profit (Loss)

The Company follows ASC Topic 220 "Comprehensive Income" ("ASC 220"). ASC 220 requires a company to report comprehensive profit/(loss) and its components in a full set of financial statements. Comprehensive profit/(loss) is the change in equity during a period from transactions and other events and circumstances from non-owner sources, such as unrealized gains (losses) on foreign currency translation adjustments. There are no material differences between net profit/(loss) and other comprehensive profit/(loss) for the periods presented.

(6) Going Concern

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company is in the exploration stage, has sustained recurring losses which raises substantial doubts as to its ability to continue as a going concern.

In addition the Company has historically relied on loans and advances from corporations affiliated with the President of the Company. Based on discussions with these affiliate companies, the Company believes this source of funding will continue to be available. Other than the arrangements noted above, the Company has not confirmed any other arrangement for ongoing funding. As a result the Company may be required to raise funds by additional debt or equity offerings in order to meet its cash flow requirements during the forthcoming year.

The accumulated deficit of the Company from inception through December 31, 2009 amounted to CDN$22,193,000 of which CDN$2,555,000 is retained profits from July 2002, the date the Company entered the Exploration Stage, through December 31, 2009.

(7) Issue of Options under Stock Option Plan

The Company follows the provisions of ASC Topic 718 Compensation-Stock Compensation ("ASC 718"), which addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for (a) equity instruments of that company or (b) liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments.

The Company has accounted for all options issued based upon their fair market value using either the Black Scholes or Binomial option pricing method. Prior to 2006, the Company used the Black Scholes option pricing method to determine the fair market value of options issued. In 2006, the Company changed from using the Black Scholes option pricing method to the Binomial option pricing model. The Binomial option pricing model breaks down the time to expiration into a number of steps or intervals and can therefore be used to value American style options, taking into account the possibility of early exercise and reflect changing inputs over time. The options issued in 2006 have three vesting periods and therefore, the Company believed the Binomial option pricing model is a more accurate measure of the fair value of the options.

In October 2004, the Board of Directors and Remuneration Committee of the Company adopted a Stock Option Plan and agreed to issue 140,000 options to acquire shares of common stock in the Company, at an exercise price of US$10.00 per option, subject to shareholder approval which was subsequently received on January 27, 2005. All such options were vested by July 2006. The exercise price of US$10.00 was derived from the issue price of common stock from the placement of shares on September 30, 2004 and is considered by the Company's Directors to be the fair value of the common stock. The options expire on October 15, 2014.

The Company calculated the fair value of the 140,000 options using the Black Scholes valuation method using a fair value share price of US$10.00, strike price of US$10.00, maturity period of 5 years 7 ½ months, risk free interest rate of 5.15% and volatility of 20%. This equates to a value of US$3.185 per option. The total value of the options equates to CDN$1,645,780 (US$1,352,820) and such amount was amortized over the vesting period. At December 31, 2009, the options were fully vested.

Consistent with the provisions of ASC 718, the Company recorded the fair value of stock option grants in stockholders equity. Under ASC 718 an equity instrument is not considered to be issued until the instrument vests. Accordingly, as provided in ASC 718 effective July 1, 2005, the Company has reversed CDN$551,000 (US$445,900) being the unamortized restricted stock compensation at June 30, 2005 included in stockholders equity for the unvested portions of stock option grants awarded prior to the effective date of ASC 718.

Since the issue of the options, 60,000 options have lapsed following the termination of participants to the issue.

A summary of the options outstanding and exercisable at December 31, 2009 are as follows:

	Outstanding	Exercisable
Number of options	80,000	80,000
Exercise price	US$10.00	US$10.00
Expiration date	October 15, 2014	October 15, 2014

On October 19, 2006, the Directors of the Company agreed to offer a further 465,000 options under the Stock Option Plan. The options have no issue price, an exercise price of US$3.084 and a latest exercise date of October 19, 2016. The options vest 1/3 on October 19, 2007 ("T1"), 1/3 on October 19, 2008 ("T2") and 1/3 on October 19, 2009 ("T3"). The Company obtained an external valuation on the options from an unrelated third party.

The Company, through an unrelated third party consultant, has calculated the fair value of the 465,000 options using the binomial option pricing model using a fair value share price of US$3.00, exercise price of US$3.084, expected life T1 - 5 years 6 months, T2 - 6 years, T3 - 6 years 6 months, risk-free interest rate of 4.75% and volatility of 90%. The total value of the options equates to CDN$1,207,860 (US$1,060,200) and such amount was amortised over the vesting period. For the six months ended December 31, 2009, the amortization amounted to CDN$39,421 and no options were forfeited. At December 31, 2009, the options were fully vested.

Since the issue of the options, 60,000 options have lapsed following the termination of participants to the issue.

A summary of the options outstanding and exercisable at December 31, 2009 are as follows:

	Outstanding	Exercisable
Number of options	405,000	405,000

Exercise price	US$3.08	US$3.08
Expiration date	October 19, 2016	October 19, 2016

(8) Profit(Loss) per share

Basic profit/(loss) per share is computed based on the weighted average number of common shares outstanding during the period. In prior periods the Company had on issue 1,000,000 special warrants which are exercisable at any time until expiration and for no consideration. On July 1, 2009 the Company re-purchased the warrants and immediately cancelled the options.

Profit/(Loss) per share

The Company calculates profit/(loss) per share in accordance with ASC Topic 260, “Earnings per Share”.

The following table reconciles the weighted average shares outstanding used for the computation:

	Six months ended December 31	
	2009	2008
Weighted average shares	‘000s	‘000s
Outstanding - basic	15,833	2,671
- Warrants	-	1,000
Weighted average shares outstanding	15,833	3,671

The following table reconciles the diluted weighted average shares outstanding used for the computation:

	Three months ended December 31	
	2009	2008
Diluted weighted average shares	‘000	‘000
Basic	17,728	3,671
Effect of employee stock based awards	-	-
Diluted weighted average shares outstanding	17,728	3,671

Options to acquire 485,000 shares of common stock were not included in the diluted weighted average shares outstanding as such effects would be anti-dilutive.

(9) Commitments

In June 2008, the Company agreed on terms with Tahera Diamond Corporation to obtain full control of the mining properties that are listed in the Tahera/GRR agreement through the issuance of 300,000 shares of common stock and the payment of CDN$86,000. The CDN$86,000 was paid prior to June 30, 2008. The issuance of 300,000 shares of common stock has not been brought to account in the financial statements as the final agreements have not yet been executed.

(10) Acquisitions

Golden River Resources as part of its business strategy is increasing its gold and base metal exploration activity in Canada and is continually sourcing new ground in Canada which is one of the most prospective areas for new gold discoveries. On March 17, 2009, the Company announced that it had reached agreement with Acadian Mining

Corporation (TSX: ADA) ("Acadian") to subscribe in a private placement transaction for up to 338,111,334 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The Offering was contemplated to close in two or more tranches giving Golden River a 68.7% holding of Acadian.

The closing of the first tranche, for an aggregate of CDN$1.0 million (38,111,334 shares) was subject to receipt of the required regulatory approvals, including the approval of the Toronto Stock Exchange which occurred in early June 2009. Upon completion of closing of the initial tranche, the Company was entitled to nominate one member to the board of directors of Acadian and nominated Mr Menachem Vorchheimer. The Company held a 19.9% interest in Acadian at June 30, 2009.

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The balance of the subscription by Golden River Resources into Acadian of CDN$9 million (300,000,000 shares at CDN$0.03 per share) was expected to be completed in one or more tranches upon the receipt of all necessary regulatory approvals, approval of the shareholders of Acadian and the satisfaction of certain other conditions precedent, including completion of due diligence by the Company. Acadian obtained approval from its shareholders at its annual meeting in June 2009.

Throughout July 2009, Golden River Resources subscribed for further shares to a value of CDN$4 million and at July 31, 2009, the Company held a 52.764% interest in Acadian. As a result, Golden River Resources has since that time consolidated the results of Acadian. On September 30, 2009, a further closing for an aggregate of CDN$1 million occurred increasing the Company interest in Acadian to 57.145% and during October 2009, Golden River Resources completed its subscription in Acadian by subscribing for shares to the value of CDN$4 million which increased its interest in Acadian to 68.7%.

The transaction was accounted for using the acquisition method required by ASC Topic 805, Business Combinations. On the acquisition date of July 31, 2009, the fair value of the non-controlling interest was CDN$20,553,000. The fair value of non-controlling interest was based on an estimate of the fair value of Acadian's net assets. The following table summarises the aggregate purchase price allocation and fair value of the non-controlling interest in Acadian as of July 31, 2009:

	CDN$000's	Fair Value Hierarchy
Cash and cash equivalents	1,414	Level 1
Receivables	45	Level 3
Property, plant & equipment (net)	7,089	Level 3
Prepayments	71	Level 3
Investment in Royal Roads Corp	855	Level 3
Cash held for remediation	925	Level 3
Mineral rights	43,790	Level 3
Fair value of assets	54,189	Level 3
Accounts payable & accrued expenses	(3,152)	Level 3
Other current liability	(2,099)	Level 3
Equipment loans payable	(371)	Level 3
Advance from Royal Roads Corp	(2,654)	Level 3
Accrued site remediation	(2,400)	Level 3
Fair value of liabilities	(10,676)	
Net assets acquired	43,513	
less: Cash consideration of additional 32.875%	(4,000)	
less: Fair value of previously held equity interest	(8,655)	Level 1
less: Fair value of non-controlling interest	(20,553)	Level 1
Bargain purchase gain	10,305	

The aggregate value of (a) the purchase price paid for the acquisition of the Acadian shares, (b) the fair value of non-controlling interest in Acadian and (c) the fair value of our previously held equity interest in Acadian before the additional share acquisition was less than the fair value of the net assets acquired, which resulted in a bargain purchase gain, which has been recognised in the Company's consolidated statement of operations.

As a result of the Company attaining control over Acadian, the Company's previously held 19.9% interest was remeasured to fair value.

The fair-value of the mineral rights acquired in the acquisition was prepared by an investment banking firm with substantial experience in merger and acquisition transactions including provision of fairness opinions and valuations. Accordingly, the Company has attributed a fair value of CDN$43,790,000 to mineral rights and the inputs categorised as Level 3 inputs under the accounting guidance for fair value measurements.

The fair value of the non-controlling interest was based on the report and inputs categorised as Level 1 inputs under the accounting guidance for fair value measurement.

The fair value of the assets acquired includes receivable which are fair valued using the income approach and inputs categorised as Level 3 inputs under the accounting guidance for fair value measurements. The fair value of property, plant and equipment was based on the value assigned in the investment banker's report; and for cash held for site remediation is as agreed with the relevant authorities in Canada.

The fair value of the liabilities includes accounts payable and accrued expenses, equipment loans payable, advance from equity accounted associate which were valued based on underlying terms and maturity dates; non-interest bearing liability was valued based on information available. The fair value of accrued site remediation is as agreed with the relevant authorities in Canada and from information provided.

The acquisition of Acadian was achieved in stages. The acquisition date fair value of the equity interest in Acadian immediately before the acquisition date was CDN$8,655,000 (US$8,259,000) and the amount of the gain recognized as a result of remeasuring to fair value the equity interest in Acadian before the business combination amounted to CDN$7,433,000 (US$7,093,000) and has been recognized in the consolidated statement of operations as "Adjustment to fair value on stepped acquisition".

The gain on the identifiable net assets of Acadian caused a difference in the carrying value of the Company's Acadian investment between financial reporting and income taxes and resulted in a deferred tax liability (see note 15).

The transaction contemplated several closings and was subject to several pre-conditions including approval by TSX and due diligence. Between the time of entering into the agreement and the acquisition date, world economic conditions have improved, metal prices have increased significantly and world stock markets have rallied. This resulted in significantly higher fair values for the assets of Acadian compared to the values at the time the agreement was entered into. Furthermore, Acadian was in a distressed state at the time the agreement was entered into.

The amount of revenue of Acadian since the acquisition date included in the consolidated statement of operations for the reporting period is CDN$nil and the amount of loss from operations is CDN$2,889,052.

The consolidated statement of operations includes the operations since July 31, 2009, which is the acquisition date. The following unaudited pro-forma information presents the results of operations for the six months ended December 31, 2009 and 2008, as if the acquisition of Acadian had occurred on July 1, 2008.

	2009 CDN$000's	2008 CDN$000's
Revenue	-	-
Net profit(loss)	(991)	(19,992)
Basic and diluted profit(loss) per share	(0.00)	(0.54)

During the quarter ended December 31, 2008, Acadian recorded impairment charge write off of CDN$19,791,000 based at that time on the review by management of the carrying value of mining assets and investments.

During July, 2009 Acadian recorded a gain on settlement of liabilities under Companies' Creditors Arrangement Act of CDN$3,104,170 and as at December 31, 2009 Acadian recorded a loss on disposal of leased assets of CDN$311,096.

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(11) Cash held for Site Remediation

Acadian has agreed with the relevant authorities in Canada to remediate exploration and mine sites to an agreed status at the end of exploration and /or mining operations at the sites. Currently the Company has CDN$925,000 on deposit with the relevant authorities in Canada to cover the cost of this remediation work.

(12) Property, Plant and Equipment

	Cost CDN$	Accumulated Depreciation CDN$	Net CDN$
Office			
Building	117,989	2,458	115,531
Automotive equipment	63,015	9,188	53,827
Office fixtures and computer equipment	243,632	22,726	220,906
Land	405,617	-	405,617
	830,253	34,372	795,881
Mine Site			
Land	566,950	-	566,950
Building	1,842,204	64,744	1,777,460
Automotive equipment	212,684	17,724	194,960
Equipment	3,636,602	102,836	3,533,766
	6,258,440	185,303	6,073,136
Other	6,589	6,589	-
Balance December 31, 2009	7,095,282	226,264	6,869,017

(13) Investment in Non-Consolidated Entity

At December 31, 2009, Acadian owned approximately 32.7 million shares of Royal Roads Corp. representing 29.18% of the issued and outstanding shares of Royal Roads Corp. The investment is accounted for using the equity method of accounting and is recorded on the accompanying balance sheet at CDN$711,000. The TSX Venture Exchange quoted market value of the investment at December 31, 2009 was CDN$3,271,396.

(14) Accrued Site Remediation

Acadian has agreed with the relevant authorities in Canada to remediate exploration and mine sites to an agreed status at the end of exploration and /or mining operations at the sites. The estimated cost of this remediation work is CDN$2,400,000

(15) Income Taxes

The Company recognises deferred tax assets or liabilities for the expected future consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

The Company’s net deferred tax liability at December 31, 2009 is summarized as follows:

CDN$000s

Deferred tax assets	
Net operating loss carry-forward	2,985
Exploration expenditure	467
	3,452
Less valuation allowance	(3,452)
	-
Deferred tax liability	
Investment in subsidiary	(2,624)
Net deferred taxes	(2,624)

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Total available net operating loss carryforwards in the United States, which are subject to limitations, amount to approximately CDN$5,200,000 at December 31, 2009 and expire in years 2002 through 2009. Net operating loss carryforwards in Canada do not have definite expiration dates.

(16) Restatements of Prior Period Financial Information

The Company has restated its previously issued financial statements and accompanying footnotes as of and for the quarter and six months ended December 31, 2009 to effect the changes to the fair value of the assets acquired and liabilities assumed after the completion during the fourth quarter of fiscal 2010 of the accounting for the acquisition of Acadian (note 10). In addition, as discussed in note 17, the consolidated financial statements have been restated to give effect to a 1:10 stock split.

The effects of the restatement are shown in the following tables:

Consolidated Balance Sheet
December 31, 2009

	CDN$000's (original)	Company acquisition fair value changes CDN$000's	CDN$000's (restated)
ASSETS			
Current Assets			
Cash	432	-	432
Receivables	91	-	91
Prepaid expenses and deposits	168	-	168
Total Current Assets	691	-	691
Non Current Assets			
Cash held for site remediation	925	-	925
Property, plant and equipment	7,331	(462)	6,869
Investment in non consolidated entity	711	(12)	699
Mineral rights	86,798	(43,008)	43,790
Total Non Current Assets	95,765	(43,482)	52,283
Total Assets	95,456	(43,482)	52,974
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	2,432	(21)	2,411
Other current liability	2,527	(428)	2,099
Advances from affiliates	5,432	-	5,432
Total Current Liabilities	10,391	(449)	9,942

Non Current Liabilities			
Accrued site remediation	2,400	-	2,400
Deferred tax liability	13,486	(10,862)	2,624
Total Non Current Liabilities	15,886	(10,862)	5,024
Total Liabilities	26,277	(11,311)	14,966
Stockholders' Equity :			
Common Stock: $.0001 par value			
40,000,000 shares authorized,			
17,728,084 and 12,671,413 issued and outstanding	22	(20)	2
Additional Paid-in-Capital	50,177	(7,189)	42,988
Less treasury stock at cost, 250 shares	(19)	-	(19)
Accumulated other comprehensive loss	(356)	-	(356)
Retained profit during exploration stage	14,402	(11,847)	2,555
Retained deficit prior to exploration stage	(24,748)	-	(24,748)
Golden River Resources Stockholders Equity	39,478	(19,056)	20,422
Non controlling interests	30,701	(13,115)	17,586
Total Equity	70,179	(32,171)	38,008
Total Liabilities and Equity	96,456	(43,482)	52,974

As a result of restatement of the consolidated balance sheet as of December 31, 2009, total assets decreased from CDN$96,456,000 to CDN$52,974,000. The decrease of total assets was mainly derived from a decrease in mineral rights by CDN$43,008,000. As at date of acquisition, management estimated the provisional fair value of the mineral rights using known information at the time. Subsequently, the Company retained an investment banking firm to provide a formal valuation which has been used in final fair value calculations.

The total liabilities have decreased from CDN$26,277,000 as originally reported to CDN$14,966,000. The decrease in total liabilities was derived mainly from a decrease of CDN$10,862,000 in deferred tax liability.

The total stockholders' equity was restated from CDN$70,179,000 to CDN$38,008,000. The decrease of total stockholders' equity was primarily derived from a decrease of CDN$11,847,000 in retained profit during exploration stage and a decrease in non-controlling interests of CDN$13,115,000.

The total liabilities and stockholders' equity was restated from CDN$96,456,000 to CDN$52,974,000.

Consolidated Statement of Operation
Three months ended December 31, 2009

	CDN$000's (original)	Company Acquisition fair value changes CDN$000s	CDN$000's (restated)
Revenues	$-	$-	$-
Costs and Expenses:			
Stock based compensation	6	-	6
Exploration expenditure	741	(157)	584
Depreciation and amortization	269	(137)	132
Loss/(profit) on disposal of equipment	(125)	125	-
Interest expense, net	40	-	40
Legal, accounting and professional	186	1	187
Administration expenses	481	(104)	377
Total costs and expenses	1,598	(272)	1,326
(Loss) from operations	(1,598)	(272)	(1,326)
Foreign currency exchange gain (Loss)	10	-	10
Other Income:			
Interest – other	1	-	1
Profit/(Loss) before income tax and equity in profits of unconsolidated entities	(1,587)	272	(1,315)
Provision for deferred income tax	(852)	943	91

Profit/(loss) before equity in profit(losses) of unconsolidated entities	(2,439)	1,215	(1,224)
Equity in (losses) of unconsolidated entities	(70)	-	(70)
Net Profit/(Loss)	(2,509)	1,215	(1,294)
Net Loss attributable to non-controlling interests	559	140	419
Net Profit (Loss) attributable to Golden River Resources stockholders	(1,950)	1,075	(875)
Basic and diluted net profit/(loss) per common equivalent shares	(0.01)		(0.05)
Weighted average number of common equivalent shares used per share calculation (000's)	17,728		17,728

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As a result of the restatement of consolidated statement of operations for the three months ended December 31, 2009, total net loss decreased from CDN$2,509,000 as originally reported to CDN$1,294,000.

The decreased loss was mainly composed of a decrease in provision for income taxes of CDN$943,000.

Consolidated Statement of Operation
Six months ended December 31, 2009

	CDN$000's (original)	Company Acquisition fair value changes CDN$000s	CDN$000's (restated)
Revenues	$-	$-	$-
Costs and Expenses:			
Stock based compensation	39	-	39
Exploration expenditure	1,001	283	1,284
Depreciation and amortization	732	(512)	220
Loss on disposal of equipment	259	(259)	-
Interest expense, net	139	-	139
Legal, accounting and professional	294	12	306
Administration expenses	655	(69)	586
Total Costs and Expenses	3,119	(545)	2,574
(Loss) from Operations	(3,119)	545	(2,574)
Foreign Currency Exchange Gain	5	-	5
Adjustment to fair value on stepped acquisition	16,098	(8,665)	7,433
Gain on bargain purchase	24,626	(14,321)	10,305
Other Income:			
Interest – other	1	-	1
Profit before income tax and equity in profits of unconsolidated entities	37,611	(22,441)	15,170
Provision for deferred income tax	(13,486)	10,862	(2,624)
Profit before equity in profit of unconsolidated entities	24,125	(11,579)	12,546
Equity in (losses) of unconsolidated entities	326	-	326
Net Profit	24,451	(11,579)	(12,872)
Net Loss attributable to non-controlling interests	1,240	(268)	972
Net Profit attributable to Golden River Resources stockholders	25,691	(11,847)	13,844
Basic and diluted net profit per common equivalent shares	1.62		0.87

Weighted average number of common equivalent shares used in per share calculation	15,833	15,833

As a result of the restatement of consolidated statement of operations for the six months ended December 31, 2009, total net profit decreased from CDN$24,451,000 as originally reported to CDN$12,872,000

The decreased profit was mainly composed of a decrease in adjustment to fair value on stepped acquisition of CDN$8,665,000, a decrease in gain on bargain purchase of CDN$14,321,000 and a decrease in provision for income taxes of CDN$10,862,000.

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Consolidated Statement of Cash Flows
Six months ended December 31, 2009

	CDN$000s (Original)	Company Acquisition Fair Value changes CDN$000s	CDN$000s (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit	25,691	(12,819)	12,872
Adjustments to reconcile net profit to net cash provided by Operating Activities			
Foreign currency exchange	(5)	-	(5)
Depreciation /amortization of plant and equipment	732	(512)	220
Loss on disposal of equipment	259	(259)	-
Stock based compensation	39	-	39
Provision for deferred income tax	13,486	(10,862)	2,624
Equity in profits of non-consolidated entities	(326)	-	(326)
Net loss attributable to non controlling interests	(1,240)	1,240	-
Adjustment to fair value on stepped acquisition	(16,098)	8,665	(7,433)
Bargain purchase of controlled entities	(24,626)	14,321	(10,305)
Net Change net of acquisition in:		-	
Receivables	(2)	-	(2)
Prepayments and deposits	(97)	-	(97)
Accounts payable and accrued expenses	3,784	226	4,010
Net Cash Provided by(Used) in Operating Activities	1,736	-	1,736
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of majority owned subsidiary net of cash acquired	(7,585)	-	(7,585)
Net Cash (Used) in Investing Activities	(7,585)	-	(7,585)
CASH FLOW PROVIDED BY FINANCING ACTIVITIES			
Borrowings from affiliates	4,578	-	4,578
Repayments from affiliates	(3,166)	-	(3,166)
Proceeds from issuance of stock	5,568	-	5,568
Repayment of borrowings	(139)	-	(139)
Re-Purchase of warrants	(579)	-	(579)
Net Cash Provided by Financing Activities	6,262	-	6,262
Net Increase in Cash	413	-	413
Cash at Beginning of Period	19	-	19
Cash at End of Period	432	-	432
Supplemental Disclosures			
Interest Paid	139	-	139

As a result of the restatement, there was no change in net cash provided in operating activities. The net CDN$nil change was mainly composed of a decrease in adjustment to fair value on stepped acquisition of CDN$8,665,000, a decrease in gain on bargain purchase price of CDN$14,321,000 and a decrease in a provision for income taxes of CDN $10,862,000

On September 2, 2010, the Board of Directors of the Company and the holder of a majority of the outstanding shares of Common Stock approved a 1-for-10 reverse stock split of the Common Stock and approved the mailing of an Information Statement to stockholders in relation to the reverse stock split, which became effective on November 1, 2010. The Company has accounted for this reverse stock split and accordingly, all share and per share data has been retroactively restated.

(17) Subsequent Events

The Company has evaluated significant events subsequent to the balance sheet date and has determined that there were no subsequent events or transactions which would require recognition or disclosure in the consolidated financial statements, other than noted herein.

On September 2, 2010, the Board of Directors of the Company and the holder of a majority of the outstanding shares of Common Stock approved a 1-for-10 reverse stock split of the Common Stock and approved the mailing of an Information Statement to stockholders in relation to the reverse stock split, which became effective on November 1, 2010. The Company has accounted for this reverse stock split and accordingly, all share and per share data has been retroactively restated.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

FUND COSTS CONVERSION

The consolidated statements of operations and other financial and operating data contained elsewhere here in and the consolidated balance sheets and financial results have been reflected in Canadian dollars unless otherwise stated.

The following table shows the average rate of exchange of the Canadian dollar as compared to the US dollar and Australian dollar during the periods indicated:

6 months ended December 31, 2008 CDN$1.00 = US$.8183
6 months ended December 31, 2009 CDN$1.00 = US$.9532
6 months ended December 31, 2008 CDN$1.00 = A$1.1855
6 months ended December 31, 2009 CDN$1.00 = A$1.0675

Prior to July 1, 2009, the Company's functional and reporting currency was the Australian dollar and its subsidiary, Golden Bull Resources Corporation's functional currency was the Canadian dollar. However, as a result of the purchase of the controlling interest in Acadian Mining Corporation in Canada in July 2009, the Company's fiscal 2010 revenue and expenses will be primarily denominated in Canadian dollars (CDN$). ASC Topic 830 "Foreign Currency Matters" states that the functional currency of an entity is the currency of the primary economic environment in which the entity operates. Accordingly the Company determined that from July 1, 2009 the functional and reporting currency of the Company is the Canadian dollar. Assets, liabilities and portions of equity were translated at the rate of exchange at July 1, 2009 and portions of equity were translated at historical exchange rates. Revenue and expenses were translated at actual rates. Translation gains and losses were included as part of accumulated other comprehensive loss.

Restatement of comparative numbers was made for the change in functional and reporting currency. The change was adopted prospectively beginning July 1, 2009 in accordance with ASC Topic 830.

The Company's financial statements are prepared in Canadian dollars (CDN$). A number of the costs and expenses of the Company are incurred in US and Australian dollars and the conversion of these costs to CDN$ means that the comparison of the six months ended December 31, 2009 to the six months ended December 31, 2008 does not always present a true comparison.

RESULTS OF OPERATION

Three Months Ended December 31, 2009 vs.Three Months Ended December 31, 2008.

Golden River Resources as part of its business strategy is increasing its gold and base metal exploration activity in Canada and is continually sourcing new ground in Canada which is one of the most prospective areas in for new gold discoveries. On March 17, 2009, the Company announced that it had reached agreement with Acadian Mining Corporation (TSX: ADA) ("Acadian") to subscribe in a private placement transaction for up to 338,111,334 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The Offering was contemplated to close in two or more tranches. Golden River holds 68.765% of Acadian.

The closing of the first tranche, for an aggregate of CDN$1.0 million (38,111,334 shares) was subject to receipt of the required regulatory approvals, including the approval of the Toronto Stock Exchange which occurred in early June 2009. Upon completion of closing of the initial tranche, the Company was entitled to nominate one member to the board of directors of Acadian and nominated Mr Menachem Vorchheimer. The Company held a 19.9% interest in

Acadian at June 30, 2009.

The balance of the subscription by Golden River Resources into Acadian of CDN$9 million (300,000,000 shares at CDN$0.03 per share) was expected to be completed in one or more tranches upon the receipt of all necessary regulatory approvals, approval of the shareholders of Acadian and the satisfaction of certain other conditions precedent, including completion of due diligence by the Company. Acadian obtained approval from its shareholders at its annual meeting in June 2009.

Throughout July 2009, Golden River Resources subscribed for further shares to a value of CDN$4 million and at July 31, 2009, the Company held a 52.764% interest in Acadian. As a result, Golden River Resources has since that time consolidated the results of Acadian. On September 30, 2009, a further closing for an aggregate of CDN$1 million occurred increasing the Company interest in Acadian to 57.145% and during October 2009, Golden River Resources completed its subscription in Acadian by subscribing for shares to the value of CDN$4 million which increased its interest in Acadian to 68.765%.

Costs and expenses increased from CDN$136,000 in the three months ended December 31, 2008 to CDN$1,326,000 in the three months ended December 31, 2009. As a result of the acquisition of Acadian, a comparison of costs and expenses from 2008 to 2009 is not necessarily accurate.

The increase in costs and expenses is a net result of:

a) an increase in legal, accounting and professional expense from CDN$22,000 for the three months ended December 31, 2008 to CDN$187,000 for the three months ended December 31, 2009, primarily as a result of costs associated with the Company's SEC and IRS compliance obligations. Included within legal, accounting and professional expense for the three months ended December 31, 2009 is CDN$71,000 which relates to the Company's tax compliance work and CDN$35,000 for Acadian which relates to general legal work, audit and stock transfer costs.

b) an increase in administrative costs including salaries from CDN$44,000 in the three months ended December 31, 2008 to CDN$377,000 in the three months ended December 31, 2009. Included within administrative expense for the three months ended December 31, 2009 is CDN$277,000 for Acadian which includes head office salaries, rent, office related costs and travel.

c) an increase in the exploration expenditure expense from CDN$33,000 for the three months ended December 31, 2008 to CDN$584,000 for the three months ended December 31, 2009. The costs related to consultants providing exploration reviews and advice. No field work was undertaken during the three months ended December 31, 2008 or 2009 by the Company on the Slave and Committee Bay properties. Included within exploration expenditure expense for the three months ended December 31, 2009 is work undertaken by Acadian for field exploration activities on its gold properties and certain maintenance work on its Scotia mine which is currently on care and maintenance and an increase in site remediation accrual for Acadian's exploration and mining sites.

d) a decrease in stock based compensation from CDN$37,000 for the three months ended December 31, 2008 to CDN$6,000 for the three months ended December 31, 2009 as a result of the number of options being fully expensed prior to the current period. See Note 7 concerning the Company's outstanding stock options.

e) an increase in depreciation and amortization expense from CDN$nil for the three months ended December 31, 2008 to CDN$132,000 for the three months ended December 31, 2009. The amortization expenses for the three months ended December 31, 2009 relates to the activities of Acadian which is amortizing the mine and mill (which is on care and maintenance), and equipment.

f) an increase in interest expense from CDN$nil for the three months ended December 31, 2008 to CDN$40,000 for the three months ended December 31, 2009. The interest expense, net for the three months ended December 31, 2009 relates to the activities of Acadian which was paying interest on capital debt and the final cost of having the debtor in possession financing in place.

As a result of the foregoing, the loss from operations increased from CDN$136,000 for the three months ended December 31, 2008 to CDN$1,326,000 for the three months ended December 31, 2009.

The Company recorded a foreign currency exchange gain of CDN$10,000 for the three months ended December 31, 2009 compared to a foreign currency exchange loss of CDN$15,000 for the three months ended December 31, 2008.

A decrease in interest income from CDN$5,000 for the three months ended December 31, 2008 to CDN$1,000 for the three months ended December 31, 2009.

The loss before income taxes and equity in profits/(losses) of non-consolidated entities for the three months ended December 31, 2009 was CDN$1,315,000 compared CDN$146,000 for the three months ended December 31, 2008.

The Company has recorded a increase of CDN$91,000 in the provision for tax for the three months ended December 31, 2009 compared to CDN$nil for the three months ended December 31, 2008.

The loss before equity in profits/(losses) of non-consolidated entities for the three months ended December 31, 2009 was CDN$1,224,000 compared to CDN$146,000 for the three months ended December 31, 2008.

The share of loss in non-consolidated entities for the three months ended December 31, 2009 amounted to CDN$70,000 for which there was no comparable amount in 2008. As noted above, the Company held a 19.89% interest in Acadian at June 30, 2009 which increased to 52.764% at July 31, 2009. The Company accounted for its 19.89% interest in Acadian for the month of July 2009 using the equity method of accounting. Further, the Company via Acadian, held a 29.18% interest in Royal Roads Corp which is also accounted for using the equity method of accounting and its share of the loss of the non-consolidated entities for the three months ended December 31, 2009 was CDN$70,000 (2008: $nil).

The net loss was CDN$1,294,000 for the three months ended December 31, 2009 compared to CDN$146,000 for the three months ended December 31, 2008.

The share of the loss attributable to the non-controlling interests of Acadian amounted to CDN$419,000, for which there was no comparable amount in 2008.

The net loss attributable to Golden River Resources stockholders amounted to CDN$875,000 for the three months ended December 31, 2009 compared to CDN$146,000 for the three months ended December 31, 2008.

Six Months Ended December 31, 2009 vs. Six Months Ended December 31, 2008.

Golden River Resources as part of its business strategy is increasing its gold and base metal exploration activity in Canada and is continually sourcing new ground in Canada which is one of the most prospective areas in for new gold discoveries. On March 17, 2009, the Company announced that it had reached agreement with Acadian Mining Corporation (TSX: ADA) ("Acadian") to subscribe in a private placement transaction for up to 338,111,334 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The Offering was contemplated to close in two or more tranches. Golden River holds 68.765% of Acadian.

The closing of the first tranche, for an aggregate of CDN$1.0 million (38,111,334 shares) was subject to receipt of the required regulatory approvals, including the approval of the Toronto Stock Exchange which occurred in early June 2009. Upon completion of closing of the initial tranche, the Company was entitled to nominate one member to the board of directors of Acadian and nominated Mr Menachem Vorchheimer. The Company held a 19.9% interest in Acadian at June 30, 2009.

The balance of the subscription by Golden River Resources into Acadian of CDN$9 million (300,000,000 shares at CDN$0.03 per share) was expected to be completed in one or more tranches upon the receipt of all necessary regulatory approvals, approval of the shareholders of Acadian and the satisfaction of certain other conditions precedent, including completion of due diligence by the Company. Acadian obtained approval from its shareholders at its annual meeting in June 2009.

Throughout July 2009, Golden River Resources subscribed for further shares to a value of CDN$4 million and at July 31, 2009, the Company held a 52.764% interest in Acadian. As a result, Golden River Resources has since that time consolidated the results of Acadian. On September 30, 2009, a further closing for an aggregate of CDN$1 million occurred increasing the Company interest in Acadian to 57.145% and during October 2009, Golden River Resources completed its subscription in Acadian by subscribing for shares to the value of CDN$4 million which increased its interest in Acadian to 68.765%.

Costs and expenses increased from CDN$317,000 in the six months ended December 31, 2008 to CDN$2,574,000 in the six months ended December 31, 2009. As a result of the acquisition of Acadian, a comparison of costs and expenses from 2008 to 2009 is not necessarily accurate.

The increase in costs and expenses is a net result of:

a) an increase in legal, accounting and professional expense from CDN$59,000 for the six months ended December 31, 2008 to CDN$306,000 for the six months ended December 31, 2009, primarily as a result of costs associated with the Company's SEC and IRS compliance obligations. Included within legal, accounting and professional expense for the six months ended December 31, 2009 is CDN$71,000 which relates to the Company's tax compliance work and CDN$35,000 for Acadian which relates to general legal work, audit and stock transfer costs.

b) an increase in administrative costs including salaries from CDN$69,000 in the six months ended December 31, 2008 to CDN$586,000 in the six months ended December 31, 2009. Included within administrative expense for the six months ended December 31, 2009 is CDN$423,000 for Acadian which includes head office salaries, rent, office related costs and travel.

c) an increase in the exploration expenditure expense from CDN$72,000 for the six months ended December 31, 2008 to CDN$1,284,000 for the six months ended December 31, 2009. The costs related to consultants providing exploration reviews and advice. No field work was undertaken during the six months ended December 31, 2008 or 2009 by the Company on the Slave and Committee Bay properties. Included within exploration expenditure expense for the six months ended December 31, 2009 is work undertaken by Acadian for field exploration activities on its gold properties and certain maintenance work on its Scotia mine which is currently on care and maintenance and CDN$1,000,000 increase in provision for site remediation.

d) a decrease in stock based compensation from CDN$117,000 for the six months ended December 31, 2008 to CDN$39,000 for the six months ended December 31, 2009 as a result of options being fully expensed prior to the current period. See Note 7 concerning the Company's outstanding stock options.

e) an increase in depreciation and amortization expense from CDN$nil for the six months ended December 31, 2008 to CDN$220,000 for the six months ended December 31, 2009. The amortization expenses for the six months ended December 31, 2009 relates to the activities of Acadian which is amortizing the mine and mill (which is on care and maintenance), and equipment.

f) an increase in interest expense, net from CDN$nil for the six months ended December 31, 2008 to CDN$139,000 for the six months ended December 31, 2009. The interest expenses for the six months ended December 31, 2009 relates to the activities of Acadian which was paying interest on capital debt and the final cost of having the debtor in possession financing in place.

As a result of the foregoing, the loss from operations increased from CDN$317,000 for the six months ended December 31, 2008 to CDN$2,574,000 for the six months ended December 31, 2009.

The Company recorded a foreign currency exchange gain of CDN$5,000 for the six months ended December 31, 2009 compared to a foreign currency exchange loss of CDN$22,000 for the six months ended December 31, 2008.

The Company also recorded a decrease in interest income from CDN$5,000 for the six months ended December 31, 2008 to CDN$1,000 for the six months ended December 31, 2009.

On March 17, 2009, the Company announced that it had reached agreement with Acadian to subscribe in a private placement transaction for up to 338,111,334 common shares ("Offering") in Acadian for aggregate gross investment of up to CDN$10 million. The closing of the first tranche, for an aggregate of CDN$1.0 million (38,111,334 shares) was subject to receipt of the required regulatory approvals, including the approval of the Toronto Stock Exchange which occurred in early June 2009. Throughout July 2009, further closings for an aggregate of CDN$4 million occurred and at July 31, 2009, the Company held a 52.764% interest in Acadian. In accordance with accounting principles generally accepted in the United States of America, the Company calculated the difference between the fair market value and the carrying amount of the Company's 19.9% interest in Acadian at the acquisition date of July 31, 2009 and recorded an adjustment to fair value on stepped acquisition of CDN$7,433,000, for which there was no comparable amount in 2008.

The Company has recorded a gain on bargain purchase of CDN$10,305,000 which is disclosed separately on the consolidated statement of operations. The gain represents the excess of the fair value of the net assets acquired over (i) fair value of the non controlling interest; (ii) fair value of the equity investment held prior to acquisition; and, (iii) the cash consideration paid. Subsequent to acquiring a majority interest in Acadian, the Company acquired an additional 16.001% interest for CDN$5 million which resulted in the Company's ownership interest in Acadian being increased from 52.764% to 68.765%.. As a result of this additional investment, the Company recorded a credit to Additional Paid-In Capital of CDN$1,994,000. The Company entered into the a fixed price agreement with Acadian in early 2009 to subscribe CDN$10 million for a 68.7% interest in Acadian, at a time when the world stock markets were at a low point given the world economic crisis at that time. The transaction contemplated several closings and was subject to several pre-conditions including approval by TSX and due diligence. Between the time of entering into the agreement and the acquisition date, world economic conditions have improved, metal prices have increased significantly and world stock markets have rallied. This resulted in significantly higher fair values for the assets of Acadian compared to the values at the time the agreement was entered into. Furthermore, Acadian was in a distressed state at the time the agreement was entered into.

The profit before income tax and equity in profits/(losses) of non-consolidated entities for the six months ended December 31, 2009 was CDN$15,170,000 compared to a loss for the six months ended December 31, 2008 of CDN$334,000.

The Company has recorded a provision for tax of CDN$2,624,000 for the six months ended December 31, 2009 compared to a provision for tax of CDN$nil for the six months ended December 31, 2008, as a result of the acquisition of majority interest in Acadian.

The profit before equity in profits of non-consolidated entities for the six months ended December 31, 2009 was CDN$12,546,000 compared to a loss for the six months ended December 31, 2008 of CDN$334,000.

As noted above, the Company held a 19.89% interest in Acadian at June 30, 2009 which increased to 52.764% at July 31, 2009. The Company accounted for its 19.89% interest in Acadian for the month of July 2009 using the equity method of accounting. Further, the Company via Acadian, held a 29.18% interest in Royal Roads Corp which is also accounted for using the equity method of accounting and its share of the loss of the non-consolidated entities for the six months ended December 31, 2009 was CDN$326,000 (2008: $nil).

The net profit was CDN$12,872,000 for the six months ended December 31, 2009 compared to a net loss of CDN$334,000 for the six months ended December 31, 2008.

The share of the loss attributable to the non-controlling interests of Acadian amounted to CDN$972,000, for which there was no comparable amount in 2008.

The net profit attributable to Golden River Resources stockholders amounted to CDN$13,844,000 for the six months ended December 31, 2009 compared to a net loss of CDN$334,000 for the six months ended December 31, 2008.

Liquidity and Capital Resources

For the six months ended December 31, 2009, net cash from operating activities was CDN$1,736,000 primarily consisting of the net profit of CDN$12,872,000; adjustment to fair value on stepped acquisition of CDN$7,433,000; gain on bargain purchase of CDN$10,305,000; provision for deferred tax of CDN$2,624,000; an increase in accounts payable and accrued expenses of CDN$4,010,000; net cash used in investing activities of CDN$7,585,000 being the net cost of the additional investment in Acadian to 68.765%; and net cash provided by financing activities of

CDN$6,262,000 being funds from the sale of common stock of CDN$5,568,000; borrowings from affiliates CDN$4,578,000; repayment to affiliates CDN$3,166,000; re-purchase of warrants CDN$579,000 and repayment of borrowings CDN$139,000.

As of December 31, 2009, the Company had short-term obligations of CDN$9,942,000 comprising accounts payable and accrued expenses, lease liabilities and advance from related parties/associates.

We have CDN$432,000 in cash at December 31, 2009.

The Company will be required to raise further cash to fund its exploration activities in 2010 and for working capital purposes. In addition, Acadian will be required to raise further cash to fund its exploration activities and for working capital purposes and this may be raised through equity or debt. This may require Golden River Resources to participate in an equity raising or providing debt financing to Acadian.

We are currently investigating capital raising opportunities which may be in the form of either equity or debt, to provide funding for working capital purposes and future exploration programs. There can be no assurance that such a capital raising will be successful, or that even if an offer of financing is received by the Company, it is on terms acceptable to the Company.

Cautionary Safe Harbor Statement under the United States Private Securities Litigation Reform Act of 1995.

Certain information contained in this Form 10-Q/A's forward looking information within the meaning of the Private Securities Litigation Act of 1995 (the "Act"). In order to obtain the benefits of the "safe harbor" provisions of the act for any such forwarding looking statements, the Company wishes to caution investors and prospective investors about significant factors which among others have affected the Company's actual results and are in the future likely to affect the Company's actual results and cause them to differ materially from those expressed in any such forward looking statements. This Form 10-Q/A report contains forward looking statements relating to future financial results. Actual results may differ as a result of factors over which the Company has no control including, without limitation, the risks of exploration and development stage projects, political risks of development in foreign countries, risks associated with environmental and other regulatory matters, mining risks and competition and the volatility of gold and copper prices, movements in the foreign exchange rate and the availability of additional financing for the Company. Additional information which could affect the Company's financial results is included in the Company's Form 10-K on file with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

At December 31, 2009, the Company had outstanding loan facilities of CDN$7,725,000 and a 100 basis points increase in interest rates would have a CDN$772,500 effect on the consolidated statement of operations. At December 31, 2009, assuming no change in the cash at bank, a 10% change in the CDN$ versus US$ exchange rate would have a CDN$4,000 effect on the consolidated statement of operations.

Item 4. Controls and Procedures.

(a) Disclosure Controls and Procedures

Our principal executive officer and our principal financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 as amended) as of the end of the period covered by this report. Based on that evaluation, such principal executive officer and principal financial officer concluded that, the Company's disclosure controls and procedures were effective as of the end of the period covered by this report at the reasonable level of assurance.

(b) Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the second quarter of fiscal 2010 that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

(c) Other

We believe that a controls system, no matter how well designed and operated, can not provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Therefore, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Our disclosure controls and procedures are designed to provide such reasonable assurance of achieving our desired control objectives, and our principal executive officer and principal financial officer have concluded, as of December 31, 2009, that our disclosure controls and procedures were effective in achieving that level of reasonable assurance.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

Not Applicable

Item 1A. Risk Factors.

Not Applicable for Smaller Reporting Company

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Removed and Reserved.

Not Applicable

Item 5. Other Information.

Not Applicable

Item 6. Exhibits.

(a)

Exhibit No.	Description
3.1	Amendment to Certificate of Incorporation dated December 14, 2009.
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley act of 2002

(FORM 10-Q/A)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Golden River Resources Corporation

By: /s/ Joseph I. Gutnick

Joseph I. Gutnick
Chairman of the Board, President and
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Peter Lee

Peter Lee
Director, Secretary and
Chief Financial Officer
(Principal Financial Officer)

Dated:
February 11,
2011

EXHIBIT INDEX

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