

ZODIAC CAPITAL LIMITED

ACN 126 263 170

ANNUAL REPORT

30 JUNE 2007

Zodiac Capital Limited
ACN 126 263 170

Annual Financial Report
For the Financial Year Ended
30 June 2007

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Zodiac Capital Limited
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Company Particulars

Directors	Robin Gerald Armstrong (Chairman) Peter Joseph Boonen Allen Ian Bain Donald Joseph Benard
Secretaries	Colin Bloomfield Gulshan Jugroo
Registered Office	C/- Colin Bloomfield & Associates Level 6/50 Clarence Street SYDNEY NSW 2001
Corporate Office	Level 1, 275 George Street SYDNEY NSW 2000
Auditors	Pitcher Partners Level 3, 60 Castlereagh Street Sydney NSW 2000
Bankers	Westpac Banking Corporation Limited 393-395 New South Head Road DOUBLE BAY NSW 2026
Solicitors	Holman Webb Level 17 Angel Place 123 Pitt Street SYDNEY NSW 2000
Share Register	C/- Colin Bloomfield & Associates Level 6/50 Clarence Street SYDNEY NSW 2001

Corporate Governance

1. Our approach to corporate governance

1a) Framework and approach to corporate governance and responsibility

The Board of Zodiac Capital Limited is committed to maintaining the highest standards of corporate governance.

Corporate governance is about having a set of values that underpin the company's everyday activities – values that ensure fair dealing, transparency of actions, and protect the interests of stakeholders. The Board considers corporate governance forms part of a broader framework of corporate responsibility and regulatory oversight. Corporate integrity is under question globally, a genuine commitment to good governance is fundamental to the sustainability of our business and its performance.

In pursuing its commitment to best practice governance standards, the Board will continue to:

- review and improve its governance practices; and
- monitor global developments in best practice corporate governance.

The Board's approach has been to be guided by the principles and practices that are in our stakeholders' best interests while ensuring full compliance with legal requirements. The best practice guidelines of the Australian Stock Exchange ("ASX"), although not Zodiac Capital Limited's home exchange, have been adopted as the minimum baseline for our governance practices.

1b) Compliance with the ASX best practice recommendations

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have followed the ASX best practice recommendations in the reporting period.

Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

This Governance Statement describes Zodiac Capital Limited governance practices and notes where they do not comply with the ASX best practice recommendations.

2. Date of this statement

This statement reflects our corporate governance policies and procedures as at 30 June 2007.

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Corporate Governance (continued)

3. The Board of Directors

3a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of individual Director's backgrounds, is set out below.

Name:	Peter Boonen	Robin Armstrong	Allen Bain	Donald Benard
Age	59	53	49	45
Term of Office:	Director since incorporation	Director since incorporation	Director since incorporation	Director since 25 October 2007
Independent:	No	Yes	No	No
External Directorship:	None	Findlay Securities Ltd Cardia Technologies Ltd Broad Investments Ltd P Fuel Ltd Aquanox Ltd	None	None
Skills, experience and expertise:	General Manager Experienced in investment acquisition and development strategy	Principal of Findlay Securities Limited, Stockbrokers Experienced in corporate advisory, structuring and financing	Doctor Pharmacology. Experienced in the science of drug discovery and commercialisation	Geologist and Mining Engineer with extensive global resource industry experience

3b) Board role and responsibility

The Board is accountable to shareholders for Zodiac Capital Limited performance.

In summary, the Board's responsibilities include:

- providing strategic direction and approving corporate strategic initiatives;
- planning for Board and executive succession;
- selecting and evaluating future Directors, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), if and when appointed;
- setting CEO and Director remuneration within shareholder approved limits;
- approving budget and monitoring management and financial performance;
- considering and approving Annual Financial Report (including the Directors' Declaration) and the interim and final financial statements);
- approving Zodiac Capital Limited risk management strategy, monitoring its effectiveness and maintaining a direct and ongoing dialogue with Zodiac Capital Limited auditors and regulators; and
- considering and reviewing the social and ethical impact of Zodiac Capital Limited activities, setting standards for social and ethical practices and monitoring compliance with Zodiac Capital Limited social responsibility policies and practices.

Corporate Governance (continued)

The Board has delegated to management responsibility for:

- developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- maintaining an effective risk management framework and keeping the Board and market fully informed about material risks;
- developing Zodiac Capital Limited annual budget, recommending it to the Board for approval and managing day-to-day operations within the budget;
- managing day-to-day operations in accordance with standards for social and ethical practices, which have been set by the Board.

3c) Board size and composition

The Board determines its size and composition, subject to the limits imposed by Zodiac Capital Limited Constitution. The Constitution requires a minimum of three and a maximum of 7 Directors. In addition, at least two of the Directors shall ordinarily reside within Australia.

3d) The selection and role of the Chairman

The Chairman is selected by the Board from the Non-executive Directors.

The Chairman's role includes:

- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring that, when all Board members take office, they are fully briefed on the terms of their appointment, their duties and responsibilities;
- ensuring that the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of Board Directors.

The current Chairman, Robin Armstrong is a Non-executive Director. He has been a Director and Chairman of Zodiac Capital Limited since the company's incorporation on 28 June 2007.

3e) Directors' independence

The Board assesses each of the Directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the Director has a business or other relationship with Zodiac Capital Limited, either directly, or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, with Zodiac Capital Limited or another Zodiac Capital Limited group member. It is the Board's view that Non-Executive Director, Robin Armstrong is independent and Allen Bain is not independent. It is the board's view that Executive Directors Peter Boonen and Donald Benard are not independent.

Corporate Governance (continued)

3f) Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act 2001, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter.

3g) Meetings of the Board and their conduct

The Board meets formally at least four times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings. This year the full Board has not met due to the company's incorporation on 28 June 2007. The Chairman and the Company Secretary establish meeting agendas to ensure adequate coverage of financial, strategic and major risk areas throughout the year. The Directors and Company Secretary also maintains informal communications via email and phone.

3h) Succession planning

The Board plans succession of its own members taking into account the skills, experience and expertise required and currently represented, and Zodiac Capital Limited future direction. The Board is also responsible for CEO and CFO succession planning (if appointed).

3i) Review of Board performance

The Board reviews its overall performance, as well as the performance of individual Directors. The performance of Non-executive Directors (including the Chairman) is subject to annual peer review.

3j) Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Board as a whole. Those nominated are assessed by the Board against a range of criteria including background, experience, professional skills, personal qualities, whether their skills and experience will augment the existing Board and their availability to commit themselves to the Board's activities. If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election.

3k) Retirement and re-election of Directors

Zodiac Capital Limited Constitution states that one-third of the Directors must retire each year. The maximum time that each Director can serve in any single term is three years. Any Director who has been appointed during the year must retire at the next annual general meeting. Eligible Directors who retire each year may offer themselves for re-election by shareholders at the next annual general meeting.

3l) Compulsory retirement of Directors

The Board has no limit on the number of terms of office, which any Director may serve.

3m) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports. Zodiac Capital Limited Company Secretary provides Directors with ongoing guidance on issues such as corporate governance, Zodiac Capital Limited Constitution and the law. The Board collectively, and each Director individually, has the right to seek independent professional advice at Zodiac Capital Limited expense to help them carry out their responsibilities. While the Chairman's prior approval is needed, it may not be unreasonably withheld and, in its absence, Board approval may be sought.

Corporate Governance (continued)

4. Board committees

4a) Board committees and membership

There are currently no Board Committees. Zodiac Capital Limited current size and operations do not allow for separate Board Committees. All issues are considered by all the Directors, unless a Director is unable to exercise independence. Zodiac Capital Limited does not comply with NSX recommendations on these issues.

4b) Audit Committee

Zodiac Capital Limited does have an Audit Committee and complies with this recommendation.

4c) Board Risk Oversight Committee

Zodiac Capital Limited does not have a Board Risk Oversight Committee, it does not comply with this recommendation

4d) Board Nominations Committee

Zodiac Capital Limited does not have a Board Nominations Committee and any appointment would be considered by all directors. It does not comply with this recommendation

4e) Board Remuneration Committee

Zodiac Capital Limited does not have a Board Remuneration Committee and does not comply with this recommendation.

5. Audit governance and independence

5a) Approach to audit governance

The Board is committed to three basic principles:

- Zodiac Capital Limited must produce true and fair financial reports;
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies; and
- the external auditors are independent and serve shareholder interests by ensuring that shareholders know Zodiac Capital Limited true financial position.

5b) Engagement and rotation of external auditor

Zodiac Capital Limited independent external auditor is Pitcher Partners. The Board of Directors currently requires no rotation of Auditor.

5c) Discussions with external auditor on independence

The Board Audit and Compliance Committee require the external auditor to confirm that they have maintained their independence.

Corporate Governance (continued)

5d) Relationship with external auditor

Zodiac Capital Limited current policies on employment and other relationships with our external auditor are:

- the audit partners and any audit firm employee on the Zodiac Capital Limited audit are prohibited from being an officer of Zodiac Capital Limited;
- an immediate family member of an audit partner or any audit firm employee on the Zodiac Capital Limited audit is prohibited from being a Director or an officer in a significant position at Zodiac Capital Limited;
- a former audit firm partner or employee on the Zodiac Capital Limited audit is prohibited from becoming a Director or officer in a significant position at Zodiac Capital Limited for at least five years and after the five years, can have no continuing financial relationship with the audit firm;
- members of the audit team and firm are prohibited from having a business relationship with Zodiac Capital Limited or any officer of Zodiac Capital Limited unless the relationship is clearly insignificant to both parties;
- the audit firm, its partners, its employees on the Zodiac Capital Limited audit and their immediate family members are prohibited from having a direct or material indirect investment in Zodiac Capital Limited;
- officers of Zodiac Capital Limited are prohibited from receiving any remuneration from the audit firm;
- the audit firm is prohibited from having a financial interest in any entity with a controlling interest in Zodiac Capital Limited; and
- the audit firm engagement team in any given year cannot include a person who had been an officer of Zodiac Capital Limited during that year.

5e) Restrictions on non-audit services by the external auditor

The external auditor is not restricted in the provision of non-audit services to Zodiac Capital Limited except as required by the Corporations Act or the Zodiac Capital Limited Listing Rules.

5f) Attendance at Annual General Meeting

Zodiac Capital Limited external auditor attends the annual general meeting and is available to answer shareholder questions.

6. Controlling and managing risk

6a) Approach to risk management

Taking and managing risk are central to business and to building shareholder value. Zodiac Capital Limited approach is to identify, assess and control the risks, which affect its business. The intention is to enable risks to be balanced against appropriate rewards. The risk management approach links Zodiac Capital Limited vision and values, objectives and strategies, and procedures and training.

6b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing Zodiac Capital Limited risk management strategy and policy. The Company Secretary is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of Zodiac Capital Limited activities.

Corporate Governance (continued)

6c) Company Secretarial assurance

The Board receives regular reports about the financial condition and operational results of Zodiac Capital Limited. The Company Secretary periodically provides formal statements to the Board that in all material respects:

- the company's financial statements present a true and fair view of Zodiac Capital Limited financial condition and operational results, and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

7. Remuneration framework

7a) Overview

Zodiac Capital Limited pays its Executive and Non Executive Directors a fixed remuneration. The Executive and Non Executive Directors can claim reimbursement of out-of-pocket expenses incurred on behalf of Zodiac Capital Limited. The Company Secretary is paid for all his time on an hourly basis. The Executive Director and the Chairman are on a fixed remuneration.

7b) Executive Management Option Scheme

The Company has approved an Executive Management Option Scheme as a means of rewarding executive management for performance. A total of 10,000,000 options have been approved and these will be allotted and issued to executive management members at the discretion of the Directors and with reference to the Company's audited annual financial statements. These options will be issued on the following terms and conditions:

- (a) Each option shall be subject to such vesting and exercise conditions determined by the Board at the time of issue.
- (b) Each option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price determined at the time of offer by the Board and subject to satisfaction of any vesting or exercise conditions.
- (c) The options will lapse at 5.00pm (AEST) on the date of the fifth anniversary of each respective issue ("Expiry Date") or such other date as may be determined by the Company's Board at the time of issue.
- (d) The options are not transferable.
- (e) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.
- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.

Corporate Governance (continued)

- (g) Subject to any vesting and exercise conditions, vested options shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the option holder to exercise all or a specified number of options held by the option holder accompanied by an option certificate or holding statement and a cheque made payable to the Company for the subscription moneys for the shares to be issued on exercise of the options the subject of the Notice. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the option holder to the balance of the options held by him.
- (h) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

8. Corporate responsibility and sustainability

8a) Zodiac Capital Limited approach to corporate responsibility and sustainability

Zodiac Capital Limited aim is to manage its business in a way that produces positive outcomes for all stakeholders and maximises economic, social and environmental value simultaneously. In doing so, Zodiac Capital Limited accepts that the responsibilities flowing from this go beyond both strict legal obligations and just the financial bottom line. Transparency, the desire for fair dealing, and positive links into the community underpin our everyday activities and corporate responsibility practices.

8b) Zodiac Capital Limited Code of Conduct

Zodiac Capital Limited Code of Conduct applies to all Directors, executives and employees without exception. The Code governs workplace and human resource practices, risk management and legal compliance, and is aligned to Zodiac Capital Limited core values of teamwork, integrity and performance. The Code is reviewed periodically and has been specifically reviewed to reflect the ASX best practice recommendations.

8c) Insider trading policy and trading in Zodiac Capital Limited shares

Both Directors and employees of a Corporation are subject to restrictions under the law relating to dealing in certain financial products, including securities in a company (including Zodiac Capital Limited), if they are in possession of inside information.

Inside information is information that is not generally available and, if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the securities of the company.

8d) Market disclosure policy and practices

The Company Secretary will have responsibility for ensuring compliance with the continuous disclosure requirements in the Zodiac Capital Limited Listing Rules, and overseeing and co-ordinating information disclosure to the Zodiac Capital Limited, analysts, brokers, shareholders, the media and the public. Zodiac Capital Limited is committed to giving all shareholders comprehensive and equal access to information about our activities, and to fulfil continuous disclosure obligations to the broader market. Zodiac Capital Limited policy is designed to ensure compliance with Zodiac Capital Limited Listing Rules continuous disclosure requirements. It ensures any information that a reasonable person would expect to have a material effect on the price of Zodiac Capital Limited securities is disclosed.

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DIRECTORS' REPORT - 30 JUNE 2007

Your directors present their report on the company for the year ended 30 June 2007.

Directors

The following persons were directors of Zodiac Capital Limited during the financial year and up to the date of this report:

Robin Armstrong - Chairman
Peter Boonen
Allen Bain
Donald Benard

Information on Directors in office during the year:

Robin Armstrong (53)	Non-executive Director and Chairman
Peter Boonen (59)	Executive Director
Donald Benard (45)	Executive Director
Allen Bain (49)	Non-executive Director

The above named directors held office during and since the end of the financial year.

- i. The Directors attendances at Directors meetings held during the year were;
ii. The number of shares and options in the Company in which each director, at the date of this report, has a relevant interest are:

Name	<u>No. Attended</u>	<u>No. Eligible to Attend*</u>	<u>Ordinary Shares**</u>	<u>2010 30c Options**</u>	<u>2012 30c Options**</u>
Robin Armstrong	3	3	3,000,000	3,000,000	3,000,000
Peter Boonen	3	3	36,500,000	12,000,000	36,500,000
Donald Benard	2	2	1,500,000	1,500,000	1,500,000
Allen Bain	3	3	24,500,000	1,500,000	24,500,000

* Reflects the maximum number of meetings each director was eligible to attend.

** As at the date of this report.

Includes related parties.

Retirement, Election and Continuation in Office of Directors

On 28 June 2007 Robin Armstrong, Peter Boonen and Allen Bain were appointed as Directors on incorporation of the company.

On 25 October 2007 Donald Benard was appointed as a Director.

No Directors have resigned or ceased to act.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

Company Secretaries

Colin Bloomfield - B Comm, Fellow of the Institute of Chartered Accountants in Australia and member since 1979. Colin is a sole practitioner specialising in management consulting, tax planning and company reconstructions.

Gulshan Jugroo - Bachelor of Accounting (Hons) Middlesex University, UK, Master of Business in Accounting, Victoria University specialising in Corporate Forensic Accounting.

Directors and Officers Interests

Directors' and Officers' Relevant Interests in Securities

The relevant interests of the Directors and officers and their related parties as defined in Accounting Standard AASB 1024, in securities of the Company, as will exist immediately prior to the issue of Shares pursuant to the Issue are as follows:

Name	Ordinary Shares*	2010 30c Options*	2012 30c Options*s
Robin Armstrong	3,000,000	3,000,000	3,000,000
Peter Boonen	36,500,000	12,000,000	36,500,000
Donald Benard	1,500,000	1,500,000	1,500,000
Allen Bain	24,500,000	1,500,000	24,500,000
Gulshan Jugroo	900,000	Nil	900,000
Colin Bloomfield	200,000	200,000	200,000

* Includes related parties at the date of this report.

Robin Armstrong is a director and shareholder of Brown & Biggins Pty Limited which holds 3,000,000 Shares, 2010 Options and 2012 Options.

Peter Boonen is a director of P&J Boonen Pty Ltd the Trustee of Boonen Family Superannuation Fund which holds 5,000,000 Shares, 2010 Options and 2012 Options. He is a director and shareholder of SoLogic Investment Group Pty Ltd which holds 7,000,000 Shares, 2010 Options and 2012 Options, a director and shareholder of RocLogic Pty Limited which holds 4,500,000 Shares and 2012 Options, a director and shareholder of Key Capital Corporation which holds 15,000,000 Shares and 2012 Options in the Company, a director and shareholder of MDM Group, Inc which holds 5,000,000 Shares and 2012 Options

Donald Benard holds 1,000,000 Shares, 2010 Options and 2012 Options. Peggy Mactavish is married to Donald Benard and holds 500,000 Shares, 2010 Options and 2012 Options.

Allen Bain holds 1,000,000 Shares, 2010 Options and 2012 Options. He is a director and shareholder of Key Capital Corporation which holds 15,000,000 Shares and 2012 Options, a director and shareholder of MDM Group, Inc which holds 5,000,000 Shares and 2012 Options, a director and shareholder of 554402 B.C. Ltd which holds 500,000 Shares, 2010 Options and 2012 Options and a director of Courage Corporation which holds 3,000,000 Shares and 2012 Options.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

Colin Bloomfield is a director of Spinzaro Pty Limited which is the trustee of the Spinzaro Superannuation Fund of which he is a beneficiary which holds 200,000 Shares, 2010 Options and 2012 Options.

Principal Activities

The company was incorporated on 28 June 2007.

The principal activity of the Company during the year was as an investment company pursuing suitable acquisitions. The major investment focus is intended to be within the resource and energy market sectors; opportunities in China, the Asian Pacific region; and to a lesser degree within the financial services, communications and internet market sectors.

Dividends

No dividends were paid or recommended for payment during, or since the end of, the financial year.

Review of Operations

The Directors report that at the end of the financial year was a profit of Nil

	\$
Basic Earnings per share	-
Diluted Earnings per share	-

During the year the company issued 19,000,000 ordinary fully paid shares at \$0.00 each and 38,000,000 options at \$0.00 each for the purpose of reflecting the interest of the founding shareholders

Significant Changes in the State of Affairs

Since the balance date the following events have occurred:

On 25 October 2007, in accordance with an arrangement entered into on 2 July 2007, Mr Gulshan Jugroo was issued 900,000 ordinary fully paid shares at \$0.00 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012.

On 25 October 2007, in accordance with an arrangement entered into on 2 July 2007, MDM Group Inc was issued 5,000,000 ordinary fully paid shares with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for transferring \$500,000 in Harrington Group Limited listed securities to the company.

On 25 October 2007, in accordance with an arrangement entered into on 2 July 2007, Courage Corp was issued 3,000,000 ordinary fully paid shares and with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for transferring \$300,000 in Stirling Products Limited listed securities to the company.

The company has since disposed of the Harrington shares for \$483,055 for the purpose of providing working capital.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

On 19 October 2007 the company incorporated the wholly owned subsidiary Colossal Mining Limited and on 19 October 2007 was allotted 58,000,000 ordinary fully paid shares at \$0.0001 each for 100% of the issued capital of Colossal Mining Limited.

On 25 October 2007, in accordance with an arrangement entered into on 12 October 2007 the company issued 4,500,000 ordinary fully paid shares at 0.10 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for the acquisition of 51% of the issued capital of Locatore Pty Limited held by RocLogic Pty Limited, in consideration of the expenditure of a total of \$1,500,000 over a three year period commencing by March 1, 2008.

On 25 October 2007, in accordance with an arrangement entered into on 15 October 2007 the company issued 15,000,000 ordinary fully paid shares at \$0.10 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 to Key Capital Corp for assigning its rights to directly progress investigation and negotiation to potentially acquire a number of resource projects. Included within the agreement was the assignment of a concluded contract for the acquisition of the Batangas Gold Project in the Philippines. The Company has terminated the Batangas Gold Project since it was assigned to the Company.

No significant changes have taken place during the financial year or to the date of this report other than as disclosed in the attached financial statements.

Likely Developments and Expected Results of Operations

The company intends to issue 5,500,000 ordinary fully paid shares at \$0.15 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 to raise \$825,000 for working capital.

The company intends to issue an Information Memorandum for the issuing of 10,000,000 and up to 12,500,000 ordinary fully paid shares at \$0.25 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for the purpose of acquiring sufficient capital to list on the National Stock Exchange of Australia Limited and provide further working capital.

The directors consider that the cash reserves of the company at the time of signing this report are sufficient to enable the company to pursue current opportunities.

Iron Ore Project - Through agreement with Colossal Mining Corporation, a Philippines company, the Company has the right to acquire 84% of the granted Exploration Permits over accessible areas of the known reserves of magnetite in north and north west Luzon in the Philippines, estimated on a pre-JORC basis to potentially contain between 1.5 billion tonnes and 3 billion tonnes of iron ore. This interest will be assigned to Colossal Mining Limited, a wholly owned Australian subsidiary of the company.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

Resource Geoscience Technology Project - Through agreement the Company has acquired a 51% interest in LocatOre Pty Limited, a company that is commercialising a unique new proprietary geoscience exploration tool that has already been instrumental in resource discovery during its development phase.

Environmental Regulations

The company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors and Executive Emoluments

During the financial period to 30 June 2007 the Directors and Officers received the following remuneration.

Non-executive Directors of Zodiac Capital Limited: -

Name	Directors Fee \$	Committee Fee \$	Post Employment \$	Other Benefits \$	Total \$
Robin Armstrong <i>Chairman</i>	Nil	Nil	Nil	Nil	Nil
Allen Bain	Nil	Nil	Nil	Nil	Nil

Executive Directors of Zodiac Capital Limited: -

Name	Base Salary \$	Non Monetary \$	Post Employment \$	Other Benefits \$	Total \$
Peter Boonen <i>Managing Director</i>	Nil	Nil	Nil	Nil	Nil
Donald Benard	Nil	Nil	Nil	Nil	Nil

Company Secretary

Name	Base Salary \$	Secretarial Fees	Non Monetary	Post Employment \$	Other Benefits \$	Total \$
Colin Bloomfield	Nil	Nil	Nil	Nil	Nil	Nil

The Board of Directors decides the remuneration and terms of employment for executives' directors, non-executive directors and other senior executives.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

Remuneration packages are set at levels intended to attract and retain executives capable of managing the consolidated entities operations. It is the Board's intention that all executive directors and executives terms of employment be formalised in service agreements.

The Company has entered into a three year renewable, executive service agreement with Mr Peter Boonen, the Company's Managing Director and his service company P & J Boonen Pty Ltd. The terms provide for an annual remuneration package of \$288,000.

The Company may terminate the agreement at any time without notice in a number of circumstances, including commission of a serious or persistent breach or non-observance of the Agreement's terms, commission of any fraud, dishonesty or wilful misconduct, or any conviction of an indictable criminal offence.

Mr Boonen cannot terminate the agreement without cause prior to 30 June 2010. The agreement prevents an employee from engaging in any other business or occupation or holding the office of director of any other company without the prior consent of the Company. The agreement also prevents him from approaching or soliciting customers, clients or employees of the Company away from the Company during the term of the agreement and for a period of twelve months after the employment is terminated.

Each director is entitled to such remuneration out of the funds of the Company as the directors determine, but the remuneration of non-executive directors in their respective capacities as directors may not exceed in aggregate in any financial year an amount approved by the members at a general meeting. To date no amount has been approved by the members.

Share Options

The company has approved an 'Executive Management Option Scheme' at a directors meeting of 25 October 2007. To date the 'Executive Management Option Scheme' has not been approved by the members. The options issued are in relation to performance and are intended to reward performance. A total of 10,000,000 options have been approved and these will be allotted and issued to executive management members at the discretion of the Directors and with reference to the Company's audited annual financial statements. These options will be issued on the following terms and conditions:

- (a) Each option shall be subject to such vesting and exercise conditions determined by the Board at the time of issue.
- (b) Each option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price determined at the time of offer by the Board and subject to satisfaction of any vesting or exercise conditions.
- (c) The options will lapse at 5.00pm (AEST) on the date of the fifth anniversary of each respective issue ("Expiry Date") or such other date as may be determined by the Company's Board at the time of issue.
- (d) The options are not transferable.
- (e) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.

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DIRECTORS' REPORT - 30 JUNE 2007 (continued)

- (f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (g) Subject to any vesting and exercise conditions, vested options shall be exercisable at any time during the period ending on or before the Expiry Date ("Exercise Period") by the delivery to the registered office of the Company of a notice in writing ("Notice") stating the intention of the option holder to exercise all or a specified number of options held (in multiples of 100) by the option holder accompanied by an option certificate or holding statement and a cheque made payable to the Company for the subscription moneys (if any) for the shares to be issued on exercise of the options the subject of the Notice. An exercise of only some options shall not affect the rights of the option holder to the balance of the options held by him.
- (h) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

Information on directors' benefits is set out in Note 6 - Remuneration of Directors/Executives.

Options totalling 36,000,000 were issued on 28 June 2007 to Directors and related parties on incorporation of the company.

Further information on directors' options is set out in Note 6 - Remuneration of Directors/Executives.

Based on the history of the market price of shares the directors consider that options have nil value at the date of this Report. Using the Black Scholes model, these options at the date of issue had a value of \$Nil.

No options granted have been exercised.

No options have been granted under the 'Executive Management Option Scheme'

Insurance of Officers

During the financial year, the Company did not pay a premium in respect of a contract insuring the directors of the company or the company secretaries and of any related body corporate against a liability incurred as such a director or secretary to the extent permitted by the Corporations Act 2001. The Company has not, during or since the financial year, indemnified or agreed 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.

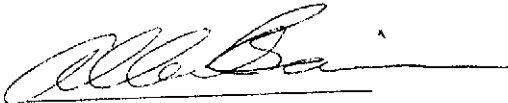
Zodiac Capital Limited
ACN 126 263 170

DIRECTORS' REPORT - 30 JUNE 2007 (continued)

Proceedings on Behalf of the 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.

On behalf of the Board



Allen Bain
Director

Dated: 7 November 2007



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

Level 3
60 Castlereagh Street
Sydney NSW 2000
Australia

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Sydney NSW 2001

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D M HODGKINSON
C W HOPE
D S McGUI
C R MILLINGTON
Y E PIETSCH
R M SHANLEY
D W STAPLES
D G YOUNG

CONSULTANTS:
J S YOUNG
D C BARNSDALL
P S ROWE

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

To the Directors of Zodiac Capital Limited

In relation to the independent audit for the year ended 30 June 2007, 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.

PITCHER PARTNERS

MARK GODLEWSKI

Partner

Dated this 7th day of November 2007 at Sydney



PITCHER PARTNERS

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CONSULTANTS:
J S YOUNG
D G BARNSDALE
P S ROWE

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
ZODIAC CAPITAL LIMITED
ABN 54 126 263 170**

Scope

We have audited the accompanying financial report of Zodiac Capital Limited. The financial report 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.

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, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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.

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 judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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 Zodiac Capital Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards (IFRS) as disclosed in Note 1.



PITCHER PARTNERS



Mark Godlewski

Partner

Dated 7th day of November 2007 at Sydney

Zodiac Capital Limited
ACN 126 263 170

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Zodiac Capital Limited, I state that:

- (1) In the opinion of the directors:
- (a) The financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) Complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Allen Bain
Director

Dated: 7 November 2007

Zodiac Capital Limited
ACN 126 263 170

INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 \$
Revenue from ordinary activities	2	-
Expenses from ordinary activities	2	-
Borrowing expenses		- <hr/>
Profit/(loss) from ordinary activities before income tax expense		-
Income tax expense relating to ordinary activities		- <hr/>
Profit/(loss) from ordinary activities after related income tax		- <hr/>
Net profit/(loss) attributable to outside equity interests		- <hr/>
Net profit/(loss) attributable to members of the parent entity		- <hr/>
Total changes in equity other than those resulting from transactions with owners as owners		- <hr/>
Earnings Per Share - Basic and diluted (cents per share)		-

Zodiac Capital Limited
ACN 126 263 170

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

Note	2007 \$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR	-
Net profit/(loss) for the year attributable to members	-
	-
Transactions with equity holders in their capacity as equity holders:	-
Contributions	-
TOTAL EQUITY AT THE END OF THE YEAR	-

Zodiac Capital Limited
ACN 126 263 170

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	2007 \$
<u>CURRENT ASSETS</u>		-
		-
<u>NON-CURRENT ASSETS</u>		-
		-
TOTAL ASSETS		-
<u>CURRENT LIABILITIES</u>		-
		-
TOTAL LIABILITIES		-
NET ASSETS		-
<u>EQUITY</u>		-
Contributed equity	3	-
Accumulated (losses)		-
TOTAL EQUITY		-

Zodiac Capital Limited
ACN 126 263 170

STATEMENT OF CASHFLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Notes	2007 \$
<u>CASH FLOWS FROM OPERATING</u> <u>ACTIVITIES</u>	4	-
<u>CASH FLOWS FROM INVESTING</u> <u>ACTIVITIES</u>		-
<u>CASH FLOWS FROM FINANCING</u> <u>ACTIVITIES</u>		-
Net (decrease)/increase in cash held		-
Cash at beginning of year		-
CASH AT BALANCE DATE		-

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 1 - Statement of Accounting Policies

This financial report is a general-purpose financial report, which has been prepared in accordance with applicable Australian Accounting Standards, the Corporations Act 2001, including the disclosure requirements of other mandatory professional reporting requirements.

The financial report covers Zodiac Capital Limited as an individual parent entity. Zodiac Capital Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements have been prepared on the basis of historical cost.

In the application of A-IFRS the company 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 recognised 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 affects both current and future periods.

Judgments made by the company in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRSs).

The accounting policies have been consistently applied, unless otherwise stated.

(a) *Going Concern*

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

(b) *Property, plant and equipment*

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. Directors review the carrying amount of property, plant and equipment annually to ensure they are not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 1 - Statement of Accounting Policies (continued)

amount.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements for the company.

Items of property, plant and equipment, including leasehold property are depreciated/amortised using the diminishing value method over their estimated useful lives to the company.

The depreciation rates used for each class of asset are as follows:

	<u>Depreciation Rate</u>	<u>Depreciation Method</u>
Office Equipment	18% to 40%	Diminishing value

(c) Investments

Investments are brought to account at cost or at directors' valuation. Directors review the carrying amount of investments annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' market value or the underlying net assets in the particular companies. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset are transferred from the lesser to the lessee, are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of minimum lease payments on the establishment of the lease. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Lease payments under operating leases are charged as expenses in the years in which they are incurred.

(e) Goodwill

Goodwill is recorded at cost. This amount will be reviewed annually in relation to the expected discounted cash flow and will be valued accordingly.

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 1 - Statement of Accounting Policies (continued)

(f) Revenue

Interest income is recognised on a time proportionate basis.

(g) Accounts Payable

Liabilities are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. Trade accounts payables are normally settled within 90 days and are normally non-interest bearing.

(h) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(i) Trade Receivables

Trade debtors are carried at amount due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors are normally settled within 60 days of delivery or invoice and are non-interest bearing.

(j) Income Tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(k) Principles of Consolidation

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Zodiac Capital Limited
ACN 126 263 170

Note 1 - Statement of Accounting Policies (continued)

(l) Goods and Services Tax

Revenue, 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.

(m) Interest-Bearing Liabilities

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

(n) Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

2007
\$

Note 2 – Profit/(Loss) from Ordinary Activities

Profit/(loss) from ordinary activities
before income tax includes the
following items of revenue and
expense:

a) Revenue from ordinary activities

b) Expenses from ordinary activities

-

-

-

-

Note 3 – Contributed Equity

Movements in Contributed Equity of the company
since 28 June 2007 are as follows

(a) Ordinary Shares

The ordinary shares are entitled to 1 vote each and dividends.

Date and Details	Number Of Shares	Issue Price \$	
28/06/2007 Share Issue	<u>19,000,000</u>	0.00	-
Total at Balance Date	<u>19,000,000</u>		-

Ordinary shares carry one vote per share and carry the right to dividends.

(b) Options

The options are not entitled to vote or receive dividends.

Date and Details	Number of 2010 30c Options	Number 2012 30c Options	Issue Price \$	
28/06/2007 Options Issued	<u>19,000,000</u>	<u>19,000,000</u>	0.00	-
Total at Balance Date	<u>19,000,000</u>	<u>19,000,000</u>		-
Total Contributed Equity At Balance Date				-

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

Note 4 - Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks or financial institutions, net of bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the Balance Sheet as follows:

	2007 \$
Cash at bank	-
	-
	-
(b) Reconciliation of Cash Flows from Operations with Profit (Loss) from ordinary activities after income tax	-
Profit/(Loss) from ordinary activities after income tax	-
<u>Non-cash flows in operating result</u>	-
<u>Changes in Assets and Liabilities</u>	-
Cash Flows from Operations	-

(c) Standby Credit Arrangements

Unused standby credit was available in the amount of \$Nil.

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 5 - Related Party Transactions

The directors of the Company during the year and their shareholdings at the date of this report were:

	<u>Ordinary Shares*</u>	<u>2010 30c Options*</u>	<u>2012 30c Options*</u>
Peter Boonen	36,500,000	12,000,000	36,500,000
Robin Armstrong	3,000,000	3,000,000	6,000,000
Allen Bain	24,500,000	1,500,000	24,500,000
Donald Benard	1,500,000	1,500,000	1,500,000

*includes related parties as at the date of this report

As at the date of this report, the Company is a party to transactions with related parties as follows:

a) Robin Armstrong:

i) Mr Robin Armstrong a director and Chairman of the Company is also an Executive of Findlay Securities Limited, the Company's sponsoring Broker. Findlay Securities Limited will be paid normal industry standard fees in relation to the Company sponsorship and fees with respect to the placement of Shares through this Offer by Information Memorandum. Mr Robin Armstrong may also generate commissions in the normal course of business in his position at Findlay Securities in relation to any Shares of the Company that he may personally place under this Offer and further commissions on any of the Company's share trading activities.

ii) The Company has a share trading account at Findlay Securities Limited and any trading within that account attracts normal commercial transaction commissions. Any or all trades that are conducted on behalf of the Company by Mr Robin Armstrong would result in Mr Armstrong receiving normal commercial commissions through his position at Findlay Securities as a stockbroker

iii) Any further involvement in the future where the Company may use Findlay Securities Limited for advisory, share trading and/or capital raising services would be subject to similar related party disclosure but would be on a normal commercial basis that would be equal to or better than that generally available to the Company through alternative relationships.

b) Peter Boonen:

i) Mr Peter Boonen is the Managing Director of the Company and the Company's initial investment project interests have been acquired through agreement with companies and interests of which Mr Boonen is either a director, officer and/or shareholder

ii) In consideration for the introduction to the opportunity to acquire 84% of all rights to the Philippines iron ore project, the Company has agreed to pay a cash fee of \$250,000 to SoLogic Investment Group Pty Ltd following and subject to the Company's listing. Mr Boonen is a director and shareholder of SoLogic Investment Group Pty Limited.

Zodiac Capital Limited

ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

iii) In consideration of the assignment to it of the Acquisition Agreement for the Philippines Batangas gold project, agreements and rights to agreements, and including the rights to acquire various investment opportunities in China, the Company has agreed to issue 15,000,000 Shares at \$0.10 each and 15,000,000 attaching 2012 Options to Key Capital Corporation, a company of which Mr Boonen is a director and shareholder. The Company has also agreed to pay a cash payment of \$125,000 to MDM Group Inc, a shareholder of the Company and of which Mr Boonen is a director and shareholder, as full consideration of all fees and expenditure including the repayment of option fees paid to the original Batangas vendors totalling US\$75,000.

iv) In consideration of the transfer of securities listed on the ASX to Zodiac Capital at a total market value of \$500,000 the Company issued 5,000,000 Shares at \$0.10 each and 5,000,000 attaching 2012 Options to MDM Group Inc. Mr Boonen is a director and shareholder of MDM Group Inc.

v) In consideration of the acquisition of the 51% interest in LocatOre Pty Limited from RocLogic Pty Limited the Company, issued 4,500,000 Shares at \$0.10 each and 4,500,000 attaching 2012 Options to RocLogic Pty Limited. Mr Boonen is a director and shareholder of both LocatOre Pty Limited and RocLogic Pty Limited. Mr Boonen is also a director and shareholder of Immune Network Limited a Canadian company that has a prior conditional agreement to acquire Locatore Pty Ltd in a share exchange.

c) Allen Bain:

i) In consideration of the assignment to it of the Acquisition Agreement for the Philippines Batangas gold project, agreements and rights to agreements, and including the rights to acquire various investment opportunities in China, the Company has agreed to issue 15,000,000 Shares at \$0.10 each and 15,000,000 attaching 2012 Options to Key Capital Corporation. Dr Bain is a director and shareholder of Key Capital Corporation. The Company has also agreed to pay a cash payment of \$125,000 to MDM Group Inc, a shareholder of the Company and of which Dr Bain is a director and shareholder, as full consideration of all fees and expenditure including the repayment of option fees paid to the original Batangas vendors totalling US\$75,000.

ii) In consideration of the transfer of securities listed on the ASX to Zodiac Capital at a total market value of \$800,000 the Company issued 5,000,000 Shares at \$0.10 each and 5,000,000 attaching 2012 Options to MDM Group Inc and 3,000,000 Shares at \$0.10 each and 3,000,000 attaching 2012 Options to Courage Corporation. Dr Bain is a director and shareholder of MDM Group Inc and a director of Courage Corporation.

iii) Relative to the acquisition by the Company of the 51% interest in LocatOre Pty Limited from RocLogic Pty Limited, Dr Allen Bain is a Director and shareholder of Immune Network Limited a Canadian company that has a prior conditional agreement to acquire Locatore Pty Ltd in a share exchange.

The movement in the Directors shareholding to balance date were:

<u>Ordinary Shares</u>	<u>Number of</u> <u>Acquisitions*</u>	<u>Number of</u> <u>Disposals</u>	<u>Ordinary Shares</u> <u>Balance Date</u> <u>30 June 2007</u>
Peter Boonen	12,000,000	-	12,000,000
Robin Armstrong	3,000,000	-	3,000,000
Allen Bain	1,500,000	-	1,500,000
Donald Benard	1,500,000	-	1,500,000

*Directors and related parties at balance date

Zodiac Capital Limited

ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

2010 Options

	<u>Number of</u> <u>Acquisitions*</u>	<u>Number of</u> <u>Disposals</u>	<u>2010 Options Balance Date</u> <u>30 June 2007</u>
Peter Boonen	12,000,000	-	12,000,000
Robin Armstrong	3,000,000	-	3,000,000
Allen Bain	1,500,000	-	1,500,000
Donald Benard	1,500,000	-	1,500,000

2012 Options

	<u>Number of</u> <u>Acquisitions*</u>	<u>Number of</u> <u>Disposals</u>	<u>2012 Options Balance Date</u> <u>30 June 2007</u>
Peter Boonen	12,000,000	-	12,000,000
Robin Armstrong	3,000,000	-	3,000,000
Allen Bain	1,500,000	-	1,500,000
Donald Benard	1,500,000	-	1,500,000

*Directors and related parties at balance date.

A Black Scholes option pricing model was used to determine the value of options at date of grant as being \$Nil. The Directors consider that the options have nil value at the date of this report.

Note 6- Remuneration of Directors/Executives

The directors of Zodiac Capital Limited during the year and at the date of this report.

Peter Boonen
Robin Armstrong
Allen Bain
Donald Benard

The Non-Executive Directors are entitled to be remunerated or receive benefits from the Company as follows:

Name	Directors Fee \$	Committee Fee \$	Post Employment \$	Other Benefits \$	Total# \$
Robin Armstrong	60,000	Nil	Nil	Nil	60,000
Allen Bain	48,000	Nil	Nil	Nil	48,000

To date no amount has been approved by the members.

Zodiac Capital Limited
ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 6- Remuneration of Directors/Executives (continued)

Executive Directors of Zodiac Capital Limited: -

Name	Base Salary \$	Non Monetary \$	Post Employment \$	Other Benefits \$	Total \$
Peter Boonen <i>Managing Director</i>	75,000	Nil	Nil	213,000	288,000
Donald Benard	156,000	Nil	Nil	Nil	156,000

Company Secretaries

Name	Base Salary Fee \$	Secretarial Fees	Non Monetary	Post Employment \$	Other Benefits \$	Total \$
Colin Bloomfield	Nil	24,000	Nil	Nil	Nil	24,000
Gulshan Jugroo	72,000	Nil	Nil	Nil	Nil	72,000

If a Director undertakes any work additional to that usually required of Directors of a Company similar to this Company, the Directors may award such special remuneration and fix the amount hereof at any time during or after the rendering of such special service or the undertaking of such additional work. In this regard it is anticipated that the Directors and Officers of the Company will from time to time be required to render services to subsidiary investee companies that would be outside the scope of work usually required from the Directors of the Company. In these instances, the Board will determine, on a case by case basis such remuneration as would be considered reasonable and in all cases where the Company advances such remuneration, it will be regarded as a loan advance to and repayable by the investee company. Directors are also entitled to travelling expenses for or in connection with any journeys undertaken by them on the Company's business.

The performance and remuneration of any managing director or executive director for his services shall be reviewed and determined by the Directors from time to time but on at least an annual basis.

For further details in relation to Director's remuneration, refer to the Directors Report.

For details in relation to Director's Share & Option holdings refer to Note 5 - Related Party Transactions.

The Company did not have any specified executives, other than Executive Directors.

Zodiac Capital Limited

ACN 126 263 170

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 7 - Post Balance Date Events

Since the balance date the following events have occurred:

On 2 July 2007 it was agreed that Mr Gulshan Jugroo be issued 900,000 ordinary fully paid shares at \$0.00 with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012.

1 August 2007 the company entered into a premises rental lease for Suite 3, Level 1, 275 George Street, Sydney. The lease terms are \$75,285 per annum plus 5% annual up-lift to 31 July 2010.

On 15 October 2007 it was agreed that MDM Group Inc be issued 5,000,000 ordinary fully paid shares with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for transferring \$500,000 in Harrington Group Limited listed securities to the company.

The company has since disposed of the Harrington shares for \$483,055 for the purpose of providing working capital.

On 15 October 2007 it was agreed that Courage Corp be issued 3,000,000 ordinary fully paid shares with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for transferring \$300,000 in Stirling Products Limited listed securities to the company.

On 15 October 2007 it was agreed that the company issue 15,000,000 ordinary fully paid shares at \$0.10 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 to Key Capital Corp for the rights to directly progress investigation and negotiation to potentially acquire a number of resource projects. Included within the agreement was the assignment of a concluded contract for the acquisition of the Batangas Gold Project in the Philippines. The Company has terminated the Batangas Gold Project since it was assigned to the Company. The agreement provides for the further payment of \$125,000 to MDM Group Inc, a shareholder of the Company and of which Mr Boonen and Dr Bain are also directors and shareholders of as full consideration of costs, fees and US\$75,000 in option payments which have been paid on account of the Batangas Gold project acquisition. The assigned contract provided for term payments to be paid to the original vendors totalling US\$4,500,000: US\$350,000 payable this financial year, and US\$800,000, US\$1,350,000 and US\$2,000,000 payable in 2008, 2009 and 2010 respectively. The Company was not bound to make any or all of these payments and could at anytime elect to limit investment and involvement in the project to an interest that is then pro rata to the payments made.

On 22 October 2007 it was agreed that the company issue 4,500,000 ordinary fully paid shares at 0.10 each with one attaching 2012 Option for each Share subscribed exercisable at 30 cents per Option up to 31 December 2012 for the acquisition of 51% of the issued capital of Locatore Limited held by Roclogic Pty Limited, in consideration of the expenditure of a total of \$1,500,000 over a three year period commencing by March 1, 2008.

On 22 October 2007 the company was allotted 58,000,000 ordinary fully paid shares at \$0.0001 each for 100% of the issued capital of Colossal Mining Limited.

Zodiac Capital Limited

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 8 - Capital and Leasing Commitments, Contractual Arrangements and Contingent Liabilities

	2007
	\$
<u>Operating Lease Commitments</u>	
- not recognised in the Financial Statements	
Payable - not later than one year	75,285
- later than one year and less than five years	150,570
	<u>225,855</u>

The operating lease represents the rental on premises at Level 1, 275 George Street, Sydney, NSW 2000 which was entered into in July 2007.

The financing commitment represents the amount due for payment under the BEAD agreement.

Financial Commitments

Pursuant to the Locatore geoscience asset acquisition agreement the company is required to incur development expenditure in the amount of \$1,500,000 over a three year period commencing by 1 March 2008.

Zodiac has entered into a contract with its subsidiary, Colossal Mining Limited, for it to acquire the Exploration Permits subject to listing and to raising sufficient capital for the project. Colossal Mining Limited will assume the company's obligations to:

- i) Raise a minimum \$12 million following which the original Permit vendors will hold a 16% interest in Colossal Mining Limited.
- ii) Advance a total of US \$1,000,000 per Permit against future royalties to the Permit vendors for each of the five Permits in January 2008.
- ii) Payment US\$2,500,000 to the Permit vendors in late January or early February 2008.
- iii) Advance US\$2,500,000 against future royalties to the Permit vendors in late January or early February 2008.
- iv) Advance US\$15,000,000 against future royalties to the Permit vendors prior to 31 August 2008.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

v) Advance US\$10,000,000 against future royalties to the Permit vendors prior to 31 December 2008.

vi) Payment Royalties totalling US\$5 per ton of iron ore sold. Of this royalty US\$1.25 is payable to Zodiac, US\$2.00 to the original vendors, US \$1.45 to local charitable and education foundations and US\$0.30 is reserved for potential distribution to key consultants or management.

vii) Undertake the processing, the payments of and funding of all exploration, minimum permit expenditures, maintenance, corporate and compliance costs relating to the properties and/or the issued permits and permit applications, and

viii) Employ all the current employees of Colossal Mining Corporation nominated by Colossal Mining Corporation

ix) Provide for a put option for the Philippine Exploration Permit Holder and/or their nominee(s) to require Colossal Mining to acquire the balance 16% that is does not own in the Exploration Permits in consideration for the issue of 16% of the issued shares in Colossal Mining Limited at any time within 10 years.

Pursuant to an Agreement dated 17 October 2007 Findlay Securities Limited agrees to sponsor the Company for listing on the NSX and further, on a best endeavours basis to place a total minimum 10,000,000 Shares at 25 cents each for a total amount of \$2,500,000.

The Agreement is subject to the following key terms and conditions:

Findlay Securities Limited

- (a) may terminate the Agreement if there is a significant adverse change in circumstances.
- (b) may require the Company to vary the closing date by up to three months.
- (c) is entitled to a fee of \$30,000 being for Sponsorship and a 5% commission on all funds raised through the Share placement under this Information Memorandum.
- (d) will be entitled to a 5% commission on any oversubscriptions accepted by the Company received to a total amount of \$31,500.
- (e) is entitled to a full reimbursement of all out of pocket expenses and disbursements incurred through the Sponsorship of the Company, through the presentation of the Company and through the processing of all Applications for Shares

Note 9- Auditor Remuneration

The amount received or due and receivable by the auditor of the company for:

2007

Auditing

Other Services

\$

-

-

-

Zodiac Capital Limited
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

Note 10 – Earnings Per Share

	2007
Basic and diluted earnings per share (cents)	\$0.0
	No.
Number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	19,000,000

Diluted earnings per share are not materially different to Basic Earnings per share.

Note 11 – Segment Information

The company predominately operates in the business of being an investment company.

Note 12 – Company Details

The registered office of business of the company is:
Level 6/50 Clarence Street
SYDNEY NSW 2001

The principal place of business of the company is
Level 1, 275 George Street
SYDNEY NSW 2000