Mount Rommel Mining Limited
and Controlled Entities
ACN 005 583 031

Financial Statements
for the year ended

30 June 2007

MOUNT ROMMEL MINING LIMITED
ACN 005 583 031

CORPORATE DIRECTORY

Board of Directors

Frederick L Hunt (Executive Director, Chairman)

Hamish Hunt (Non-Executive Director)

Johannes L Venter (Non-Executive Director)

Company Secretary

Melanie Leydin

Registered Office

Suite 304, 22 St Kilda Road

St Kilda Victoria 3182

Telephone: 613 9692 7222

Facsimile: 613 9529 8057

Website: www.mountrommel.com

Share Registry

Link Market Services Limited

Level 4

333 Collins Street

Melbourne Victoria 3000

Telephone: 613 9615 9908

Facsimile: 613 9615 9921

Auditor

MSI Ragg Weir

Level 2

50 Burwood Road

Hawthorn Vic 3122

Solicitor

Menzies & Partners

Level 9

356 Collins Street

Melbourne Victoria 3000

Stock Exchange Listing

Mount Rommel Mining Limited is listed

on the National Stock Exchange of Australia.

CONTENTS

REVIEW OF OPERATIONS

SUMMARY:

Towards the end of September 2006, the Directors received the first report of analyses from diamond drilling at Clunes. These and similar excellent results were re-checked prior to publication on NSX, the initial results being released on 17 October 2006. Less than one-year later Directors have sufficient encouragement from 11 drill holes to begin to seek those approvals required for the first stage of exploratory development within MIN 5391 at Clunes.

The newly perceived potential at Clunes, and the rapid advancement of growth in exploration knowledge, has generated a need for Directors to adapt to these changing circumstances. This in turn results in:

1. a desire on the part of Directors to pursue exploratory development at Clunes, and to allocate to that purpose the greater part of finance resources available during 2007/2008, and

2. the re-definition of the prospective part of EL 3821, Allendale, leading to new geophysics being undertaken south-east of Allendale.

ACHIEVEMENTS AND DEVELOPMENTS

During the Year to 30 June 2007, shareholders have seen an extraordinary sequence of good drilling results from the work at Clunes.

Any sequence of 11 diamond drill holes, wide-spaced as these were, which produces 23 intersections of commercial interest is remarkable. The facts demonstrate how it is possible to re-discover gold in this basalt covered part of Victoria.

The published analyses of drill core samples can be regarded as providing a realistic framework on which to base on-going development in Year 2007/8, at the historic Port Phillip gold mine at Clunes, covered by MIN 5391.

In the year ahead, the objective is to establish a method of small-scale production and gain community acceptance for a developing project at Clunes. Directors have expressed to authorities their intentions of having regard for the interests of stakeholders other than shareholders, as required under Victorian heritage and mining law.

Bulk sampling at Clunes will require a means to treat and evaluate collected material. Directors have formed the view that these initial trials, and other processing later, should take place on site, MIN 5391, if practicable to do so.

The water requirement for processing is likely to be about 0.65 tonnes water for every 1 tonne of rock treated. Current water shortages at Clunes dictate that the Company has a need to generate its own independent source of water; especially for these indicated volumes of water.

In July 07 the Company commenced a water-evaluation program, by sampling water from 8 boreholes, and at some surface locations. This periodic program is continuing. A water resource does exist some 30 metres below surface, although in part polluted as normally occurs around old workings, which here extend for 3000 metres, and are mostly inter-connected.

The opening up and exposure of the ancient surface (as is being proposed) should facilitate withdrawal of existing standing water below MIN 5391. The concept is to clean up that water to industrial-use quality, and supply same to a treatment plant. The provision of a new local resource of clean industrial water may have benefits to shareholders and other stakeholders alike.

The Directors are of the view that licences will be required to remove, clean-up and produce industrial quality water from the mine workings under Clunes, and under MIN 5391. The expectation is that only one such licence could be granted.

OTHER EXPLORATION ACTIVITIES

At both Allendale and Tourello, exploratory drilling was attempted then aborted for essentially similar reasons. When conditions down-hole are likely to result in excessive expense, it is prudent to cease. In the forth-coming year, other geophysical techniques will be applied at these places, to improve drill-site selection prior to any new (percussion) drilling. Approval for a Variation of Work Plan for EL 3821 was registered 14/6/2007.

DIRECTORS' REPORT

The Directors of Mount Rommel Mining Limited submit herewith the annual financial report for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Details of the Directors of the Company in office at any time during or since the end of the financial year and at the date of this report are:

DIRECTORS

Mr Frederick L Hunt	Executive Director, Chairman	
Qualifications	MIE Aust, CPEng, MAusIMM	
Experience	Over 35 years operating practice in mining sector.	
Special Responsibilities	Director of prospect development.	
Directorships in listed entities	None	
Interests in Shares and options	Fully Paid Ordinary Shares	2,085,814 (1)
	Options expiring 28 February 2008 at 20 cents	Nil

(1) 1,207,450 fully paid ordinary shares are under escrow until 8 May 2008

Mr Hamish Hunt	Non-Executive Director	
Qualifications	B.Ap.Sc.Ap.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.	
Directorships in listed entities	None	
Interests in Shares and options	Fully Paid Ordinary Shares	741,339 (1)
	Options expiring 28 February 2008 at 20 cents	270,600

(1) 541,200 fully paid ordinary shares are under escrow until 8 May 2008

Mr 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.	
Directorships in listed entities	None	
Interests in Shares and options	Fully Paid Ordinary Shares	97,619
	Options expiring 28 February 2008 at 20 cents	Nil

DIRECTORS' REPORT (CONT'D)

COMPANY SECRETARY

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

Ms Melanie Leydin	Company Secretary
Qualifications	B.Bus CA
Experience	Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specialising in audit and company secretarial services. Ms Leydin has 15 years experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior mining and exploration entities listed on the Australian Stock Exchange.

MEETING OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2007 and the number of meetings attended by each Director. During the financial year 13 board meetings were held.

Director	**Full Meetings of Directors**	
	Held	**Attended**
Mr Frederick L Hunt	13	12
Mr Hamish Hunt	13	13
Mr Johannes L Venter	13	13

PRINCIPAL ACTIVITIES

The principal activity of the Company during the greater part of the financial period was supervised diamond drilling for gold, especially at Clunes.

OPERATING RESULTS

The consolidated loss of Mount Rommel Mining Limited and Controlled Entity after providing for income tax was $372,982 (2006: $74,310).

REVIEW OF OPERATIONS

Refer to the Review of Operations preceding this Directors Report.

DIVIDENDS

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

REMUNERATION REPORT

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

DIRECTORS' REPORT (CONT'D)

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.

Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Parent	
	2007 $	**2006 $**	**2007 $**	**2006 $**
Short-term employment benefits	15,000	7,500	15,000	7,500
Post-employment benefits	-	-	-	-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share based payments	15,000	7,500	15,000	7,500
	30,000	**15,000**	**30,000**	**15,000**

The compensation of each member of the key management personnel of the consolidated entity is set out below.

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each Director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short –term employment benefits	**Post-employment**	**Equity**		
	Salary, Fees and Commissions $	**Superannuation Contribution $**	**Shares Received as Compensation $**	**Options Received as Compensation $**	**Total $**
Mr F L Hunt [(1)]	5,000	-	5,000	-	10,000
Mr H Hunt	5,000	-	5,000	-	10,000
Mr J L Venter	5,000	-	5,000	-	10,000
	15,000	**-**	**15,000**	**-**	**30,000**

[(1)]; Mr Hunt also received fees for Geoscience services and technical drawing services. Refer to Note 16 for further details.

Options Issued as Part of Remuneration for the Year Ended 30 June 2007

There were no options issued as part of remuneration for the year ended 30 June 2007.

DIRECTORS' REPORT (CONT'D)

Shares Issued as Part of Remuneration for the Year Ended 30 June 2007

Shares are intended to be issued to Directors and executives as part of their remuneration. The shares are not issued based on performance criteria, but are issued to increase goal congruence between Directors and executives and shareholders and to conserve the cash reserves of the Company**.**

	Number of Shares allotted	Value of Shares Allotted at allotment date $	Total Remuneration Represented by Shares %
Directors			
Mr F L Hunt	72,619	5,000	50.00
Mr H Hunt	72,619	5,000	50.00
Mr J L Venter	72,619	5,000	50.00
	217,857	**15,000**	

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each Director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Short –term employment benefits	Post-employment	Equity		
	Salary, Fees and Commissions $	Superannuation Contribution $	Shares Received as Compensation $	Options Received as Compensation $	Total $
Directors					
Mr F L Hunt	2,500	-	2,500	-	5,000
Mr H Hunt	2,500	-	2,500	-	5,000
Mr J L Venter	2,500	-	2,500	-	5,000
	7,500	**-**	**7,500**	**-**	**15,000**

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

There were no options issued as part of remuneration for the year ended 30 June 2006.

Shares Issued as Part of Remuneration for the Year Ended 30 June 2006

Shares are intended to be issued to Directors and executives as part of their remuneration. The shares are not issued based on performance criteria, but are issued to increase goal congruence between Directors and executives and shareholders and to conserve the cash reserves of the Company**.**

	Number of Shares allotted	Value of Shares Allotted at allotment date $	Total Remuneration Represented by Shares %
Directors			
Mr F L Hunt	25,000	2,500	50.00
Mr H Hunt	25,000	2,500	50.00
Mr J L Venter	25,000	2,500	50.00
	75,000	**7,500**	

The shares were issued to the Directors after the Annual General Meeting at $0.10 per share being the issue price per prospectus.

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.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of the Court under Section 327 of the Corporations Act 2001 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 proceedings during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the State of Affairs during the year, except as follows:

- The Company issued 8,597,663 shares to raise $761,951 (before costs)
- Included in the above share issues were the exercise of Series 1 options expiring 28 February 2007 and the receipt of the final call of the partly paid shares.

AFTER BALANCE DATE EVENTS

Pursuant to tenders received after 28 June 2007 from shareholders of the Company, Directors issued 1,297,500 fully paid ordinary shares raising $181,650, as placements at the common date of 31 July 2007, to 15 tenderers.

DIRECTORS' REPORT (CONT'D)

FUTURE DEVELOPMENTS

Directors seek to minimise the uncertainty inherently associated with gold development. At Clunes, the Company seeks approvals for a preliminary stage of bulk sampling. By continuing to base each program of work on gold assay data, Directors seek to progressively position the Company for growth in its scale of operations.

ENVIRONMENTAL AND OTHER REGULATIONS

The economic entity's operations are regulated by environmental regulation under the laws of the State of Victoria. The State of Victoria require the tenement holder to comply with certain terms of the grant of the tenement and all directions given to it under those terms of the tenement. There have been no known breaches of the entity's tenement conditions, and no such breaches have been notified by any government agencies during the year ended 30 June 2007.

The Company has made an application to Heritage Victoria for consent to disturb as a first step in the exploratory development at Clunes.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services, during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001.

There were no non-audit services provided by the Company's auditor during the year to June 2007.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at Page 11.

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

Frederick L Hunt

Frederick L Hunt
Director

13 September 2007

msi RAGG WEIR
Chartered Accountants

LEVEL 2, 50 BURWOOD ROAD, HAWTHORN
P.O. Box 325, Hawthorn, Victoria 3122, Australia
Tel +613 9819 4011 Fax +613 9819 6780
Web www.raggweir.com.au
Email raggweir@raggweir.com.au

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

TO THE DIRECTORS OF MOUNT ROMMEL MINING LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. WONG
Partner

Melbourne: 13 September 2007

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes, as set out on pages 15 to 35 and the remuneration disclosures on page 6 to 9:

   (a) comply with accounting standards and are in accordance with the Corporations Act 2001, and

   (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended on that date of the company; and

2. The Chief Executive Officer and Chief Finance 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.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Frederick L Hunt
Director

13 September 2007

msi RAGG WEIR
Chartered Accountants

LEVEL 2, 50 BURWOOD ROAD, HAWTHORN
P.O. Box 325, Hawthorn, Victoria 3122, Australia
Tel +613 9819 4011 Fax +613 9819 6780
Web www.raggweir.com.au
Email raggweir@raggweir.com.au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOUNT ROMMEL MINING LIMITED

We have audited the accompanying financial report of Mount Rommel Mining Limited (the company) and Mount Rommel Mining Limited and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures) required by Accounting Standard AASB 124: Related Party Disclosures under the heading Remuneration Report of the Directors' Report and not in the finance report.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state that the financial report, comprising the consolidated financial statement and notes, complies with Australian Accounting Standards and International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124: Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

msi RAGG WEIR
Chartered Accountants

LEVEL 2, 50 BURWOOD ROAD, HAWTHORN
P.O. Box 325, Hawthorn, Victoria 3122, Australia
Tel +613 9819 4011 Fax +613 9819 6780
Web www.raggweir.com.au
Email raggweir@raggweir.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MOUNT ROMMEL MINING LIMITED

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

(a) the financial report of Mount Rommel Mining Limited and controlled entities is in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the remuneration disclosures contained in the directors' report comply with Accounting Standard AASB 124: Related Party Disclosures.

MSI Ragg Weir

MSI RAGG WEIR
Chartered Accountants

L.S. WONG
Partner

Melbourne 13 September 2007

MOUNT ROMMEL MINING LIMITED
ACN 005 583 031

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED ENTITY 2007 $	CONSOLIDATED ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Other Revenue	2	9,689	5,472	9,689	5,472
Administrative expenses		(51,020)	(49,006)	(51,020)	(49,006)
Corporate costs		(133,594)	-	(133,594)	-
Finance costs		(7,900)	(15,776)	(7,900)	(15,776)
Exploration and evaluation expenses written off		(160,157)	-	(160,157)	-
Directors' remuneration		(30,000)	(15,000)	(30,000)	(15,000)
Loss before income tax	3	**(372,982)**	**(74,310)**	**(372,982)**	**(74,310)**
Income tax expense	4	-	-		
Loss attributable to members of the parent entity		**(372,982)**	**(74,310)**	**(372,982)**	**(74,310)**

Earnings Per Share:

		Cents per share	Cents per share
Overall operations:			
Basic loss per share	19	(1.44)	(0.44)
Diluted loss per share	19	(1.44)	(0.44)

The accompanying notes form part of these financial statements.

MOUNT ROMMEL MINING LIMITED
ACN 005 583 031

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	CONSOLIDATED ENTITY 2007 $	CONSOLIDATED ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Current Assets					
Cash and cash equivalents	7	89,852	340,789	89,842	340,789
Trade and other receivables	8	46,411	9,920	46,411	9,920
Total Current Assets		136,263	350,709	136,253	350,709
Non Current Assets					
Other financial assets	9	-	-	19,675	-
Other non-current assets	10	1,628,646	1,034,742	1,608,981	1,034,742
Total Non-Current Assets		1,628,646	1,034,742	1,628,656	1,034,742
Total Assets		1,764,909	1,385,451	1,764,909	1,385,451
Current Liabilities					
Trade and other payables	11	117,756	55,765	117,756	55,765
Borrowings	12	51,276	118,376	51,276	118,376
Total Current Liabilities		169,032	174,141	169,032	174,141
Net Assets		1,595,877	1,211,310	1,595,877	1,211,310
Equity					
Issued Capital	13	2,285,752	1,528,203	2,285,752	1,528,203
Accumulated losses		(689,875)	(316,893)	(689,875)	(316,893)
Total Equity		1,595,877	1,211,310	1,595,877	1,211,310

The accompanying notes form part of these financial statements.

MOUNT ROMMEL MINING LIMITED
ACN 005 583 031

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Attributable to equity holders of the parent		
CONSOLIDATED	Issued Capital	Retained Earnings	Total
At 1 July 2005	920,748	(242,583)	678,165
Loss for the period	-	(74,310)	(74,310)
Total recognized income and expense for the year	920,748	(316,893)	603,855
Issue of Shares	760,138	-	760,138
Costs of Capital Raising	(152,683)	-	(152,683)
At 30 June 2006	**1,528,203**	**(316,893)**	**1,211,310**

At 1 July 2006	1,528,203	(316,893)	1,211,310
Loss for the period	-	(372,982)	(372,982)
Total recognized income and expense for the year	1,528,203	(689,875)	838,328
Exercise of Options	250,270	-	250,270
Issue of Shares	511,682	-	511,682
Costs of Capital Raising	(4,403)	-	(4,403)
At 30 June 2007	**2,285,752**	**(689,875)**	**1,595,877**

PARENT ENTITY	Issued Capital	Retained Earnings	Total
At 1 July 2005	920,748	(242,583)	678,165
Loss for the period	-	(74,310)	(74,310)
Total recognized income and expense for the year	920,748	(316,893)	603,855
Issue of Shares	760,138	-	760,138
Costs of Capital Raising	(152,683)	-	(152,683)
At 30 June 2006	**1,528,203**	**(316,893)**	**1,211,310**

At 1 July 2006	1,528,203	(316,893)	1,211,310
Profit for the period	-	(372,982)	(372,982)
Total recognized income and expense for the year	1,528,203	(689,875)	838,328
Exercise of Options	250,270	-	250,270
Issue of Shares	511,682		511,682
Costs of Capital Raising	(4,403)		(4,403)
At 30 June 2007	**2,285,752**	**(689,875)**	**1,595,877**

The accompanying notes form part of these financial statements.

MOUNT ROMMEL MINING LIMITED
ACN 005 583 031

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	CONSOLIDATED ENTITY 2007 $	CONSOLIDATED ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Cash Flows From Operating Activities					
Receipts from customers		-	20,580	-	20,580
Payments to suppliers and employees		(152,829)	(73,105)	(152,829)	(73,105)
Interest received		9,689	5,472	9,689	5,472
Net cash used in operating activities		(143,140)	(47,053)	(143,140)	(47,053)
Cash Flows From Investing Activities					
Exploration expenditure		(754,060)	(31,388)	(734,395)	(31,388)
Payments to subsidiaries		-	-	(19,170)	-
Payments for subsidiaries		-	-	(505)	-
Net cash used in investing activities		(754,060)	(31,388)	(754,070)	(31,388)
Cash Flows From Financing Activities					
Proceeds from the issue of shares		725,666	563,800	725,666	563,800
Payment of transaction costs		(4,403)	(122,683)	(4,403)	(122,683)
Repayment to related parties		(75,000)	(71,386)	(75,000)	(71,386)
Proceeds from related parties		-	20,656	-	20,656
Net cash provided by financing activities		646,263	390,387	646,263	390,387
Net Increase (Decrease) in Cash Held		(250,937)	311,946	(250,947)	311,946
Cash and cash equivalents at the beginning of the financial year		340,789	28,843	340,789	28,843
Cash and cash equivalents at the end of the financial year		89,852	340,789	89,842	340,789

The accompanying notes form part of these financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Mount Rommel Mining Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 7 'Financial Instruments: Disclosures and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
• AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007.
• Interpretation 10 'Interim Financial Reporting and Impairment'.	Effective for annual reporting periods beginning on or after 1 November 2006.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 July 2007.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 13 September 2007

Basis of preparation

The financial report has been prepared on the basis of historical cost except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2007.

Principals of Consolidation

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

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.

Where controlled entities have entered or left the economic entity during the year, their operational results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the year financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(b) Financial instruments issued by the company

<u>Transaction costs on the issue of equity instruments</u>

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

<u>Interest and dividends</u>

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Impairment of assets

At each reporting date, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

(f) Exploration Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(b) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to exploratory development.

(g) Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

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

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘ held-to-maturity investments’, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed at each balance sheet date for indicators of impairment . Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Share-Based Payments

Equity-settled share-based payments with employees and other providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the Remuneration Report.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

(i) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

At the present date, no such obligation exists.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affect both current and future periods.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	$	$	$	$
2. REVENUE				
Non-operating activities				
Interest revenue – other entities	9,689	5,472	9,689	5,472
3. PROFIT/(LOSS) FOR THE YEAR				
Profit/(loss) for the year has been arrived at after crediting/(charging) the following gains and losses:				
Exploration expenses				
Exploration expenses written off	160,157	-	160,157	-
Employee benefits expense				
Directors fees	15,000	7,500	15,000	7,500
Equity settled share based payments	15,000	7,500	15,000	7,500
	30,000	15,000	30,000	15,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007

	CONSOLIDATED ENTITY 2007 $	CONSOLIDATED ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
4. INCOME TAX EXPENSE				
a) The components of Tax Expense comprise:				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
	-	-	-	-
b) The pima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima Facie Tax Payable on Profit from ordinary activities before income tax at 30% (2006 30%)	(111,895)	(22,293)	(111,895)	(22,293)
Add tax effect of:				
- Various Permanent Differences	48,047	50,005	48,047	50,005
- Other timing differences	2,700	-	2,700	-
Less tax effect of:				
- Capitalised Deductible Exploration Expenditure	(226,218)	(41,318)	(220,319)	(41,318)
- Deductible Black Hole Expenditure	-	(14,222)	-	(14,222)
- Equity raising costs not recognised	(14,516)	(45,804)	(14,516)	(45,804)
	(301,822)	(73,632)	(295,983)	(73,632)
Add: Income tax losses carried forward not taken up as a benefit	301,822	73,632	295,983	73,632
Income Tax Expense/(Benefit)	-	-	-	-

Future income tax benefits not brought to account. The following benefits will only be realised if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realized.

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit From the deductions for the losses.

	CONSOLIDATED ENTITY 2007 $	CONSOLIDATED ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
- Tax losses	636,797	334,915	630,897	334,915
- Timing Differences	(451,437)	(261,449)	(445,538)	(261,449)
	185,360	73,466	185,359	73,499

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007

5. KEY MANAGEMENT PERSONNEL COMPENSATIONS

a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year.

Mr F Hunt	Chairman, Executive Director
Mr H Hunt	Non-Executive Director
Mr J Venter	Non-Executive Director

b) Key Management Personnel Compensation for 2006 and 2007

Refer to the Remuneration Report contained within the Directors Report.

b) Option holding by Key Management Personnel

	Balance 1/07/2005	Granted as Remuneration	Options Exercised	Purchased	Balance 30/06/2006	Total Vested
Mr F Hunt	-	-	-	-	-	-
Mr H Hunt	-	-	-	541,200	541,200	541,200
Mr J Venter	-	-	-	-	-	-
	-	**-**	**-**	**541,200**	**541,200**	**541,200**

	Total Exercisable	Total Unexercisable
Mr H Hunt	541,200	-
Total	**541,200**	**-**

	Balance 1/07/2006	Granted as Remuneration	Options Exercised/ Lapsed	Purchased	Balance 30/06/2007	Total Vested
Mr F Hunt	-	-	-	-	-	-
Mr H Hunt	541,200	-	(270,600)	-	270,600	270,600
Mr J Venter	-	-	-	-	-	-
	541,200	**-**	**(270,600)**	**-**	**270,600**	**270,600**

	Total Exercisable	Total Unexercisable
Mr H Hunt	270,600	-
Total	**270,600**	**-**

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

c) Share holdings by Key Management Personnel

	Balance 1/07/2005	Received as Remuneration	Options Exercised	Purchased	Balance 30/06/2006
Mr F Hunt (1)	1,207,450	-	-	600,000	1,807,450
Mr H Hunt (2)	541,200	-	-	-	541,200
Mr J Venter	-	-	-	-	-
	1,748,650	**-**	**-**	**600,000**	**2,348,650**

(1) 1,207,450 fully paid ordinary shares are under escrow until 8 May 2008
(2) 541,200 fully paid ordinary shares are under escrow until 8 May 2008

	Balance 1/07/2006	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/2007
Mr F Hunt (1)	1,807,450	97,619	-	180,745	2,085,814
Mr H Hunt (2)	541,200	97,619	-	102,520	741,339
Mr J Venter	-	97,619	-	-	97,619
	2,348,650	**292,857**	**-**	**283,265**	**2,924,772**

(1) 1,207,450 fully paid ordinary shares are under escrow until 8 May 2008
(2) 541,200 fully paid ordinary shares are under escrow until 8 May 2008

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 $	2006 $	2007 $	2006 $
6. AUDITORS REMUNERATION				
Auditing or reviewing the financial report:				
- Moore Stephens (SA)	23,000	9,000	23,000	9,000
- MSI Ragg Weir	9,000	-	9,000	-
Independent Accountants Report				
- Moore Stephens (SA)	-	7,500	-	7,500
	32,000	**16,500**	**32,000**	**16,500**
7. CASH AND CASH EQUIVALENTS				
Bank overdraft	-	(40)	-	(40)
Cash at bank	64,056	633	64,046	633
Short term deposits	25,796	340,196	25,796	340,196
	89,852	**340,789**	**89,842**	**340,789**
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:				
Cash and cash equivalents	89,852	340,789	89,842	340,789

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	$	$	$	$

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
GST receivable	**46,411**	**9,920**	**46,411**	**9,920**

9. OTHER FINANCIAL ASSETS

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Investments carried at cost				
Non-Current				
Investments in subsidiaries	-	-	505	-
Loans carried at amortised cost:				
Non-Current				
Loans to Subsidiaries	-	-	19,170	-
	-	-	19,675	-
Disclosed in the financial statements as:				
Current other financial assets	-	-	-	-
Non-current other financial assets	-	-	19,675	-
	-	**-**	**19,675**	**-**

10. OTHER NON-CURRENT ASSETS

	CONSOLIDATED 2007 $	CONSOLIDATED 2006 $	PARENT 2007 $	PARENT 2006 $
Costs carried forward in respect of areas of interest in exploration and evaluation phase	**1,628,646**	**1,034,742**	**1,608,981**	**1,034,742**
Reconciliation of deferred exploration and evaluation costs				
Balance at beginning of year	1,034,742	897,015	1,034,742	897,015
Current year expenditure	754,061	137,727	734,396	137,727
Write-off during the year	(160,157)	-	(160,157)	-
Sale of tenements	-	-	-	-
Balance at end of year	**1,628,646**	**1,034,742**	**1,608,981**	**1,034,742**

Recoverability of the carrying amount of exploration assets is dependent upon the successful exploration and sale of resources.

Capitalised cost of $754,061 (2006: $31,388) have been included in cash flows from investing activities in the cash flow statement.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 $	2006 $	2007 $	2006 $
11. TRADE AND OTHER PAYABLES				
Current				
Unsecured liabilities				
Trade payables	108,756	8,318	108,756	8,318
Sundry payables and accrued expenses	9,000	32,447	9,000	32,447
- Key management personnel accruals	-	15,000	-	15,000
	117,756	**55,765**	**117,756**	**55,765**
12. BORROWINGS				
Unsecured at amortised cost				
Current				
Loans from key management personnel (a)	**51,276**	**118,376**	**51,276**	**118,376**

(a) Amounts repayable to Director. Interest is being charged on the outstanding loan balance at 8.5% per annum calculated on the daily balance.

	2007 $	2006 $
13. CONTRIBUTED EQUITY		
31,144,569 fully paid ordinary shares (2006: 22,546,906)	2,285,752	1,462,993
Nil partly paid shares (2006: 1,304,200)	-	65,210
	2,285,752	**1,528,203**

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Changes to the corporations' law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	No. of Shares	$
(a) Fully paid ordinary shares		
Balance at 1 July 2005	15,171,400	920,748
Share Issues	7,375,506	694,929
Less: Costs of capital raising	-	(152,684)
Balance at 30 June 2006	**22,546,906**	**1,462,993**
Balance at 1 July 2006	22,546,906	1,462,993
Issue of shares upon final call of partly paid shares	1,304,200	32,605
Transfer of partly paid share balance	-	65,210
Issue of shares	4,790,763	479,077
Issue of shares from exercise of options	2,502,700	250,270
Less: Costs of capital raising		(4,403)
Balance at 30 June 2007	**31,144,569**	**2,285,752**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007

(b) Partly paid ordinary shares

	No. of shares	$
Balance at 1 July 2005	-	-
Issue of partly paid shares at $0.05	1,304,200	65,210
Balance at 30 June 2006	**1,304,200**	**65,210**
Balance at 1 July 2006	1,304,200	65,210
Final call on partly paid shares and transfer to fully paid ordinary shares	(1,304,200)	(65,210)
Balance at 30 June 2007	**-**	**-**

(c) Listed options

Mount Rommel Mining Limited has the following listed options on issue at 30 June 2007:

5,888,668 options at an exercise price of $0.20 exercisable on or before 28/02/2008.

	2007 No.	2006 No.
Balance at beginning of the financial year	11,777,336	-
Granted during the financial year – Series 1	-	5,888,668
Granted during the financial year – Series 2	-	5,888,668
Exercised during the financial year – Series 1	(2,502,700)	-
Lapsed during the financial year – Series 1	(3,385,968)	-
Balance at end of the financial year	**5,888,668**	**11,777,336**

Series 1 options entitled the holder to subscribe for one ordinary share in Mount Rommel Mining Limited upon the payment of $0.10. The options lapsed at 5.00pm (AEST) on 28 February 2007. Series 2 options entitles the holder to subscribe for one ordinary share in Mount Rommel Mining Limited upon the payment of $0.20. The options will lapse at 5.00pm (AEST) on 28 February 2008. The options are transferable. The options carry neither rights to dividends nor voting rights.

(d) Terms and Conditions of Contributed Equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	$	$	$	$

14. COMMITMENTS FOR EXPENDITURE

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Not later than one year	58,500	34,800	58,500	34,800
Later than one year but not later than five	34,800	19,800	34,800	19,800
Later than five years	-	-	-	-
	93,300	54,600	93,300	54,600

15. SEGMENT REPORTING

The company operated predominately as an explorer for base and precious metals, within Australia.

16. RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

<u>Transactions with controlled entities</u>

During the year Mount Rommel Mining Limited, in the normal course of business, entered into transactions with its controlled entities, Bonshaw Gold Pty Ltd.

Aggregate amounts receivable from these entities is included in Note 9.

<u>Transactions with Director Related Entities</u>

During the year the Company paid Mr Fred Hunt $43,045 for Geo-science services in relation to license compliance and technical drawings.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007**

Transactions with Director Related Entities

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 $	2007 $	2007 $	2006 $
Loan from Frederick L Hunt	51,276	118,376	51,276	118,376
The loan is unsecured with no defined repayment attracting an interest rate of 8.5% p.a. on the daily 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 interest accrued and included in the above balance for the year:	7,900	15,706	7,900	15,706
Rent paid to BHM Stainless Group Pty Ltd	5,400	3,600	5,400	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.				

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007 $	2006 $	2007 $	2006 $
17. NOTES TO THE STATEMENT OF CASH FLOWS				
Reconciliation of Operating Profit/(Loss) After Income Tax to Net Cash Flows From Operating Activities:				
Operating Profit/(Loss) after income tax	(372,982)	(74,310)	(372,982)	(74,310)
Non-Cash Activities:				
Share Based Payments	36,286	-	36,286	-
Exploration cost written off	160,157	-	160,157	-
Interest on Directors loan	7,899	15,706	7,899	15,706
Changes in net assets:				
(Increase)/Decrease in trade receivables	(36,491)	20,579	(36,491)	20,579
Increase in payables	61,991	(9,028)	61,991	(9,028)
Net Cash used in operating activities	**(143,140)**	**(47,053)**	**(143,140)**	**(47,053)**

Guarantee Facilities
The company currently has no financial guarantee facilities in place.

Non-cash finance and investing activities
During the financial year the Company issued 362,857 fully paid ordinary shares in consideration for services rendered by Directors and other parties. The value of the debts settled in consideration for these share issues was $36,286.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007

18. FINANCIAL INSTRUMENTS

(a) The following tables detail the company's exposure to interest rate risk at 30 June 2007 and 2006

2007	Average Interest Rate (%)	Variable Interest Rate ($)	Fixed Interest Rate ($) Maturing < year	Fixed Interest Rate ($) Maturing 1.5 years	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and term deposits	5.8	88,842	-	-	1,010	89,852
Receivables		-	-	-	46,411	46,411
TOTAL FINANCIAL ASSETS		**88,842**	**-**	**-**	**47,421**	**136,263**
Financial Liabilities						
Payables		-	-	-	117,756	117,756
Borrowings	8.5	-	51,276	-	-	51,276
TOTAL FINANCIAL LIABILITY		**-**	**51,276**	**-**	**117,756**	**169,032**

2006	Average Interest Rate (%)	Variable Interest Rate ($)	Fixed Interest Rate ($) Maturing < year	Fixed Interest Rate ($) Maturing 1.5 years	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and term deposits	5.4	593	25,796	314,400	-	340,789
Receivables		-	-	-	9,920	9,920
TOTAL FINANCIAL ASSETS		**593**	**25,796**	**314,400**	**9,920**	**350,709**
Financial Liabilities						
Payables		-	-	-	55,765	55,765
Directors loan	8.5	-	-	118,376	-	118,376
TOTAL FINANCIAL LIABILITY		**-**	**-**	**118,376**	**55,765**	**174,141**

(b) Net Fair Values
The aggregate net fair values of financial assets and liabilities are the same as the carrying amounts.

(c) Credit Risk
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of managing its exposure to credit risk by assessment of the creditworthiness of potential customers and obtaining sufficient collateral or other security where appropriate. The carrying amount of financial assets included in the consolidated accounts represents the exposure of the consolidated entity to credit risk.

(d) Fair Value
The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

(e) Liquidity Risk Management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 30 JUNE 2007

19. (LOSS) PER SHARE

	2007 Cents Per Share	2006 Cents Per Share
Basic (loss) per share	(1.44)	(0.44)
Diluted (loss) per share	(1.44)	(0.44)
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows		
Earnings (i)	(372,982)	(74,310)
	2007 No	**2006 No**
Weighted average number of ordinary shares (ii)	25,841,640	16,623,661
(i) Earnings are the same as profit after tax in the income statement.		
(ii) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of shares, used in the calculation of diluted earnings per share.	35,607,065	18,415,652

Diluted Earnings Per Share

The rights of options held by option holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights of options are non-dilutive as the exercise price was significantly higher than the Company's share price as at 30 June 2007.

20. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2007 %	Ownership Interest 2006 %
Parent Entity			
Mount Rommel Mining Limited	Australia		
Subsidiaries			
Bonshaw Gold Pty Ltd	Australia	100	50

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place since the last quarter of the 2007 financial year. These Corporate Governance practices comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

ROLE OF THE BOARD

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfill this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals.

Because of the limited size of the Company and its financial affairs and operations, the use of separate remuneration and audit committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

The company acknowledges that the ASX guidelines for corporate governance require that the Chairman be an independent non executive director, and that at any rate the Chairman and Managing Director roles should not be performed by the same person. Because of the limited size and nature of the Company's activities, this is not considered to be practical or appropriate at the current time. As the Company's activities expand, this policy will be reviewed, with a view to aligning the Company's policies to best practice guidelines.

The Board operates in accordance with the broad principles set out in its charter, which is available from the Corporate Governance section of the company's website at www.mountrommel.com.

COMPOSITION OF THE BOARD

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Director’s Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have qualifications, experience and expertise of benefit to the Company and to bring an independent view to the Board’s deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.

- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company’s then current policy and program, together with the other criteria considered desirable for composition of a balanced board and the overall interests of the Company.

- Under the Company’s Constitution, the minimum number of Directors is three. At each Annual General Meeting one third of the Directors (excluding the Executive Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

- The Company considers that the Board should have at least three Directors (minimum required under the Company’s Constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has three Directors, of which only one is independent. The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

PERFORMANCE OF DIRECTORS AND MANAGING DIRECTOR

The performance of all Directors, the Board as a whole and the Managing Director is reviewed at least annually in accordance with the Company's Corporate Governance guidelines.

A review was undertaken during the year ended 30 June 2007. The Company appointed Mr Frederick L Hunt as Executive Director/Chairman on 22 February 2002.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Directors related entity transactions with the Company and Consolidated Entity are set out in the related parties note in the financial statements.

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

REMUNERATION

The Company's ASX Principles of Good Corporate Governance as adopted is to Remunerate Fairly and Responsibly and part of the remuneration is to be incentive based as considered appropriate by the Board. The Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- demonstrates a clear relationship between key executive performance and remuneration.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies of Directors and executives remuneration:

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period is included in the remuneration report, which is contained within the Report of the Directors.

COMPANY WEBSITE

Mount Rommel Mining Limited has made available details of all its Corporate Governance principles, which can be found in the Corporate Governance information section of the Company website at www.mountrommel.com.