

# FORM: Half yearly/preliminary final report

Name of issuer

ZODIAC CAPITAL LIMITED

ACN or ARBN

126 263 170

Half yearly  
(tick)

✓

Preliminary  
final (tick)

Half year/financial year ended  
('Current period')

31 DECEMBER 2007

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

|  |         |                |     |                               |         |
|--|---------|----------------|-----|-------------------------------|---------|
| Extracts from this statement for announcement to the market (see note 1).                                      |         |                |     |                               | \$A,000 |
| Revenue (item 1.1)   | up/down | %              | NIL | to                            | NIL     |
| Profit (loss) for the period (item 1.9)  | up/down | %              | NIL | to                            | NIL     |
| Profit (loss) for the period attributable to members of the parent (item 1.11)                                 | up/down | %              | NIL | to                            | NIL     |
| <b>Dividends</b>   |         | Current period |     | Previous corresponding period |         |
| Franking rate applicable:  |         | NIL            |     | NIL                           |         |
| <b>Final dividend</b> (preliminary final report only)(item 10.13-10.14)  |         | NIL            |     | NIL                           |         |
| Amount per security  |         |                |     |                               |         |
| Franked amount per security  |         |                |     |                               |         |
| <b>Interim dividend</b> (Half yearly report only) (item 10.11 – 10.12)   |         |                |     |                               |         |
| Amount per security  |         | NIL            |     | NIL                           |         |
| Franked amount per security  |         | NIL            |     | NIL                           |         |
| Short details of any bonus or cash issue or other item(s) of importance not previously released to the market: |         |                |     |                               |         |
| NOT APPLICABLE   |         |                |     |                               |         |



**ZODIAC CAPITAL LIMITED**

**ACN 126 263 170**

**HALF YEARLY REPORT**

**31 DECEMBER 2007**

**Zodiac Capital Limited**  
**ACN 126 263 170**

**DIRECTORS' REPORT - 31 DECEMBER 2007**

Your directors present their report on the consolidated entity consisting of Zodiac Capital Limited (the company) and entities it controlled at the end of, or during the half year ended 31 December 2007.

**Directors**

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

Robin Armstrong - Chairman  
Peter Boonen  
Allen Bain  
Donald Benard

Information on Directors in office during or since the end of the period:

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

**Review of Operations**

The company acquired 58,000,000 ordinary fully paid shares in Colossal Mining Limited on 19 October 2007 at \$0.001 each.

The company issued 900,000 fully paid shares of \$0.00 each with one attaching 2012 option for each share exercisable at \$0.30 per option up to 31 December 2012 to Gulshan Jugroo to reflect his interest as a founding officer of the company.

The company acquired 3,000,000 ordinary fully paid shares of Stirling Products Limited for \$300,000 by way of the issue of 3,000,000 ordinary fully paid shares of the company with one attaching 2012 option for each share, exercisable at 30 cents per option up to 31 December 2012.

The company acquired 5,000,000 ordinary fully paid shares of Harrington Group Limited for \$500,000 by way of the issue of 5,000,000 ordinary fully paid shares of the company with one attaching 2012 option for each share, exercisable at 30 cents per option up to 31 December 2012. The shares were disposed of in July and August 2007 for \$483,055.

The company acquired 51% of the issued capital of Locatore Pty Limited for \$450,000 by way of the issue of 4,500,000 fully paid shares of the company with one attaching 2012 option for each share, exercisable at 30 cents per option up to 31 December 2012.

The company issued 15,000,000 ordinary fully paid shares of \$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 rights to progress investigation and negotiation to potentially acquire a number of resource projects. Included within the agreement was the assignment of the Batangas Gold Project in the Philippines and the Colossal Mining iron ore project. The company has terminated the Batangas Gold Project.

The company is in the process of listing Colossal Mining Limited on the ASX and raise \$45-55 million to develop the project.

**Zodiac Capital Limited**  
**ACN 126 263 170**

The company issued 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 in working capital.

The company issued 10,299,888 ordinary fully paid shares at \$0.18 each with one attaching option for each share subscribed exercisable at 30 cents per option up to 31 December 2012 for the purpose of acquiring additional capital of \$1,853,980.

The company listed on the National Stock Exchange on 21 December 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.

The key financial results of the entity for the half year ended 31 December 2007 are as follows:

|   |                  |
|---|------------------|
|   | 31 December 2007 |
|   | \$               |
| Loss after income tax attributable to members | (527,323)        |

The consolidated entity's projects in progress are:

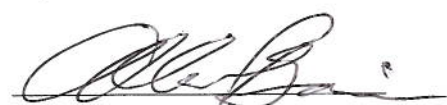
**Iron Ore Project** - Through agreement with Colossal Mining Corporation, a Philippines company, the Company has the right to acquire 84% of the granted Exploration Permits over accessible areas of the known reserves of magnetite in north and north west Luzon in the Philippines. This interest will be assigned to Luzon Iron Development Corp, a Philippines subsidiary of Colossal Mining Limited, 48% owned by the company.

**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.

**Auditors Independence Declaration**

A copy of the auditor's independence declaration in relation to the review of the half year is provided with this report.

Signed in accordance with a resolution of the Directors on behalf of the Board



Allen Bain  
Director

Dated: 14 March 2008





# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

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

CONSULTANTS:  
J S YOUNG  
D G 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 review for the half year ended 31 December 2007, to the best of my knowledge and belief, during the half year ended 31 December 2007, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

**MARK GODLEWSKI**

Partner

**PITCHER PARTNERS**

Dated this 14<sup>th</sup> day of March 2008 at Sydney

Zodiac Capital Limited  
ACN 126 263 170

DIRECTORS' DECLARATION

The directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standard AASB 134: Interim Financial Reporting;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the consolidated entity;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity 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 303(5) of the Corporations Act 2001.

On behalf of the directors:



Allen Bain  
Director

Dated this *14* day of *March 2008* at Sydney



# PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

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

CONSULTANTS:  
J S YOUNG  
D G BARNSDALL  
P S ROWE

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ZODIAC CAPITAL LIMITED

We have reviewed the accompanying half-year financial report of Zodiac Capital Limited and its controlled entities. The half-year financial report comprises the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, for the company and the entities it controlled at the half-year or from time to time during the period, together with a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Zodiac Capital Limited and its controlled entities are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Zodiac Capital Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Independence*

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

### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Zodiac Capital Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**PITCHER PARTNERS**



**MARK GODLEWSKI**

Partner

Dated this 14<sup>th</sup> day of March 2008 at Sydney

**Zodiac Capital Limited**  
**ACN 126 263 170**

**INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  | Note | Consolidated<br>31 December<br>2007<br>\$ | 31 December<br>2006<br>\$ |
|--|------|---|---------------------------|
| Revenue from ordinary activities   | 2    | 686,454                                   | -                         |
| Interest received  |      | 6,712                                     | -                         |
| Expenses from ordinary activities  | 2    | (1,219,252)                               | -                         |
| Borrowing expenses   |      | <u>(1,237)</u>                            | <u>-</u>                  |
| Profit/(loss) from ordinary activities before income tax expense                           |      | (527,323)                                 | -                         |
| Income tax expense relating to ordinary activities   |      | <u>-</u>                                  | <u>-</u>                  |
| Profit/(loss) from ordinary activities after related income tax                            |      | <u>(527,323)</u>                          | <u>-</u>                  |
| Net profit/(loss) attributable to outside equity interests                                 |      | <u>-</u>                                  | <u>-</u>                  |
| Net profit/(loss) attributable to members of the entity                                    |      | <u>(527,323)</u>                          | <u>-</u>                  |
| Total changes in equity other than those resulting from transactions with owners as owners |      | <u>(527,323)</u>                          | <u>-</u>                  |
| Earnings Per Share – Basic and diluted (cents per share)                                   |      | (0.015)                                   | -                         |

**Zodiac Capital Limited**  
**ACN 126 263 170**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  | Note | Consolidated<br>31 December<br>2007<br>\$ | 31 December<br>2006<br>\$ |
|--|------|---|---------------------------|
| <b>TOTAL EQUITY AT<br/>THE BEGINNING OF<br/>THE PERIOD</b>                                   |      | -   | -                         |
| Net profit/ (loss) for the<br>period attributable to<br>members                              | 2    | (527,323)                                 | -                         |
| Transactions with equity<br>holders in their capacity as<br>equity holders:<br>Contributions |      | <u>5,256,338</u>                          | <u>-</u>                  |
| <b>TOTAL EQUITY AT<br/>THE END OF THE<br/>PERIOD</b>   |      | <u><u>4,729,015</u></u>                   | <u><u>-</u></u>           |

**Zodiac Capital Limited**  
**ACN 126 263 170**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2007**

|   | Note | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|---|------|---|-----------------------|
| <b><u>CURRENT ASSETS</u></b>                      |      |   |                       |
| Cash assets                                       | 3    | 1,408,213                                 | -                     |
| Other Financial Assets<br>through profit and loss | 4    | 927,567                                   | -                     |
| Other assets                                      | 5    | 289,929                                   | -                     |
|   |      | <u>2,625,709</u>                          | <u>-</u>              |
| <b><u>NON-CURRENT ASSETS</u></b>                  |      |   |                       |
| Investments accounted for<br>using equity method  | 6    | 1,858,073                                 | -                     |
| Property, plant and equipment                     | 7    | 44,133                                    | -                     |
| Other assets                                      | 8    | 42,137                                    | -                     |
|   |      | <u>1,944,343</u>                          | <u>-</u>              |
| <b><u>INTANGIBLE ASSETS</u></b>                   |      |   |                       |
| Intellectual Property                             | 9    | 450,000                                   | -                     |
|   |      | <u>450,000</u>                            | <u>-</u>              |
| <b>TOTAL ASSETS</b>                               |      | <u>5,020,052</u>                          | <u>-</u>              |
| <b><u>CURRENT LIABILITIES</u></b>                 |      |   |                       |
| Payables  | 10   | 284,787                                   | -                     |
| Provisions  | 11   | 6,250                                     | -                     |
|   |      | <u>291,037</u>                            | <u>-</u>              |
| <b>TOTAL LIABILITIES</b>                          |      | <u>291,037</u>                            | <u>-</u>              |
| <b>NET ASSETS</b>                                 |      | <u>4,729,015</u>                          | <u>-</u>              |
| <b><u>EQUITY</u></b>                              |      |   |                       |
| Contributed equity                                | 12   | 5,256,338                                 | -                     |
| Accumulated (losses)                              |      | (527,323)                                 | -                     |
|   |      | <u>4,729,015</u>                          | <u>-</u>              |
| Minority Interest                                 |      | -   | -                     |
| <b>TOTAL EQUITY</b>                               |      | <u>4,729,015</u>                          | <u>-</u>              |



**Zodiac Capital Limited**  
**ACN 126 263 170**

**STATEMENT OF CASHFLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  | Consolidated<br>31 December<br>2007<br>\$ | 31 December<br>2006<br>\$ |
|--|---|---------------------------|
| <b><u>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</u></b>     |   |                           |
| Receipts from share sales                                  | 686,454                                   | -                         |
| Interest received  | 6,712                                     | -                         |
| Payments to suppliers and employees<br>and share purchases | (1,172,363)                               | -                         |
| Interest and other finance costs                           | (1,237)                                   | -                         |
| Net cash provided by (used in)<br>operating activities     | <u>(480,434)</u>                          | <u>-</u>                  |
| <b><u>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</u></b>     |   |                           |
| Payment for shares in associated<br>company                | (5,800)                                   | -                         |
| Payment for project costs                                  | (334,953)                                 | -                         |
| Payment of rental deposit                                  | (42,137)                                  | -                         |
| Payment of office equipment                                | (48,536)                                  | -                         |
| Payment of loans made                                      | (161,259)                                 | -                         |
| Net cash provided by (used in)<br>investing activities     | <u>(592,685)</u>                          | <u>-</u>                  |
| <b><u>CASH FLOWS FROM FINANCING<br/>ACTIVITIES</u></b>     |   |                           |
| Proceeds of loans received                                 | 5,138                                     | -                         |
| Proceeds of share issues                                   | 2,611,580                                 | -                         |
| Payment of issue costs                                     | (135,386)                                 | -                         |
| Net cash provided by (used in)<br>financing activities     | <u>2,481,332</u>                          | <u>-</u>                  |
| Net (decrease)/increase in cash held                       | 1,408,213                                 | -                         |
| Cash at beginning of year                                  | <u>-</u>                                  | <u>-</u>                  |
| CASH AT BALANCE DATE                                       | <u><u>1,408,213</u></u>                   | <u><u>-</u></u>           |

**Non cash proceeds of issue of shares**

27,500,000 ordinary fully paid shares were issued at \$0.10 totalling \$2,750,000 for non-cash acquisitions of shares and contract rights as per Directors Report and note 17 – Issuances of Securities

**Zodiac Capital Limited**  
**ACN 126 263 170**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**Note 1 - Statement of Accounting Policies**

**(a) Basis of Preparation**

These half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 30 June 2007 and any public announcements made by Zodiac Capital Limited and its controlled entities during the half year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The half year report does not include all the notes of the type usually included in an annual financial report.

The financial report covers Zodiac Capital Limited as an individual parent entity and as a consolidated 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 convention, as modified by revaluation to fair value for certain classes of assets as described in the accounting policies.

In the application of AIFRS 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.

The half year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

**(b) 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.



**Zodiac Capital Limited**  
**ACN 126 263 170**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**Note 1 - Statement of Accounting Policies (continued)**

**(c) 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.

**(d) Principles of Consolidation**

A controlled entity is any entity controlled by Zodiac Capital Limited whereby Zodiac Capital Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All controlled entities have a 30 June year-end.

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

Where controlled entities have entered or left the economic entity during the year, their operating 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.

**(e) 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.

**Zodiac Capital Limited**  
**ACN 126 263 170**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

**Note 1 - Statement of Accounting Policies (continued)**

**(f) Development Costs**

Development costs for various projects are amortised when incurred. Any receipts from these projects will be recorded as revenue.

**(g) Impairment of assets**

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

**(h) Financial Instruments**

**Classification**

The company classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial instruments at initial recognition.

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

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments is based on current bid prices.

Non-listed investment for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

**ii) Held-to-Maturity Investments**

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

**iii) Loans and Receivables**

Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.



**Zodiac Capital Limited**  
**ACN 126 263 170**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

Note 1 - Statement of Accounting Policies (continued)

(h) Financial Instruments (continued)

iv) Available-for-Sale

Available-for-sale financial assets include any financial assets not included in the above categories and are measured at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. The cumulative gain or loss is held in equity until the financial asset is de-recognised, at which time the cumulative gain or loss held in equity is recognised in profit and loss. An impairment loss arising in relation to an "available-for-sale" instrument is recognised directly in profit and loss for the period.

v) Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

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

(i) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates.

**Zodiac Capital Limited**  
**ACN 126 263 170**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

|  | Consolidated<br>31 December<br>2007<br>\$ | Consolidated<br>31 December<br>2006<br>\$ |
|--|---|---|
| <u>Note 2 – Profit/ (Loss) from Ordinary Activities</u>                      |   |   |
| <u>a) Revenue from ordinary activities</u>                                   |   |   |
| Proceeds of share trading  | 686,454                                   | -   |
| Interest   | 6,712                                     | -   |
|  | <u>693,166</u>                            | <u>-</u>                                  |
| <br><u>b) Expenses from ordinary activities</u>                              |   |   |
| Diminution of value of investments   | 182,680                                   | -   |
| Audit and accounting   | 26,793                                    | -   |
| Consultants – director related   | 110,000                                   | -   |
| Consultants – other  | 37,080                                    | -   |
| Depreciation   | 4,403                                     | -   |
| Interest   | 1,237                                     | -   |
| Costs of share trading   | 721,991                                   | -   |
| Other  | 23,561                                    | -   |
| Rent   | 12,547                                    | -   |
| Superannuation   | 6,750                                     | -   |
| Travel   | 12,197                                    | -   |
| Wages and entitlements   | 81,250                                    | -   |
|  | <u>1,220,489</u>                          | <u>-</u>                                  |
| Net loss for the period  | <u>(527,323)</u>                          | <u>-</u>                                  |
| <br>   |   |   |
|  | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$                     |
| <u>Note 3 – Cash Assets</u>  |   |   |
| Cash at bank   | 1,408,213                                 | -   |
|  | <u>1,408,213</u>                          | <u>-</u>                                  |
| <br><u>Note 4 – Other Financial Assets</u><br><u>through profit and loss</u> |   |   |
| Shares on hand   | 927,567                                   | -   |
|  | <u>927,567</u>                            | <u>-</u>                                  |
| <br><u>Note 5 – Other assets</u>   |   |   |
| GST refund   | 59,758                                    | -   |
| Prepayments  | 512                                       | -   |
| Loans to associated company  | 161,259                                   | -   |
| Share issue proceeds due   | 68,400                                    | -   |
|  | <u>289,929</u>                            | <u>-</u>                                  |

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|   | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|---|---|-----------------------|
| <u>Note 6 – Investments accounted for using equity method</u>   |   |                       |
| Investment in Colossal Mining Limited.  |   |                       |
| Issued capital of Colossal 15,000,000 ordinary fully paid shares of \$0.10 each issued by the company to Key Capital Corporation for sourcing investment. | 5,800                                     | -                     |
| Cost of professional services   | 1,500,000                                 | -                     |
| Cost of project   | 125,000                                   | -                     |
|   | 227,273                                   | -                     |
| Total Investment – at cost  | <u>1,858,073</u>                          | <u>-</u>              |

On 19 October 2007 the company acquired 100% of the share capital of Colossal Mining Limited.

Consideration

|   |                  |          |
|---|------------------|----------|
| Cash paid for shares issued                   | 5,800            | -        |
| Cash paid for tenements acquisition           | 352,273          | -        |
| Share capital issued for tenement acquisition | 1,500,000        | -        |
| Total acquisition cost                        | <u>1,858,073</u> | <u>-</u> |

|                            | Fair Value       | Carrying Value   |
|----------------------------|------------------|------------------|
| Net Assets Acquired        |                  |                  |
| Assets                     |                  |                  |
| Cash                       | 5,800            | 5,800            |
| Acquisition of tenement    | 1,852,273        | 1,852,273        |
| Total Assets acquired      | <u>1,858,073</u> | <u>1,858,073</u> |
| Total liabilities acquired | -                | -                |
| Net Assets Acquired        | <u>1,858,073</u> | <u>1,858,073</u> |

Goodwill/(Discount) on acquisition -

There have been no changes in contingent liabilities since 19 October 2007.

In the period to 31 December 2007 Colossal Mining Limited issued 60,643,000 ordinary fully paid shares to raise an additional \$269,600 in working capital. At balance date Zodiac Capital Limited held 48.89% of the share capital of Colossal Mining Limited.

Colossal Mining Limited is currently issuing a prospectus to raise between \$45-\$55 million by way of issuing 180-220 million ordinary fully paid shares.

Colossal Mining Limited is considered to be an associate of the company.

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|  | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|--|---|-----------------------|
| <u>Note 7 – Plant and Equipment</u>  |   |                       |
| Plant and equipment – at cost  | 48,536                                    | -                     |
| Less: provision for depreciation   | (4,403)                                   | -                     |
|  | <u>44,133</u>                             | <u>-</u>              |
| <u>Note 8 – Other assets</u>   |   |                       |
| Project Costs  | 182,680                                   | -                     |
| Less: provision for amortisation   | (182,680)                                 | -                     |
| Rental Bond  | 42,137                                    | -                     |
|  | <u>42,137</u>                             | <u>-</u>              |
| Project costs are amortised when incurred. The recovery of these costs will be reported as income. |   |                       |
| <u>Note 9 – Intellectual Property</u>  |   |                       |
| Intellectual Property of a controlled entity – Locatore Pty Limited                                | 450,000                                   | 450,000               |
|  | <u>450,000</u>                            | <u>450,000</u>        |
| On 12 October 2007 the company acquired 51% of the share capital of Locatore Pty Limited.          |   |                       |
| Consideration  |   |                       |
| Shares issued as consideration   | 450,000                                   | 450,000               |
| Total acquisition cost   | <u>450,000</u>                            | <u>450,000</u>        |



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Note 9 - Goodwill on Consolidation (consolidated)

|                            | Fair Value | Carrying Value |
|----------------------------|------------|----------------|
| Net Assets Acquired        |            |                |
| Intellectual Property      | 450,000    | 450,000        |
| Total assets acquired      | 450,000    | 450,000        |
| Total liabilities acquired | -          | -              |
| Net Assets Acquired        | 450,000    | 450,000        |

Goodwill/(Discount) on consolidation -

There have been no changes in contingent liabilities since 12 October 2007.

Locatore Pty Limited is considered to be a controlled entity of the company.

The company assesses impairment at each reporting date by evaluating conditions specific to the investment that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of investments in the unlisted entities for the period ended 31 December 2007, as the unlisted entities are recently incorporated and are in the early stages of commercial development. Accordingly there is an inherent uncertainty associated with the carrying value of these entities.

|                              | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|------------------------------|---|-----------------------|
| <u>Note 10 - Payables</u>    |   |                       |
| Creditors                    | 12,562                                    | -                     |
| Directors Loan               | 5,138                                     | -                     |
| Listing costs                | 37,770                                    | -                     |
| Brokers trading account      | 28,317                                    | -                     |
| Share issue oversubscription | 1,000                                     | -                     |
| Sologic Pty Ltd              | 200,000                                   | -                     |
|                              | 284,787                                   | -                     |

Note 11 - Provisions

|                       |       |   |
|-----------------------|-------|---|
| Employee entitlements | 6,250 | - |
|                       | 6,250 | - |

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|  | Consolidated<br>31 December<br>2007<br>\$ | 30 June<br>2007<br>\$ |
|--|---|-----------------------|
| <u>Note 12 – Contributed Equity</u>    |   |                       |
| 631,199,888 ordinary fully paid shares | 5,428,980                                 | -                     |
| Less cost of issue                     | (172,642)                                 | -                     |
| Total contributed equity               | <u>5,256,338</u>                          | <u>-</u>              |

Note 13 – 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:

|                          |                  |          |
|--------------------------|------------------|----------|
| Cash at bank             |                  |          |
| Cheque account           | 378,116          | -        |
| Interest-bearing account | 1,030,097        | -        |
|                          | <u>1,408,213</u> | <u>-</u> |

(b) Reconciliation of Cash Flows from Operations with Profit (Loss) from ordinary activities after income tax

|   |                  |          |
|---|------------------|----------|
| Profit/(Loss) from ordinary activities after income tax | (527,323)        | -        |
| Non-cash flows in operating result                      |                  |          |
| Depreciation  | 4,403            | -        |
| Amortisation and Diminution                             | 182,680          | -        |
| Share net market value adjustment                       | 51,395           | -        |
| Provision for employee entitlements                     | 6,250            | -        |
| Changes in Assets and Liabilities                       |                  |          |
| (Increase) decrease in GST                              | (59,759)         | -        |
| Increase (decrease) in trade creditors                  | 12,563           | -        |
| Increase (decrease) in shares on hand                   | (178,960)        | -        |
| Increase (decrease) in brokers account                  | 28,317           | -        |
| Cash Flows from operations                              | <u>(480,434)</u> | <u>-</u> |

(c) Standby Credit Arrangements

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

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**Note 14 – Earnings Per Share**

|   | Consolidated<br>31 December<br>2007<br>\$ | 31 December<br>2006<br>\$ |
|---|---|---------------------------|
| Basic and diluted earnings (loss) per share (cents)   | (0.015)                                   | -                         |
|   | No.                                       | No.                       |
| Number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share | 34,350,000                                | -                         |

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

**Note 15 – Segment Information**

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

**Note 16 - Issuances of Securities**

**(a) Ordinary Shares**

Movement during the half year ended 31 December 2007

| Date       | No. Shares        |   | \$                 |
|------------|-------------------|---|--------------------|
| 28/06/2007 | 19,000,000        | Ordinary fully paid shares of \$0 were issued to the founding shareholders and officers of the company                        | Nil                |
| 25/10/2007 | 3,000,000         | Ordinary fully paid shares of \$0.10 each were issued to acquire shares in Sterling Products Ltd in the amount of             | 300,000            |
| 25/10/2007 | 5,000,000         | Ordinary fully paid shares of \$0.10 each were issued to acquire shares in Harrington Resources Limited in the amount of      | 500,000            |
| 25/10/2007 | 4,500,000         | Ordinary fully paid shares of \$0.10 were issued to acquire shares in Locatore Pty Limited in the amount of                   | 450,000            |
| 25/10/2007 | 15,000,000        | Ordinary fully paid shares of \$0.10 were issued to acquire various development rights from Key Capital Corp in the amount of | 1,500,000          |
| 25/10/2007 | 900,000           | Ordinary fully paid shares of \$0 were issued to the founding shareholders and officers of the company                        | Nil                |
| 11/12/2007 | 5,500,000         | Ordinary fully paid shares of \$0.15 each were issued for working capital in the amount of                                    | 825,900            |
| 13/12/2007 | 10,299,888        | Ordinary fully paid shares of \$0.18 each were issued under an Information Memorandum in the amount of                        | 1,853,980          |
|            | <u>63,199,888</u> | Total at balance date   | <u>\$5,428,980</u> |



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**Note 16 - Issuances of Securities (continued)**

(b) Options issued at 31 December 2007

| Number of 2010 \$0.30c options | Number of 2012 \$0.30c options | Issue Price \$0 |
|--------------------------------|--------------------------------|-----------------|
| 63,199,888                     | 63,199,888                     | 0.00            |

44,199,888 2010 \$0.30 options and 44,199,888 2012 \$0.30 options were issued during the half year.

**Note 17 - Subsequent Events**

Since the balance date the following significant events have occurred.

- (i) On 9 January 2008 the company entered into an agreement with 1341486 Alberta Ltd to acquire the registered Japanese language domain name corresponding to the English word 'gambling' for the payment of USD \$145,000 over a period of ten months.

The registration will be held by a 60% owned subsidiary of the company.

- (ii) On 7 February 2008 the company entered into an agreement with Vision Bloodstock Pty Limited to acquire Thoroughbred horses. This investment will be held in Thoroughbred City Pty Limited, a 100% owned subsidiary of Zodiac Capital Limited. The company was incorporated on 7 February 2008. Zodiac Capital Limited acquired 10,000 ordinary fully paid shares at \$0.01 each.

- (iii) On 13 February 2008 Zodiac Capital Limited announced the acquisition of 3,460,747 (6.12%) ordinary fully paid shares in Findlay Securities Limited, a company listed on the ASX.

**Note 18 - Compliance with IFRS**

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

**Note 19 - Significant Transactions**

There are no significant transactions other than as described in the Review of Operations in the Directors Report or Note 17 – Subsequent Events.

**Note 20 - 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