

**AUSMINERALS LIMITED AND SUBSIDIARIES**

ACN 099 336 866

**FINANCIAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2007**

## AUSMINERALS LIMITED AND SUBSIDIARIES

### Directors' Report

Your Directors present this report on the company for the financial year ended 30 June 2007.

The names of the Directors in office from the start to the end of the financial year were:

Erwin Bouverie  
Chris Valtilla - Appointed July 7<sup>th</sup>, 2007  
Wayne Wilson - Appointed July 7<sup>th</sup>, 2007

The principal activity of the Group during the financial year was extractive mining and mineral exploration.

The company's net loss after income tax for the year amounted to \$1,020,991 (2006: \$458,853).

No significant change in the company's state of affairs occurred during the financial year.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

No dividends have been paid or declared during or since the end of the financial year.

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

No person has applied for leave of Court under Section 237 of the Corporations Act 2001 for leave 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 financial year.

PKF continues in office in accordance with Section 327C of the Corporations Act 2001. A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 18.

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

.....

Erwin Bouverie

Director

Dated .....

# AUSMINERALS LIMITED AND SUBSIDIARIES

## Income Statements for the year ended 30 June 2007

	2007 \$	2006 \$
Revenue from Ordinary Activities	1,054,804	936,892
Other income	28,353	-
Raw Materials and Operating Costs	(674,016)	(560,196)
Salaries and Wages	(310,973)	(105,279)
Overhead Expenses	(426,939)	(169,146)
Profit/(loss) before finance costs and Income Tax ( EBITDA)	(328,771)	102,271
Depreciation	(323,666)	(333,567)
(Loss) before finance costs and Income Tax ( EBIT)	(652,437)	(231,296)
Net Finance Costs	(49,569)	(50,763)
Net (loss) before Income Tax Expense	(702,006)	(282,059)
Income Tax Benefit/ ( Expense)	-	-
Net (loss) from Ordinary Activities	(702,006)	(282,059)
Less: Abnormal Items		
Depreciation of Revalued Assets	(273,994)	(61,012)
Exploration Expenses Written Off	(44,991)	(115,782)
Net (loss) for the year	(1,020,991)	(458,853)

The accompanying notes form part of the income statements

# AUSMINERALS LIMITED AND SUBSIDIARIES

## Balance Sheets as at 30 June 2007

	NOTES	2007 \$	2006 \$
<b>Current Assets</b>			
Cash and Cash equivalents	1	313,286	727,725
Trade and other receivables	2	170,560	227,572
Inventories	3	46,905	87,955
<b>Total Current Assets</b>		<u>530,751</u>	<u>1,043,252</u>
<b>Non Current Assets</b>			
Property, Plant and Equipment	4	5,873,686	6,017,698
Exploration and Evaluation Expenditure	5	1,006,277	250,808
Extractive Industry Licence		87,240	87,240
<b>Total Non Current Assets</b>		<u>6,967,203</u>	<u>6,355,746</u>
<b>TOTAL ASSETS</b>		<u>7,497,954</u>	<u>7,398,998</u>
<b>Current Liabilities</b>			
Bank Overdraft		277,474	25,022
Payables	6	175,302	198,598
Related Party Liabilities	7	97,778	1,152,353
Financial Liabilities	8	351,182	379,998
Provisions	10	50,012	-
Taxation	11	8,923	3,638
<b>Total Current Liabilities</b>		<u>960,671</u>	<u>1,759,609</u>
<b>Non Current Liabilities</b>			
Financial Liabilities	9	172,120	33,335
Deferred Taxation	12	-	-
<b>Total Non Current Liabilities</b>		<u>172,120</u>	<u>33,335</u>
<b>TOTAL LIABILITIES</b>		<u>1,132,791</u>	<u>1,792,944</u>
<b>NET ASSETS</b>		<u>6,365,163</u>	<u>5,606,054</u>
<b>Equity</b>			
Issued Share Capital	13	2,916,260	1,136,160
Asset Revaluation Reserve		7,047,334	7,047,334
Accumulated losses		(3,598,431)	(2,577,440)
<b>TOTAL EQUITY</b>		<u>6,365,163</u>	<u>5,606,054</u>

The accompanying notes form part of the balance sheets

AUSMINERALS LIMITED AND SUBSIDIARIES

**Statement of Changes in Equity for the year ended 30 June 2007**

	Ordinary shares	Accumulated Losses	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	1,136,160	(2,577,440)	7,047,334	5,606,054
(Loss) for the period	-	(1,020,991)	-	(1,020,991)
Shares issued during the period	1,780,100	-	-	1,780,100
Revaluation increment	-	-	-	-
<b>Balance at 30 June 2007</b>	<u>2,916,260</u>	<u>(3,598,431)</u>	<u>7,047,334</u>	<u>6,365,163</u>

# AUSMINERALS LIMITED AND SUBSIDIARIES

## Cash Flow Statements for the year ended 30 June 2007

	2007 \$	2006 \$
<b>Cash Flows from Operating Activities</b>		
Receipts from Customers	1,098,097	961,933
Payments to Suppliers	(685,766)	(463,019)
Expenses and Overheads	(662,417)	(409,339)
Interest Paid	(49,569)	(50,763)
Sundry Expenses	(13,408)	(53,205)
Net Cash Used in Operating Activities	(313,063)	(14,393)
<b>Cash Flows from Investing Activities</b>		
Payments for Plant and Equipment	(358,131)	(122,022)
Payments for Exploration and Evaluation	(141,723)	(157,897)
Net Cash Used in Investing Activities	(499,854)	(279,919)
<b>Cash Flows from Financing Activities</b>		
Contribution from Shareholders	(43,976)	91,506
Proceeds from issue of shares	190,000	1,135,440
Bank Finance Term Loan	-	-
Net cash provided by Financing Activities	146,024	1,226,946
Net Increase/ ( Decrease) in Cash Held	(666,893)	932,634
Cash at the beginning of the year	702,703	(229,931)
<b>Cash at the end of the Financial Year</b>	<b>35,810</b>	<b>702,703</b>

The accompanying notes form part of the cash flow statements

## Notes to the Financial Statements

### Statement of Significant Accounting Policies and basis of preparation

This special purpose financial report has been prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The Directors have determined that the company is not a reporting entity.

The report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Urgent Issues Group Interpretations. Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (“AIFRS”).

In the application of AIFRS, management is required to make judgements, 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 judgements.

The financial statements indicate that the consolidated entity incurred a net loss of \$1,020,991 during the year ended June 2007 and, as at that date, the consolidated entity's current liabilities exceeded its current assets by \$429,920. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations, project expenditure and exploration commitments and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

The Directors are currently undertaking a number of fund raising initiatives to facilitate the development and completion of planned exploration programmes and for working capital.

The Directors believe that they will be successful in raising sufficient funds to ensure that the consolidated entity can continue to meet its debts as and when they become due and payable and meets its programmed expenditure. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the entity does not continue as a going concern

#### a) Consolidated Balance Sheet and Business Combinations

The Audited Historical Balance Sheet includes the consolidation of Ausminerals Limited, Kurdeez Lime Pty Limited, Victorian Agricultural Lime Pty Limited, Uranium Resources Pty Limited and Australasian Gold Pty Ltd as at 30 June 2007.

The purchase price method of accounting was applied to the acquisition of the subsidiaries. The cost of the acquisition was based on the fair value of equity issued, plus costs attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values.

#### b) Principles of Consolidation

Subsidiaries are entities controlled by Ausminerals Limited. Control exists when Ausminerals Limited has the power, directly or indirectly, to govern the financial operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### c) Taxation

## AUSMINERALS LIMITED AND SUBSIDIARIES

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Income tax on the profit or loss for the year comprises current and deferred taxation. Income tax is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

### **d) Revenue recognition**

Ausminerals Group supplies agricultural lime in raw and finished forms to the agricultural and associated industries, conducts exploration for various minerals and gold assets. Revenue for the primary activities and other revenue is recognised when the services is performed. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of GST.

### **e) Financial instruments**

#### *Trade and other receivables*

Trade and other receivables are recognised when Ausminerals Group has an expectation of receiving future payments resulting from the provision of services.

#### *Trade and other payables*

Trade and other accounts payable are recognised when Ausminerals Group becomes obliged to make future payments resulting from the purchase of goods and services.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Bank overdrafts are shown in current liabilities in the Balance Sheet.

#### *Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any differences between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

### **f) Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

### **g) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on first-in-first-out basis and include all direct costs.



## **h) Property, plant and equipment**

### *Plant and equipment*

Ausminerals Group applies the revaluation model to plant and equipment in accordance with the provisions contained in AASB 116 "Property, Plant and Equipment". Revaluations are performed by external independent professional valuers. Revaluations are made with sufficient regularity to ensure the difference between the revaluation amount and carrying amount is not material. Revaluation surpluses are recognised directly in equity. Devaluations are first offset against revaluation surpluses with the difference recognised directly in profit and loss for the period.

### *Motor vehicles*

Motor vehicles are stated at cost less accumulated depreciation and impairment.

The initial cost of Land, Buildings and Plant and Equipment includes expenditure that is directly attributable to the acquisition of the item together with costs associated with the refurbishment or adaptation necessary to adapt the asset to a specific requirement or design.

## **i) Depreciation**

Depreciation is provided for on buildings, plant and equipment. Depreciation is calculated on a straight line and prime cost basis in order to write off the cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The depreciable amount of all fixed assets will be depreciated over their useful lives to the company commencing from the time the asset is held ready for use.

### *Repairs and maintenance*

All repairs and maintenance expensed in the accounts is based on actual cost and not of a capital nature.

## **j) Goodwill and intangibles**

### *Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities, intangible assets, and contingent liabilities acquired, is recognised as an asset and is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit and loss and not subsequently reversed.

### *Intangibles*

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense (if any) on intangible assets with finite lives is recognised in profit and loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

**k) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward in the Balance Sheet where:

- a) rights to tenure of the area of interest are current
- b) one of the following conditions is met:
  - such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
  - exploration and/or evaluation activities in the area of interest have not at balance sheet date yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Exploration and evaluation expenditure is classified as tangible or intangible according to the nature of the assets acquired and the expenditure.

**l) Restoration and Rehabilitation Obligation**

A provision for restoration and rehabilitation obligation is recognised on a gradual basis over the life of the Exploration Licences where applicable. The amount recognised includes cost of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration or development. The provision for restoration costs is determined from an estimate of future costs and is capitalised as exploration expenditure.

If the effect of time of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounted is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**m) Impairment of Assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**n) Provisions**

Provisions are recognised when the company has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

# AUSMINERALS LIMITED AND SUBSIDIARIES

		2007	2006
		\$	\$
<b>1</b>	<b>Cash and cash equivalents</b>		
	Cash at Bank and on hand	313,286	727,725
<b>2</b>	<b>Receivables</b>		
	Trade Debtors	137,512	94,186
	GST	33,048	133,386
	<b>Total Receivables</b>	170,560	227,572
<b>3</b>	<b>Inventories</b>		
	Raw materials and consumable spares	46,905	87,955
	Provision for obsolete stock	-	-
	<b>Total Inventories</b>	46,905	87,955
<b>4</b>	<b>Property, plant and equipment</b>		
	Land and buildings - at valuation	2,561,000	2,561,000
	Earth Moving Equipment - at valuation	2,816,700	2,816,700
	- at cost	310,909	-
	Plant and equipment - at valuation	530,300	530,300
	- at cost	135,120	-
	Motor vehicles - at valuation	32,000	32,000
	Roads - at cost	85,317	77,698
	<b>Total cost</b>	6,471,346	6,017,698
	<b>Accumulated depreciation</b>	597,660	-
	<b>Written down value</b>	5,873,686	6,017,698

Valuation of the Ausminerals Group assets, except land, has been carried out by Andrew Nock Pty Ltd, Licensed Valuers and Asset Consultants. The valuation of the land was carried out by Landlink Property Group Pty Ltd, Certified Practising Valuers.

AUSMINERALS LIMITED AND SUBSIDIARIES

		2007 \$	2006 \$
<b>5</b>	<b>Exploration and Evaluation Expenditure</b>		
	Gold Exploration	506,277	250,808
	Feldspar Exploration	400,000	-
	Uranium Exploration	100,000	-
	<b>Total Expenditure</b>	<u>1,006,277</u>	<u>250,808</u>
<b>6</b>	<b>Trade and Other Payables</b>		
	Trade Creditors	100,302	17,054
	Shares pending issue	75,000	-
	Other creditors	-	181,544
	<b>Total trade and other payables</b>	<u>175,302</u>	<u>198,598</u>
<b>7</b>	<b>Related Party Liabilities</b>		
	Directors loan	<u>97,778</u>	<u>1,152,353</u>
	The Directors loan is interest free and repayable at call.		
<b>8</b>	<b>Financial Liabilities</b>		
	<b>Current liabilities</b>		
	Term loan	300,000	300,000
	Lease liabilities less than 1 year	51,182	79,998
		<u>351,182</u>	<u>379,998</u>
	The term loan is a two year term loan facility at 8.3% secured by a fixed and floating charge over the assets of Kurdeez Lime Pty Ltd		
<b>9</b>	<b>Non current liabilities</b>		
	Lease liabilities 1-5 years	<u>172,120</u>	<u>33,335</u>
<b>10</b>	<b>Provisions</b>		
	Provision for employee leave benefits	<u>50,012</u>	<u>-</u>
<b>11</b>	<b>Current Tax Liabilities</b>		
	Provision for income tax	-	-
	Payroll Tax	-	-
	PAYG Payable	8,923	3,638
	GST Payable	-	-
	<b>Total current tax liabilities</b>	<u>8,923</u>	<u>3,638</u>

		<b>2007</b>	<b>2006</b>
		<b>\$</b>	<b>\$</b>
<b>12</b>	<b>Deferred taxation</b>		
	Deferred tax assets	-	-
	Deferred tax liabilities	-	-
		<u>-</u>	<u>-</u>
<b>13</b>	<b>Equity</b>		
	Issued share capital	2,916,260	1,136,160
	Asset Revaluation Reserve	7,047,334	7,047,334
	Accumulated Losses	<u>(3,598,431)</u>	<u>(2,577,440)</u>
	<b>Total Equity and Reserves</b>	<u>6,365,163</u>	<u>5,606,054</u>

The asset revaluation reserve arose as a result of the acquisition of Kurdeez Lime Pty Limited and Victorian Agricultural Lime Pty Limited in February 2002 and a revaluation of assets as at 30 June 2006.

<b>Movements in Ordinary Shares on issue</b>	<b>Number</b>	<b>\$</b>
Opening balance as at 1 July 2006	9,700,867	1,136,160
Shares issued during the year for cash	1,187,500	190,000
Shares issued during the year for services/assets	5,889,375	590,100
Shares issued during the year in lieu of Director's loan	<u>25,000,000</u>	<u>1,000,000</u>
Total as at 30 June 2007	<u>41,777,742</u>	<u>2,916,260</u>

Since balance date 1,058,750 shares have been issued, raising \$131,900, increasing the total number of shares on issue to 42,836,492 (\$3,048,160).

#### **14 Exploration Licence Commitments**

The Ausminerals Group owns Exploration licences which require annual commitments for expenditure in order to retain the licenses. The annual expenditure on these licenses is:

Year ending 30 June 2008	\$170,000
Year ending 30 June 2009	\$170,000

#### **15 Related Party Information**

- One of the Directors of the Group, Erwin Bouverie, was paid \$137,000 during the year as salary (2006 - \$nil, 2005 - \$24,000).
- Erwin Bouverie was not paid Directors Fees in the years ended 30 June 2005, 2006 and 2007.
- At 30 June 2007 the Ausminerals Group had an amount payable to Erwin Bouverie (see Note 7)
- During the year an amount owing to Erwin Bouverie (\$1,000,000) was converted into 25,000,000 shares.

**16      Company Details**

The registered office and principal place of business of the Group is:

11/35 Old Northern Road

Baulkham Hills

NSW 2153

**Directors' Declaration**

The Directors have determined that the Group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 14, are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and consolidated entity in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

.....

Erwin Bouverie

Director

Dated