

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Financial Statements**

**For the Year Ended 30 June 2006**

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

**For the Year Ended 30 June 2006**

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# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Directors' Report**

**30 June 2006**

Your directors present their report on the company for the financial year ended 30 June 2006.

### **1. General information**

#### **a Directors**

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

Frederick L Hunt  
Hamish Hunt  
Johannes L Venter

#### **b Company Secretary**

The following person held the position of company secretary at the end of the financial year:

Mr Nicholas Storer - Chartered Accountant. Mr Storer is a partner of Bentleys MRI and has been involved in public practice for the past 23 years. Mr Storer was appointed company secretary on 22 April 2002.

#### **c Principal Activities**

In the year to 30 June 2006, the activities of the economic entity were directed towards the financing of prospecting in such a way that it would:

- bring the economic entity closer to gold development;
- maintain the growth of its exploration knowledge within the Ballarat District, and
- prepare the property at Clunes (MIN 5391) to enable accelerated exploration and pre-development activities.

Bearing in mind the objectives for the economic entity, the Directors pursued listing on the Newcastle Stock Exchange Limited. This eventuated on 10 May 2006.

No drilling took place in the year to 30 June 2006. Drilling commenced on MIN 5391 at Clunes in September 2006.

### **2. Business review**

#### **a Operating Results**

The consolidated loss of Mount Rommel Mining Limited and Controlled Entities after providing for income tax and eliminating outside interests amounted to \$ 74,310 .

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Directors' Report**

**30 June 2006**

### **Business review continued**

#### **b Review of operations**

A review of the operations of Mount Rommel Mining Limited and Controlled Entities during the financial year are as follows:

- A Prospectus was prepared and lodged with ASIC on 9 February 2006.
- The Prospectus closed in May and the Company was admitted to the Stock Exchange of Newcastle Limited on 10 May 2006. The cash proceeds of the issue (on completion by partly paid holders) will be \$569,009. As at 30 June 2006, the number of holders of fully paid ordinary shares was 255. The number of holders of partly paid ordinary shares is 26.
- At Clunes, drilling for the investigative purposes of this Company first commenced in late July 2004, and continued into early August. One diamond drill hole and two short percussion holes were completed near the old Port Phillip North shaft. Assays showed the presence of gold in all 3 holes. These investigative holes provided samples for ground gravity geophysical assessment purposes, and to enable the making of the Work Plan as required by Victorian statute.

This drilling (added to the existing knowledge) provided good reason to develop MIN 5391 by further surface drilling, applying funds raised by the issue of shares under a prospectus.

- At Allendale, no field work took place. The outline of a prospecting target east of the De Murska shaft, and west of the New Ristori (1922-24) shaft, above un-mined ground, and on private land was first noted in August 2002.

The completion of added ground gravity surveys drew attention again to these locations. The work became part of the data included in the Prospectus of 9 February 2006

- At Tourello and surrounds, gravity surveys were previously completed by the Joint Venture Group. The surveys were both detailed on 11 gridlines 75 metres apart, and for line lengths of 1,300 metres and broad-spaced. The broad-spaced work was extended south into the Western areas of Ballarat, expanding the Company gravity coverage over prospective ground.

An agreement made to purchase the Tourello property, by provision of gold from future production (i.e. no cash or shares), was concluded, and became part of the material disclosed in the Prospectus of 9 February 2006.

# Mount Rommel Mining Limited and Controlled Entities

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## Directors' Report

30 June 2006

### Business review continued

#### Review of operations continued

- This Company continues to prospect (aided by micro-gravity survey data) in places with known mine workings, drill data, known faults across recorded workings, zones of folding: i.e. where there is information about the distributed position of gold. The availability of this correlated data has advanced the knowledge of the economic entity, improving its ability to compare prospects near Ballarat with those at Clunes, Allendale and Tourello. Clunes is regarded as a more substantial host structure for ore than any single known host zone at Ballarat, and worthy of an intense prospecting effort.

On MIN 5391, there are already a series of known gold intercepts after drilling (as set out in the Prospectus dated 9 February 2006). Drilling recommenced in September 2006 and will be continued based on the results.

#### c Dividends

The Directors do not recommend payment of a dividend. No dividend has been paid or declared since the commencement of the financial year.

### 3. Director Information

#### a Information on Directors

Frederick L Hunt	Executive Director, Chairman	
Qualifications	MIE Aust, CPEng, MAusIMM	
Experience	Over 35 years operating practice in mining sector.	
Interest in Shares and Options	Fully Paid Ordinary Shares	1,807,450
Special Responsibilities	Direction of prospect development.	
Directorships held in other listed entities	None	
Hamish Hunt	Non- Executive Director	
Qualifications	B.Ap.Sc.Ap.Chem., C.Chem., MRACI	
Experience	Finance Controller of BHM Stainless Group Pty Ltd. An industrial chemist actively participating in manufacturing items for large-scale installations in various heavy industry environments.	
Interest in Shares and options	Fully Paid Ordinary Shares	541,200
	Options expiring 28 February 2007 at 10 cent	270,600
	Options expiring 28 February 2008 at 20 cent	270,600
Directorships held in other listed entities	None	

## Mount Rommel Mining Limited and Controlled Entities

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### Directors' Report

30 June 2006

Johannes L Venter	Non-Executive Director
Qualifications	Chartered Accountant (South Africa)
Experience	Extensive experience in providing business, financial management and taxation advice to private and public organisations.
Interest in Shares and Options	Nil
Directorships held in other listed entities	None

#### **b Meetings of Directors**

During the financial year, 19 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings	
	No. eligible to Attend	Number Attended
Frederick L Hunt	19	19
Hamish Hunt	19	19
Johannes L Venter	19	18

## **4. Remuneration Report**

#### **a Remuneration Report**

This report details the nature and amount of remuneration for each director of Mount Rommel Mining Limited and Controlled Entities.

#### **b Remuneration policy**

The Board policy is to remunerate non-executive directors and the Chairman at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors and the Chairman is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of Mount Rommel Mining Limited and Controlled Entities. However, to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company .

# Mount Rommel Mining Limited and Controlled Entities

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## Directors' Report

30 June 2006

### Remuneration Report continued

#### c Details of remuneration for year ended 30 June 2006

The remuneration for the year ended 30 June 2006 was disclosed in the prospectus. The remuneration is \$20,000 per director per annum payable as \$10,000 in money and \$10,000 in shares. The Prospectus stated the issue price of the shares as well as the fact that for this year directors will only be paid for one quarter (25%).

The remuneration for each director was as follows:

	Cash \$	In Shares \$	Total \$
<b>Directors</b>			
Frederick L Hunt	2,500	2,500	5,000
Hamish Hunt	2,500	2,500	5,000
Johannes L Venter	2,500	2,500	5,000
	<u>7,500</u>	<u>7,500</u>	<u>15,000</u>

The shares will be issued to the directors after the Annual General Meeting at \$0.10 per share being the issue price per prospectus.

#### d Employment contracts of directors and senior executives

The company has no employees and no employment contracts. The directors are remunerated as per the remuneration policy.

### 5. Indemnifying Officers or Auditors

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of Mount Rommel Mining Limited and Controlled Entities.

### 6. Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

# Mount Rommel Mining Limited and Controlled Entities

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## Directors' Report

30 June 2006

### 7. Other items

#### a Significant Changes in State of Affairs

A significant change to the economic entity's state of affairs took place during the year. Mount Rommel Mining Ltd was admitted to the official list of the Stock Exchange of Newcastle Limited on 10 May 2006.

**The NSX Trading Codes** for the Company as at 12 May 2006 were:

MMT, MMTCA, MMTO, MMTOA

These codes apply as the following:

#### **Quoted Securities**

MMT	19,163,656	Fully-paid ordinary shares
MMTCA	1,304,200	Partly-paid ordinary shares
MMTO	5,888,668	Series 1 Options
MMTOA	5,888,668	Series 2 Options

#### **Share Options**

There were 159 holders of Options as at 30 June 2006. Under the Prospectus dated 9 February 2006, the Company for the first time made a public offer of Options (Series 1 and Series 2). The total number of Options on issue is 11,777,336, exactly half of which are Series 1 Options.

The Series 1 Options expires on 28 February 2007, exercisable at A\$0.10 (ten cents)

The Series 2 Options expires on 28 February 2008, exercisable at A\$0.20 (twenty cents)

#### **Restricted Securities**

MMTESC1	2,883,250	Escrowed 24 months from listing
MMTESC2	100,000	Escrowed 12 months from listing
MMTESC3	280,000	Escrowed to 25 November 2006
MMTESC4	100,000	Escrowed to 14 December 2006

#### b Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. There were no adjustments arising on the transition to AIFRS.

# Mount Rommel Mining Limited and Controlled Entities

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## Directors' Report

30 June 2006

### Other items continued

#### c After balance date events

There are three (3) circumstances which have arisen since the end of the financial year which do significantly affect, or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in future financial years as follows:

1. The C15 Amendment to the Planning Scheme of the Shire of Hepburn was approved by the Minister for Planning in September 2006. This is the Heritage Overlay for the entire area of the Shire. The Amendment is welcome as it removes inconsistencies causing practical difficulties to the operation of the *Mineral Resources Development Act*, with respect to MIN 5391 at Clunes.
2. Drilling for gold commenced in September 2006, the initial hole site being that approved for the NE corner of MIN 5391. At the date of this report a fourth hole is in progress at Clunes. The results of the first hole have been announced to the public on 17 October 2006 and demonstrates the presence of unmined gold. Further results have been announced to the public on 27 October 2006. The directors are pleased with the published results.
3. During August a further call was made of 2.5 cents per share for every Partly Paid share of 5 cents. In September the directors resolved to issue a further 550,000 shares at the issue price of 10 cent. Approval for quotation was obtained on 24 October and the shares will be issued in due course.

#### d Future developments

Likely developments in the operations of the economic entity and the expected results of those operations in future financial years are outlined as follows:

At the date of this Report:

- Directors continue to believe most benefit will come from following its gold fields-province approach on its Central Goldfields Victoria tenure, aimed at being 100% owned by the parent company (i.e. in the right address for new gold).
- Directors envisage Clunes in the greater commercial sense - as an ore zone stretching under a town - and the absences of gold production for over 100 years, is primarily because of a lack of understanding about this Clunes ore system as it occurs within the bounds of MIN 5391 (i.e. in the right structure for new gold).

The activities in the first half of financial year 2006/07 are intended to be directed to building a drilled gold resource by expanding from the known intercepts, at shallow depths, within MIN 5391 at Clunes, and follow-up test work at Allendale and Tourello.

The work described above will require ongoing funding for its progression and development.

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Directors' Report**

**30 June 2006**

### **Other items continued**

#### **e Controlled Entities**

The Company owns 50% of the shares on issue in Bonshaw Gold Pty Ltd which was inactive in the year to 30 June 2006, and is currently inactive. As the controlled entity has not traded since its incorporation, the consolidated financial statements as at 30 June 2006 and 2005 do not include separate disclosures for the parent entity and economic entity on the basis of materiality.

#### **f Environmental Regulations**

The economic entity's operations are regulated by environmental regulation under the laws of the State of Victoria.

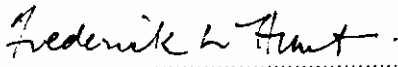
#### **g Auditors Independence Declaration**

The Board of directors is satisfied that the provision of non-audit services performed during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the year under review the auditors performed services relating to the prospectus and issued an Independent Accountants Report. The Board is satisfied that these services were performed professionally and independently for a professional fee of \$7,500. The auditors have no financial interest in the Company and the Board is satisfied that these services do not compromise the independence of the auditors.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 9.

Signed in accordance with a resolution of the Board of Directors.

Director: .....  .....  
Frederick L Hunt

Dated this 30 th day of October 2006

MOUNT ROMMEL MINING LIMITED

AND CONTROLLED ENTITIES

ACN 005 583 031

FOR THE YEAR ENDED 30 JUNE 2006

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF MOUNT ROMMEL MINING LIMITED**

As lead engagement partner for the audit of Mount Rommel Mining Limited and controlled entities for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor's independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- b) No contraventions of any applicable code of professional conduct in relation to the audit.

**MOORE STEPHENS  
CHARTERED ACCOUNTANTS**



**S W MCEWEN  
PARTNER, ASSURANCE  
ADELAIDE**

Dated this 30th day of October 2006.

# Mount Rommel Mining Limited and Controlled Entities

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## Income Statement

For the Year Ended 30 June 2006

		2006	2005
	Note	\$	\$
Other revenue	2	5,472	19,725
Administrative expenses	3	(47,088)	(80,927)
Finance costs	3	(15,776)	(15,519)
Exploration and evaluation expenses		-	(827)
Directors' remuneration	4(a)	(15,000)	-
Sundry expenses		(1,918)	(2,391)
<b>Loss before income tax</b>		<b>(74,310)</b>	<b>(79,939)</b>
Income tax expense	5	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(74,310)</b>	<b>(79,939)</b>

Earnings Per Share:

### Overall operations:

Basic loss per share (cents per share)	7	(0.44)	(0.59)
Diluted loss per share (cents per share)	7	(0.40)	(0.59)

The accompanying notes form part of these financial statements

# Mount Rommel Mining Limited and Controlled Entities

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## Balance Sheet

30 June 2006

	Note	2006 \$	2005 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	340,789	28,844
Trade and other receivables	9	9,920	30,500
<b>Total current assets</b>		<b>350,709</b>	<b>59,344</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	10	1,034,742	897,015
<b>Total non-current assets</b>		<b>1,034,742</b>	<b>897,015</b>
<b>TOTAL ASSETS</b>		<b>1,385,451</b>	<b>956,359</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	174,141	278,194
<b>Total current liabilities</b>		<b>174,141</b>	<b>278,194</b>
<b>TOTAL LIABILITIES</b>		<b>174,141</b>	<b>278,194</b>
<b>NET ASSETS</b>		<b>1,211,310</b>	<b>678,165</b>
<b>EQUITY</b>			
Issued capital	12	1,528,204	920,748
Accumulated losses		(316,894)	(242,584)
<b>TOTAL EQUITY</b>		<b>1,211,310</b>	<b>678,165</b>

The accompanying notes form part of these financial statements

# Mount Rommel Mining Limited and Controlled Entities

ACN 005 583 031

## Statement of Changes in Equity

For the Year Ended 30 June 2006

### 2006

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2005	920,748	(242,583)	678,165
Capital raising costs	(152,683)	-	(152,683)
Shares issued during the year	760,138	-	760,138
Loss attributable to members of parent entity	-	(74,310)	(74,310)
<b>Balance at 30 June 2006</b>	<b>1,528,203</b>	<b>(316,893)</b>	<b>1,211,310</b>

### 2005

	Ordinary Shares	Accumulated Losses	Total
	\$	\$	\$
Balance at 1 July 2004	72,009	(162,644)	(90,635)
Loss attributable to members of the parent entity	-	(79,939)	(79,939)
Shares issued during the year	848,739	-	848,739
<b>Balance at 30 June 2005</b>	<b>920,748</b>	<b>(242,583)</b>	<b>678,165</b>

The accompanying notes form part of these financial statements

# Mount Rommel Mining Limited and Controlled Entities

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## Cash Flow Statement

For the Year Ended 30 June 2006

	Note	2006 \$	2005 \$
<b>Cash from operating activities:</b>			
Receipts from customers		20,580	17,873
Payments to suppliers and employees		(73,105)	(100,769)
Interest received		5,472	1,851
<b>Net cash used in operating activities</b>	15(a)	<u>(47,053)</u>	<u>(81,045)</u>
<b>Cash flows from investing activities:</b>			
Exploration expenditure		(31,388)	(81,776)
Repayment to related parties		(71,386)	(30,137)
Proceeds from related parties		20,656	74,210
<b>Net cash used in investing activities</b>		<u>(82,118)</u>	<u>(37,703)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		563,800	142,212
Payment of transaction costs		(122,683)	-
<b>Net cash provided by financing activities</b>		<u>441,117</u>	<u>142,212</u>
<b>Net increase in cash held</b>		<b>311,946</b>	<b>23,464</b>
Cash and cash equivalents at beginning of year		<u>28,844</u>	<u>5,380</u>
<b>Cash at end of financial year</b>	8	<u><b>340,790</b></u>	<u><b>28,844</b></u>

The accompanying notes form part of these financial statements

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2006**

### **1 Statement of Significant Accounting Policies**

#### **(a) General information**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of Mount Rommel Mining Limited and Controlled Entities. As the controlled entity has not traded since its incorporation, the consolidated financial statements as at 30 June 2006 and 2005 do not include separate disclosures for the parent entity and economic entity on the basis of materiality.

The financial report of Mount Rommel Mining Limited and Controlled Entities complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

#### **(b) Basis of Preparation**

##### **First-time Adoption of Australian Equivalents to International Financial Reporting Standards - consolidated reporting entity**

Mount Rommel Mining Limited and Controlled Entities and controlled entities has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Mount Rommel Mining Limited and Controlled Entities to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 20 for further details.

Reconciliations of the transition from previous Australian GAAP to AIFRS have not been necessary as there have been no adjustments to equity or profit and loss between previous Australian GAAP and AIFRS.

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2006**

### **1 Statement of Significant Accounting Policies continued**

#### **(b) Basis of Preparation continued**

##### **Reporting Basis and Conventions**

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### **(c) Principals of Consolidation**

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

A controlled entity is an entity Mount Rommel Mining Limited and Controlled Entities has the power to control the financial and operating policies of so as to obtain benefits from its activities.

#### **(d) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2006**

### **1 Statement of Significant Accounting Policies continued**

#### **(e) Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon that area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is an uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

#### **(f) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

#### **(g) Impairment of Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

#### **(h) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2006**

### **1 Statement of Significant Accounting Policies continued**

#### **(h) Leases continued**

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### **(i) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **(j) Financial Instruments**

##### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### **Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

# Mount Rommel Mining Limited and Controlled Entities

ACN 005 583 031

## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 1 Statement of Significant Accounting Policies continued

#### (k) Foreign Currency Transactions and Balances

##### Functional and presentation currency

The functional currency of each of Mount Rommel Mining Limited and Controlled Entities's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### (l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (m) Comparative Figures

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

#### (n) Critical accounting estimates and judgment

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and based on current trends and economic data, obtained both externally and within the group.

### 2 Revenue

	2006	2005
	\$	\$
Operating activities		
- management fees (Joint Venture)	-	17,873
Total Revenue	-	17,873
Non-operating activities		
- interest income	5,472	1,851
Other Income	5,472	1,851

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 3 Loss for the year

	2006 \$	2005 \$
Borrowing costs:		
directors	15,776	15,519
Rental expense on operating leases		
minimum lease payments	8,245	3,510
Exploration expenditure	-	827

### 4 Key Management Personnel Compensation

The key management personnel at any time during the financial year are:

Frederick L Hunt                      Chairman, Executive Director

Hamish Hunt                          Non-executive Director

Johannes L Venter                  Non-executive Director

#### (a) Key Management Personnel Compensation

2006

	Cash, salary & commissions	Short-term benefits		Non-cash Benefits	Post employment benefits Super-annuation
	\$	Cash profit share \$	Cash Bonus \$	\$	\$
F Hunt	2,500	-	-	-	-
H Hunt	2,500	-	-	-	-
J Venter	2,500	-	-	-	-
	<u>7,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2006

	Other long-term benefits	Share-based payments		Total	Performance related
	Options \$	Equity \$	Options \$	\$	% \$
F Hunt	-	2,500	-	5,000	-
H Hunt	-	2,500	-	5,000	-
J Venter	-	2,500	-	5,000	-
	<u>-</u>	<u>7,500</u>	<u>-</u>	<u>15,000</u>	<u>-</u>

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 4 Key Management Personnel Compensation continued

#### (a) Key Management Personnel Compensation continued

The directors received the compensation as per the prospectus and the remuneration policy. These amounts are payable and included in note 11. The shares will be issued at the issue price of \$0.10 after the Annual General Meeting. There was no remuneration for the year ended 30 June 2005.

#### (b) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1/07/2005	Granted as Remun- eration	Options Exercised	Purchased	Balance 30/06/2006	Total Vested
Hamish Hunt	-	-	-	541,200	541,200	-
<b>Total</b>	-	-	-	541,200	541,200	-

	Total Exer- cisable		Total Unexer- cisable	
Hamish Hunt	541,200	-	-	-
<b>Total</b>	541,200	-	-	-

#### (c) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1/07/2005	Received as Remun- eration	Options Exercised	Purchased	Balance 30/06/2006
Key Management Personnel					
Frederick L Hunt	1,207,450	-	-	600,000	1,807,450
Hamish Hunt	541,200	-	-	-	541,200
	<u>1,748,650</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>2,348,650</u>

Directors will each receive 25,000 shares as remuneration per note 4(a).

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 5 Income Tax Benefit

The prima facie tax on loss before income tax expense/(benefit) is reconciled to the income tax expense/(benefit) as follows:

	2006 \$	2005 \$
Prima facie tax payable on loss before income tax expense/(benefit) at 30% (2005: 30%)		
- economic entity	(22,293)	(23,981)
Add:		
Tax effect of:		
- non deductible expenses	50,005	4,309
Less:		
Tax effect of:		
- exploration expenses	(41,318)	(24,532)
- black hole expenditure	(14,222)	(5,061)
- equity raising costs not recognised	(45,804)	-
Income tax expense/(benefit) attributable to loss	<u>(73,632)</u>	<u>(49,265)</u>

Black hole expenditure relates to the expenditure in relation to capital raising which is deductible over 5 years on a straight line basis

Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

### 6 Auditors' Remuneration

Remuneration of the auditor for:

- Auditing or reviewing the financial report
- Other services

9,000	16,400
7,500	6,500
<u>16,500</u>	<u>22,900</u>

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 7 Earnings per Share

#### (a) Reconciliation of Earnings to Loss

	2006	2005
	\$	\$
Loss	(74,310)	(79,939)
Earnings used in calculation of earnings per share	(74,310)	(79,939)

#### (b) Weighted average number of ordinary shares:

Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	16,623,661	13,526,821
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	18,415,652	13,526,821

### 8 Cash and Cash Equivalents

	\$	\$
Bank overdraft	(40)	-
Cash at bank	633	23,498
Short-term deposits	340,196	5,346
	<u>340,789</u>	<u>28,844</u>

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Bank balances	633	23,498
Bank overdraft	(40)	-
Short-term deposits	340,196	5,346
	<u>340,789</u>	<u>28,844</u>

The interest bearing deposit is term deposits of \$25,000 plus subsequent interest received at the National Bank Australia Bank as performance guarantee bonds for exploration licences 3821, 4609 and MIN 5391.

**Mount Rommel Mining Limited and Controlled Entities**  
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**Notes to the Financial Statements**  
**For the Year Ended 30 June 2006**

**9 Receivables**

	2006	2005
	\$	\$
<b>CURRENT</b>		
Other Receivables	<u>9,920</u>	<u>30,500</u>
	<u><b>9,920</b></u>	<u><b>30,500</b></u>

**10 Exploration and Evaluation Expenditure**

<b>NON-CURRENT</b>		
Exploration and evaluation phases	<u>1,034,742</u>	<u>897,015</u>
	<u><b>1,034,742</b></u>	<u><b>897,015</b></u>

Ultimate recoupment of such costs is dependent on successful development and commercial exploitation.

**11 Trade and Other Payables**

<b>CURRENT</b>		
Unsecured liabilities		
Trade payables	8,318	38,794
Sundry payables and accrued expenses	32,447	11,000
- director remuneration	15,000	-
- director loan	<u>118,376</u>	<u>228,400</u>
	<u><b>174,141</b></u>	<u><b>278,194</b></u>

# Mount Rommel Mining Limited and Controlled Entities

ACN 005 583 031

## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 12 Issued Capital

#### Summary Table

	2006	2005
	\$	\$
22,546,906 (2005: 15,171,400) Ordinary	1,345,220	920,748
1,304,200 (2005: -) Partly Paid Shares	65,210	-
11,777,336 (2005: -) Options	117,774	-
<b>Total</b>	<b>1,528,204</b>	<b>920,748</b>

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

#### a Fully paid ordinary shares

At the beginning of reporting period	920,748	72,009
Shares issued during the year		
7,850,300 shares on 16 July 2004	-	706,527
320,000 shares on 26 August 2004	-	19,200
60,000 shares on 6 September 2004	-	3,600
20,000 shares on 20 September 2004	-	1,200
778,200 shares on 31 December 2004	-	46,692
1,172,000 shares on 24 February 2005	-	70,320
20,000 shares on 30 June 2005	-	1,200
700,000 shares on 25 November 2005	42,000	-
300,000 shares on 14 December 2005	18,000	-
2,189,000 shares on 11 May 2006	98,505	-
4,186,506 shares on 11 May 2006	418,650	-
Capital Raising Costs	(152,683)	-
At reporting date	<b>1,345,220</b>	<b>920,748</b>

In terms of GAAP the transaction costs arising on the successful issue of equity instruments must be recognised as a reduction of the proceeds of equity instruments.

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 12 Issued Capital continued

	2006 No.	2005 No.
At the beginning of reporting period	15,171,400	4,799,700
Shares issued during the year		
- 16 July 2004	-	7,850,300
- 26 August 2004	-	320,000
- 6 September 2004	-	60,000
- 20 September 2004	-	20,000
- 10 November 2004	-	151,200
- 31 December 2004	-	778,200
- 24 February 2005	-	1,172,000
- 30 June 2005	-	20,000
- 25 November 2005	700,000	-
- 14 December 2005	300,000	-
- 11 May 2006	2,189,000	-
- 11 May 2006	4,186,506	-
At reporting date	<u>22,546,906</u>	<u>15,171,400</u>

On 16 July 2004, 7,850,300 ordinary shares were issued at \$0.09 (\$706,527) as part of the consideration for the intellectual property in relation to EL 3821 and MIN 5391.

On 10 November 2004, 151,200 ordinary shares were issued at no value to 2 existing shareholders who had previously paid \$27,000 on 21 January 2004 for 298,800 shares. The subsequent issue of the 151,200 shares ensured that the value of all shares owned by these shareholders are equal to \$0.06 commensurate with issues made during the financial year.

On 11 May 2006, 2,189,000 shares were issued not for cash but to obtain the rights of the Joint Venture participants as per the prospectus.

On 11 May 2006, 4,186,506 shares were issued per the terms of the prospectus. Included in this is 600,000 shares issued to F L Hunt to reduce his loan to the Company as per the prospectus. Also included in this is 300,000 shares issued to three service providers in lieu of fees.

**Mount Rommel Mining Limited and Controlled Entities**  
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**For the Year Ended 30 June 2006**

**12 Issued Capital continued**

In September 2006 the Directors resolved to issue 550,000 additional shares at the prospectus issue price of \$0.10. Approval for quotation was received from the NSX on 24 October. These shares will be issued in due course.

**b Partly Paid Shares**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
At the beginning of reporting period	-	-
Shares issued during the year		
1,304,200 shares on 11 May 2006 @ \$0.05	<b>65,210</b>	-
At reporting date	<b>65,210</b>	-
	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	-	-
Shares issued during the year		
11 May 2006	<b>1,304,200</b>	-
At reporting date	<b>1,304,200</b>	-

Since reporting date, during August a further call was made of 2 1/2 cents for every 5 cents partly paid shares.

**Mount Rommel Mining Limited and Controlled Entities**  
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**12 Issued Capital continued**

**c Share Options**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
At the beginning of reporting period	-	-
Shares issued during the year		
5,888,668 options of \$0.10 expiring on 28 February 2007 - 11 May 2006	<b>58,887</b>	-
5,888,668 options of \$0.20 expiring on 28 February 2008 - 11 May 2006	<b>58,887</b>	-
	<b>117,774</b>	-
At reporting date	<b>117,774</b>	-
	<b>No.</b>	<b>No.</b>
At the beginning of reporting period	-	-
Shares issued during the year		
11 May 2006	<b>11,777,336</b>	-
At reporting date	<b>11,777,336</b>	-

The 11,777,336 options were issued per the terms of the prospectus.

This includes 783,400 issued to related parties to cover exploration expenditure.

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 13 Capital and Leasing Commitments

#### a Exploration and mining titles

	\$	\$
Payable - minimum lease payments		
- no later than 12 months	34,800	29,700
- between 12 months and 5 years	19,800	-
- greater than 5 years	-	-
Present value of minimum lease payments	54,600	29,700

2006: Commitments for expenditure relating to EL3821 of \$19,800 p.a for two years has been met by drilling since 1 July 2006. Commitments for MIN 5391 of \$15,000 has also been met by drilling to date. 2005: Commitments for expenditure relate to EL 3821.

#### b Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2006 \$	2005 \$
Payable - minimum lease payments		
- not later than 12 months	532	6,382
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	532	6,382

Core shed - The core shed lease was a non-cancellable lease with a one year term, with rent payable monthly in advance. Rental provisions within the lease agreement require the minimum lease payments to be increased in accordance with the review of "rent to market" on the date specified in the rental agreement. An option to renew the lease at the end of the one year term for an additional term of one year was not exercised.

### 14 Segment Reporting

The company operates predominately in one business and geographical segment being the acquisition of exploration and mining licenses for future exploration and development in Victoria, Australia.

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 15 Cash Flow Information

#### (a) Reconciliation of Cash Flow from Operations with Loss after Income Tax

	2006	2005
	\$	\$
Net loss for the period	(74,310)	(79,940)
Cash flows excluded from loss		
Non-cash flows in loss		
Interest on director loan	15,706	15,519
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	20,579	(32,342)
Increase/(decrease) in trade payables and accruals	(9,028)	15,718
	<u>(47,053)</u>	<u>(81,045)</u>

#### (b) Non-cash Financing and Investing Activities

Share issues (Note 9)  
2006

2,189,000 shares were issued not for cash but to obtain the rights of the Joint Venture participants. The amount is \$98,505.

600,000 shares were issued to F L Hunt to reduce his loan to the company by \$60,000.

300,000 shares were issued to three (3) service providers for services provided to the amount of \$30,000.

783,400 options were issued to a related party in lieu of exploration expenses incurred on behalf of the company to the amount of \$7,834.

2005

7,850,300 ordinary shares were issued at \$0.09 (\$706,527) as part of the consideration for the intellectual property in relation to EL 3821 and MIN 5391.

151,200 ordinary shares were issued at no value to 2 existing shareholders who had previously paid \$27,000 on 21 January for 298,800 shares. The subsequent issue of the 151,200 shares ensured that the value of all shares owned by these shareholders was equal to \$0.06, commensurate with issues made during 6 months to 31 December 2004.

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 16 Events After the Balance Sheet Date

The C15 Amendment to the Planning Scheme of the Shire of Hepburn was approved by the Minister for Planning in September 2006. This is the Heritage Overlay for the entire area of the Shire. The Amendment is welcome as it removes inconsistencies causing practical difficulties to the operation of the *Mineral Resources Development Act*, with respect to MIN 5391 at Clunes.

Drilling for gold commenced in September 2006, the initial hole site being that approved for the NE corner of MIN 5391. At the date of this report a fourth hole is in progress at Clunes. The results of the first hole have been announced to the public on 17 October 2006 and demonstrates the presence of unmined gold. Further results have been announced to the public on 27 October 2006. The directors are pleased with the published results.

During August a further call was made of 2.5 cents per share for every Partly Paid share of 5 cents. In September the directors resolved to issue a further 550,000 shares at the issue price of 10 cent. Approval for quotation was obtained on 24 October and the shares will be issued in due course. As per the prospectus a further call of 2.5 cent per 5 cent partly paid share was made.

The financial report was authorised for issue on 30 October 2006 by the board of directors.

### 17 Related Party Transactions

#### (a) Transactions with related parties - Directors

	2006	2005
	\$	\$
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Loan from Frederick L Hunt (Principal)	118,376	211,900
Capitalised interest included in principal	-	23,217
The loan is unsecured with no defined repayment attracting an interest rate of 8.5% p.a. on the yearly average balance. The loan represents funds advanced by the director to ensure that the company is able to continue as a going concern and pay its debts as and when they fall due.		
Loan from Hamish Hunt	-	16,500
The unsecured interest free loan was repaid in full during the year.		

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**17 Related Party Transactions continued**

**Transactions with related parties - Directors continued**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Rent paid to BHM Stainless Group Pty Ltd	<b>5,400</b>	3,600
Hamish Hunt is a director and shareholder in the company BHM Stainless Group Pty Ltd that receives income in relation to the provision of administration services and offices to the company, on a casual monthly basis.		

The director's remuneration for the year ended 30 June 2006 was \$15,000 (2005: Nil). This amount was payable as at 30 June 2006.

**(b) Share transactions of Director**

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interest in:

Mount Rommel Mining Limited

Shares: 2,348,650- (2005: 1,748,650) Ordinary

Options: 270,600 exercisable 28 February 2007 at \$0.10 (2005: Nil)

Options: 270,600 exercisable 28 February 2008 at \$0.20 (2005: Nil)

Bonshaw Gold Pty Ltd

Shares: 5- (2005: 5) Ordinary

1,748,650 of these shares are escrowed for 24 months from listing.

**18 Contingent Liabilities and Contingent Assets**

There are no contingent liabilities outstanding at the end of the year.

# **Mount Rommel Mining Limited and Controlled Entities**

**ACN 005 583 031**

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2006**

### **19 Financial Instruments**

#### **a Financial Risk Management**

Mount Rommel Mining Limited And Controlled Entities's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and a loan from a related party .The main purpose for non-derivative financial instruments is to raise finance for group operations.Mount Rommel Mining Limited And Controlled Entities does not have any derivative financial instruments at 30 June 2006.

#### **b Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

#### **c Net Fair Values**

For assets and liabilities the net fair value approximates their carrying value.

No financial assets are readily traded on organised markets in standardised form.

Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements.

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 19 Financial Instruments continued

#### d Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Maturing within 1 Year	
	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash and cash equivalents	5.40	5.40	593	23,498	25,796	5,346
Receivables	-	-	-	-	-	-
<b>Total Financial Assets</b>			<b>593</b>	<b>23,498</b>	<b>25,796</b>	<b>5,346</b>
<b>Financial Liabilities:</b>						
Trade and sundry payables	-	-	-	-	-	-
Directors' Loans	8.50	8.50	118,376	211,900	-	-
<b>Total Financial Liabilities</b>			<b>118,376</b>	<b>211,900</b>	<b>-</b>	<b>-</b>
	Maturing 1 to 5 Years		Non-interest Bearing		Total	
	2006		2006	2005	2006	2005
	\$		\$	\$	\$	\$
<b>Financial Assets:</b>						
Cash and cash equivalents	314,400		-	-	340,789	28,844
Receivables	-		9,920	30,500	9,920	30,500
<b>Total Financial Assets</b>	<b>314,400</b>		<b>9,920</b>	<b>30,500</b>	<b>350,709</b>	<b>59,344</b>
<b>Financial Liabilities:</b>						
Trade and sundry payables	-		34,765	49,794	34,765	49,794
Directors' Loans	-		15,000	16,500	133,376	228,400
<b>Total Financial Liabilities</b>	<b>-</b>		<b>49,765</b>	<b>66,294</b>	<b>168,141</b>	<b>278,194</b>

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 20 Change in Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the to the parent entity and the economic entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

<b>AASB Amendment</b>	<b>AASB Standard Affected</b>	<b>Nature of change in Accounting Policy and Impact</b>	<b>Application Date of the Standard</b>	<b>Application Date for the Company</b>
2004-3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-06	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 20 Change in Accounting Policy continued

AASB Amendment	AASB Standard Affected	Nature of change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per Share	No change , no impact	1 January 2007	1 July 2007
	AASB 139: Financial Instruments	No change, no impact	1 January 2007	1 July 2007
	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2007	1 July 2007
	AASB 4: Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1023: General Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
	AASB 1038: Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
2006-1	AASB 121: The Effects of Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2007	1 July 2007

# Mount Rommel Mining Limited and Controlled Entities

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## Notes to the Financial Statements

For the Year Ended 30 June 2006

### 20 Change in Accounting Policy continued

All other pending Standards issued between the previous financial report and the current reporting date have no application to either the parent or the economic entity.

<b>AASB Amendment</b>	<b>AASB Standard Affected</b>
2004-3	AASB 1: First-time Adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 124: Related Party Disclosures
2005-1	AASB 139: Financial Instruments: Recognition and Measurement
2005-4	AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts AASB 1023: General Insurance Contracts AASB 139: Financial Instruments: Recognition and Measurement AASB 132: Financial Instruments: Disclosure and Presentation
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates
New Standard	AASB 7: Financial Instruments: Disclosure
New Standard	AASB 119: Employee Benefits: December 2004

## Mount Rommel Mining Limited and Controlled Entities

ACN 005 583 031

### Notes to the Financial Statements

For the Year Ended 30 June 2006

#### 21 Controlled Entities

Name	Country of incorporation	Percentage Owned 2006	Percentage Owned 2005
<b>Parent Entity:</b> Mount Rommel Mining Limited	Australia		
<b>Subsidiaries of Mount Rommel Mining Limited:</b> Bonshaw Gold Pty Ltd	Australia	50%	50%

On 1 December 2004, the parent company acquired 50% of Bonshaw Gold Pty Ltd ordinary shares , at a cost of \$5 with the remaining 50% of the ordinary shares acquired by Frederick L Hunt, a director of the parent entity.

The directors of Bonshaw Gold Pty Ltd are Frederick L Hunt and Johannes L Venter who are also directors of Mount Rommel Mining Limited. Control exists as Mount Rommel Mining Limited is required to make all the financial and operating policy decisions of Bonshaw Gold Pty Ltd and to ensure that those policies are consistent with the policies of the economic entity.

As the controlled entity has not traded from its date of incorporation, for the years ended 30 June 2005 and 2006, and on the basis of materiality, the consolidated financial statements do not include separate disclosures for the parent entity and economic entity.

#### 22 Company Details

##### (a) Registered office

The registered office of the company is:  
Mount Rommel Mining Limited and Controlled Entities  
64 Greenhill Road  
Wayville SA 5034

## Mount Rommel Mining Limited and Controlled Entities

ACN 005 583 031

### Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 to 14, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and the economic entity;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director ..... *Frederick L Hunt* .....

Dated 30 October 2006

## INDEPENDENT AUDIT REPORT

### TO THE MEMBERS OF MOUNT ROMMEL MINING LIMITED AND CONTROLLED ENTITIES

#### Scope

##### *The financial report and directors' responsibility*

We have audited the financial report of Mount Rommel Mining Limited ("the company") and Mount Rommel Mining Limited and controlled entities ("the consolidated entity") for the year ended 30 June 2006 comprising the income statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes. The consolidated entity comprises both the company and the entities it controlled during that period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit Approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

#### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration, set out on page 8 of the financial report, has not changed as at the date of providing our audit opinion.

#### Audit Opinion

In our opinion, the financial report of Mount Rommel Mining Limited is in accordance with:

- a. the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.

#### MOORE STEPHENS CHARTERED ACCOUNTANTS



**S W McEWEN**  
PARTNER, ASSURANCE  
ADELAIDE

Dated this 30th day of October 2006.

## **Mount Rommel Mining Limited and Controlled Entities ACN 005 583 031**

### **Additional Shareholder Information**

#### **For the Year Ended 30 June 2006**

#### **Corporate Governance**

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals and monitoring of the business and affairs of the Company on behalf of its members.

Given that the Company is small, with limited activities and resources and has a board of three directors, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review and operations and remuneration. These issues are dealt with by the board with any interested directors abstaining or being absent as required by either the Corporations Act or as necessary to avoid conflict or possible breach of their fiduciary duties.

The board has established an Audit and Compliance Committee which consist of all the directors. The focus of the activities of this committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

# **Mount Rommel Mining Limited and Controlled Entities ACN 005 583 031**

## **Additional Shareholder Information**

### **For the Year Ended 30 June 2006**

#### **Directors**

Frederick L Hunt	Chairman
Hamish Hunt	Non-executive
Johannes L Vemter	Non executive

#### **Secretary**

Nicholas Storer

#### **Registered Office**

64 Greenhill Road  
WAYVILLE SA 5140  
Telephone: +61 8 8373 1266  
Facsimile: +61 8 8373 0228

#### **Share Register**

Link Market Services Limited  
Level 4  
333 Collins Street  
MELBOURNE VIC 3000  
Telephone: +61 3 9615 9908  
Facsimile: +61 3 9615 921

#### **Bankers**

National Australia Bank Limited  
55 Mitchell Street  
BENDIGO VIC 3550

Westpac Banking Corporation  
277 Doncaster Road  
NORTH BALWYN VIC 3104

#### **Solicitors**

Menzies & Partners  
Level 9  
356 Collins Street  
MELBOURNE VIC 3000

#### **Auditor**

Moore Stephens  
47 Greenhill Road  
WAYVILLE SA 5034

#### **Stock Exchange Listing**

The company is listed on the Stock Exchange of Newcastle Limited