



AUSMINERALS LIMITED

ACN 51 099 336 866

Annual Report

For the year ended 30 June 2008

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Corporate Directory

Directors:

Christopher Tony Valttila
Erwin Brian Bouverie
Wayne Steven Wilson
Guy Lindon Kempny (alternate for Mr Bouverie)

Company Secretary:

Trevor Norman Stone

NSX Code: AUE

Registered and Principal Office:

11/35 Old Northern Road,
Baulkham Hills NSW 2153

Auditor

PKF
Chartered Accountants
Level 10,
1 Margaret Street
Sydney NSW 2000

Bankers

National Australia Bank Limited
Warnambool Agribusiness Centre
70 Kepler Street
Warnambool VIC 3280

Share Registry

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153

Solicitors

Baker McKenzie
Level 27,
28 Margaret Street
Sydney NSW 2000

Directors' Report

The 2007/8 year has seen the accomplishment of a number of major changes for the future benefit of your company. Our ill-timed IPO in the middle of a major share market collapse has impacted heavily on the accounts for the last financial year but has resulted in a more focused growth plan starting with the recent listing on the NSX. Revenue was 13.3 % up on 2007 levels whilst our reported loss was 47% higher than 2007. Capital raising opportunities are expected to be scarce for a while but the company is very fortunate to have existing cash flow which can be expanded to sustain the growth of your company.

The company is expanding its product and processing base particularly with regard to agricultural and industrial minerals operations where world wide demand continues to outstrip supply. Our aim is to become Australia's leading manufacturer of fine-ground and pelletized natural products for horticulture and agriculture within three years to replace expensive imports.

Kurdeez Lime Operations

The cash flow from this operation continues to grow and sustain the group and further growth is envisaged following completion of the expanded pelletizing plant and the expansion of services such as blending for the agricultural and horticultural sector and the acquisition of new storage facilities, all scheduled for October 2008, and the purchase and installation of a fine-grinding facility early in the new-year. The latter will also facilitate the production of high value feldspar in the second half of the 2008/09 financial year aimed at the generally higher priced niche markets of paint, ceramics, rubber and plastics. There is currently only one domestic supplier of this product and the market is expected to welcome a second supplier.

The principal strength of Kurdeez is the exceptionally high quality of the limestone which is the benchmark in the local area and makes it the ideal product for acid soil remediation, a major problem for Australian agriculture. The much higher prices for and shortage of fertilizer worldwide has increased the usage of broad-acre limestone significantly as demonstrated by the 100% increase in sales by Kurdeez of this product from 2007 to 2008, a trend which is expected to continue.

Leonora Gold Operations

Some of our mining and exploration tenements in Western Australia have been drilled and shown to contain exceptionally high gold values. Metallurgical test work has been undertaken and continues in order to identify the most cost effective and profitable means of gold extraction. Various methodologies are being investigated and final results are expected within the next couple of months after which production plans can be finalised.

Recent drilling has also identified nickel in the area, which is not unexpected given the close proximity to the highly successful Murrin nickel and cobalt production operations. Recent gravity surveys have identified future drilling targets which will be incorporated into our exploration plans.

No significant work has been undertaken on uranium and feldspar properties during this financial year.

Yours sincerely,

Erwin Bouverie
Chief Executive Officer.

Directors' Report

Directors Report

The Directors of Ausminerals Limited hereby present the financial report of the Company for the 12 month period ended 30 June 2008 and the Auditors' Report thereon. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report is as follows:

DIRECTORS

The names of the Directors of the Company who held office during the period and in office as at the date of this report are:

Name: Erwin Brian Bouverie

Managing Director

Term of office: Appointed January 2, 2002

Qualifications & Experience

Mr Bouverie has 26 years' experience in developing projects from the grass roots stage through exploration, feasibility studies, metallurgical assessment, plant design and construction, production and marketing, including hands-on experience in minerals exploration, mining and production.

More recently in the last 10 years he has been involved in gold and base metals exploration and processing in the Leonora/Laverton region of Western Australia.

Mr Bouverie has ASX listed public company experience as an executive director and held senior marketing and operational management positions with Minerals Corporation Limited, an ASX listed public company, from its establishment in 1982 until his resignation at the end of 2001.

Name: Christopher Tony Valttila LLB

Non Executive Chairman

Term of office: Appointed July 7, 2007

Qualifications & Experience

Mr Valttila is a Director and owner of Baltic Pacific Pty Ltd, which trades in industrial minerals and develops industrial mineral projects mainly in the Asia Pacific and Europe regions. He is currently involved in industrial minerals projects in China and Europe.

In 2001 Mr Valttila was appointed as a Non Executive Director with Minerals Corporation Limited, a public Australian minerals company which at that time had interests in kaolin, feldspar, garnet and toll processing of various minerals. He resigned from the company in 2002.

Mr Valttila has over 20 years of experience in the exploration and mining industries. He is a past Chairman of Cellier Oy Finland, part of the French Cellier SA engineering group specializing in technology for minerals processing, and has over 30 years experience in industrial minerals and the pulp and paper industry in Asia Pacific and Northern Europe.

Mr Valttila holds a Bachelor of Jurisprudence from the University of NSW. He has post graduate qualifications in International Law from the University of Helsinki, Finland.

Name: Wayne Stephen Wilson

Non-Executive Director

Directors' Report

Term of office: July 7, 2007

Qualifications & Experience

Mr Wilson has been involved in the Mining Industry for more than 40 years, commencing in 1964 as a cadet mine manager. Positions held during this period include Mine Superintendent at Rhonda Collieries Pty Ltd from 1982 to 1985, and Mine Manager, Deputy General Manager and General Manager at Oakleigh Coal Mines in the 1990s.

Mr Wilson is a director of Burnett Coal Pty Limited which holds 49% of the Monto Coal Project in partnership with Macarthur Coal Pty Limited. He is also Managing Director of Ausfel Pty Limited, which recently owned exploration licenses for gold and uranium in South Australia.

Name: Guy Lindon Kempny

Non-Executive Director

Term of office: July 7, 2008

Qualifications & Experience

Mr Kempny is an IT Technical Specialist with broad experience in project management and marketing for Australian and international clients. He has co-authored four IBM technical red books in Raleigh, North Carolina and managed demonstration showcase areas for all of IBM Australia's and IBM New Zealand's nationwide Forum events. Mr Kempny managed the IT infrastructure for the IBM Executive Briefing Centre for the 2000 Olympic Games and has managed IT facets for other major events such as the AusOpen and US Open Grand Slam Tennis events and the Nagano 1998 Winter Olympics.

Mr Kempny is an experienced investor in mining projects including gold in Western Australia and North Queensland and industrial minerals in NSW and Victoria.

COMPANY SECRETARY

Name: Trevor Norman Stone FCPA

Term of office: July 6, 2007

Principal Activities

The principal activities of the Company during the financial period include mining and processing of Limestone and other minerals such as gypsum and in the future Feldspar. Limestone is used in a variety of industries including for animal feed, glass and fibreglass, adhesives, plastics and rubber compounding, industrial fillers, chemical processing, water treatment, and for the treatment of acid soils which is a continuing problem affecting Australia. Feldspar is widely used in applications such as for glass manufacturing, fibreglass, fillers and extenders in applications such as paints, plastics and powder coatings, and in sanitaryware and tableware.

Operating Results

The operating loss attributable to the members of the Company was \$ (1,500,245) (2007: a loss of (\$1,020,991).

Review of Operations

A review of the operations of the Company during the financial period and the results of those operations is set out in the Operations Report.

Directors' Report

Dividends

No dividend was recommended or paid during the year ended 30 June 2008.

Changes in state of affairs

During the year, there was no significant change in the state of affairs of the Company other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Share Options

There are no un-issued ordinary shares of the Company under option at the date of this report.

Meetings of Directors

The following table sets out the number of Directors' meetings held during the financial period and the number of meetings attended by Directors in office during the period that were eligible to attend. During the year, a total of 15 Board meetings, were held.

Director	Directors' meetings	
	Held	Attended
E B Bouverie	9	9
CT Valttila	6	6
W S Wilson	6	6

Directors' and Executives' Remuneration

Remuneration of Directors is approved by the Board and is set in aggregate within the maximum amount approved by the shareholders from time to time.

The remuneration and terms and conditions of employment for the Chief Executive and other senior executives are reviewed annually having regard to performance and relative comparative information, and approved by the Board after seeking independent professional advice, as required.

No Director or executive of the Company has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and executives shown in Note 25 to the financial statements or the fixed salary of a full time employee of the Company.

Remuneration received or due and receivable by the Directors and executives for the period ended 30 June 2008 was as follows:

	Salary & Fees	Bonus	Super-annuation	Total
Directors	\$	\$	\$	\$
Erwin Brian Bouverie	180,000	-	13,500	193,500
Christopher Tony Valttila	-	-		
Wayne Stephen Wilson				
Guy Lindon Kempny	-	-		
	180,000	-	13,500	193,500

Remuneration received or due and receivable by the Directors and executives for the period ended 30 June 2007 was as follows:

Directors' Report

	Salary & Fees	Bonus	Super-annuation	Total
Directors	\$	\$	\$	\$
Erwin Brian Bouverie	137,000	-	12,375	149,375
Christopher Tony Valttila	-	-	-	-
Wayne Stephen Wilson	-	-	-	-
Guy Lindon Kempny	-	-	-	-
	137,000	-	12,375	149,375

(a) Contracts for services

Mr Bouverie's employment contract with the Company was renewed on September 1st 2007, after which time he has continued as the Company Managing Director and CEO. He took on the responsibility of Chief Executive Officer of the Company effective 2002 (in addition to his position of Managing Director of Ausminerals Limited). Mr Bouverie has an executive service agreement with Ausminerals Limited.

(b) Option holding of Key Management Personnel (Consolidated)

There are no option agreements with any of the Directors and Executive of the company.

(c) Shareholding of Key Management Personnel (Consolidated)

30 June 2008	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Directors				
Erwin Brian Bouverie	25,387,200			25,387,200
Christopher Tony Valttila			62,500	62,500
Wayne Stephen Wilson	5,000,000			5,000,000
Guy Lindon Kempny	1,019,375			1,019,375
	31,406,575	-	62,500	31,469,075

30 June 2007	Balance at beginning of year	Granted as remuneration	Net change other	Balance at end of year
Directors				
Erwin Brian Bouverie	387,200		25,000,000	25,387,200
Christopher Tony Valttila	-		-	-
Wayne Stephen Wilson	-		5,000,000	5,000,000
Guy Lindon Kempny	550,000	19,735	450,000	1,019,375
	937,200	19,735	30,450,000	31,406,575

During the period, the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and of any related body corporate against a liability incurred as such a Director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. No claims under the indemnity insurance policy have been made against the Company during or since the end of the financial period.

Environmental Regulations

The Company participates in ventures which are parties' exploration and development licences. These licences specify the environmental regulations applicable to the exploration, construction and operations of Ausminerals Limited. As the Company is in the development planning stages of its operations, there have been no known breaches of the environmental obligations of the Company's contracts or licences at this time.

Future Developments

Other than the matters included in the Chairman's, Operations or financial report, disclosure of information regarding

Directors' Report

likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Auditor's Independence Declaration

In accordance with the Audit Independence requirements of the *Corporations Act 2001*, the Directors have received and are satisfied with the "Audit Independence Declaration" provided by the Company's external auditors PKF. The Audit Independence Declaration has been attached immediately after the Directors' Report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the *Corporations Act 2001*.

For and on behalf of the Directors

Christopher Tony Valttila

Chairman

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AUDITOR'S INDEPENDENCE DECLARATION

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Corporate Governance Statement

The main corporate governance policies are summarised below

Board Functions

The Board is elected by shareholders to represent all shareholders - its primary role being the protection and enhancement of long-term shareholder value.

In fulfilling this role, the Board accepts responsibility for the overall corporate governance of the Company, including its strategic direction, establishing goals for management and monitoring the achievement of these goals and defining policies and monitoring the business of the Company, to ensure it is conducted appropriately and in the best interests of shareholders.

In respect of all decisions concerning the Company's affairs, it is the responsibility of each Director to conscientiously consider the interests of shareholders in light of the circumstances and to take into account the effects of such decisions on shareholders.

Management of the day to day business of the Company is conducted by or under the supervision of the Board and by such other officers and employees to whom the management function is properly delegated by the Board.

The Board has formalised the functions reserved to the Board and those delegated to management by the adoption of a formal Board Charter.

The Board Charter provides that the Board is responsible for all matters relating to the strategic direction, policies and practices of the Company and establishing goals for management and the operation of the Company. The specific functions and responsibilities of the Board include:

- overseeing the Company as a whole, including its control and accountability systems;
- appointing and removing the CEO, including approving the remuneration of the CEO and remuneration policy and succession plans for the CEO;
- ratifying the appointment and, where appropriate, the removal of the CFO and the Company Secretary;
- monitoring and providing input into the final approval of management's development and implementation of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- regularly reviewing its overall performance, as well as the performance of committees, senior management and individual Directors;
- approving and monitoring financial and other reporting; and
- formal determinations that are required by the Company's Constitution, by statute or by other external regulation.

Practices of the Board

The Board meets as often as required to attend to the affairs of the Company. The Directors are provided with comprehensive papers on matters to be considered by the Board to ensure all Directors are aware of, and have available, all necessary information to participate in an informed discussion on all agenda items.

Information regarding the Company's operations is formally presented to the Board at its monthly Board meetings by way of reports from the Chief Executive Officer and Chief Operating Officer.

Structure of the Board

Membership

The names of the Directors of the Company in office at the date of this statement and their biographical details are set out in the Directors' Report. The Directors' Report also sets out the attendance of Directors at meetings of the Board during the reporting period.

The number of Directors is specified in the Company's Constitution as a minimum of 3 and up to a maximum of 10. At present, there are 4 Directors of the Company, 3 of who are non-executive Directors.

Corporate Governance Statement

The retirement and rotation of Directors is governed by the *Corporations Act 2001* and the Company's Constitution. Each year one third of the Directors retire and may offer themselves for re-election.

When a Board vacancy exists or where it is considered that a Director with particular skills or experience is required, the Board will make an appointment of a candidate with the appropriate range of skills, qualifications and experience based on the recommendations of the Board's Nomination Committee. Any casual vacancy filled is subject to shareholder vote at the next annual general meeting of the Company.

Independence

There are three Directors of the Company who are independent of management and of any business or other relationship that could materially interfere with or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgment.

The Board believes that its current structure is such that it is able to effectively review and challenge the performance of management and exercise independent judgment.

Independent decision making

To facilitate independent judgment in decision making, each Director has the right to seek independent professional advice at the Company's expense with the prior approval of the Chairperson.

Each Director also has the right of access to all relevant Company information and to the Company's executives.

Ethical and responsible decision-making

The corporate goal of the Company is to expand through acquisition, building a portfolio of high quality development opportunities with exploration upside, providing lasting growth in shareholder value while at the same time maintaining a reputation for honesty, integrity and fairness.

The Company has established Codes of Conduct which set out the standards of ethical behaviour required of Directors, officers and employees. Directors, officers and employees are personally responsible for applying the principles set out in the Codes to relationships with each other, with the Company and with all people with whom they deal in their work.

The Company's Codes of Conduct guide the Directors and the Company's key executives as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. It is the responsibility of the Board to monitor the Company's performance under the Codes and for their regular review.

The Company's Codes of Conduct require that, in accordance with the *Corporations Act 2001* and the Company's Constitution, Directors keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Any Director related transactions are detailed in the Company's financial report.

Copies of the Company's Codes of Conduct may be obtained by contacting the Company Secretary at the Company's office on 1800 660 120

Director Dealings in Company Securities

The Company has established policies regarding trading in the Company's securities which governs Directors and key officers. Directors and key officers may acquire securities in the Company but are prohibited from dealing in the Company's securities or exercising options whilst in possession of price sensitive information that is not generally available to the public.

Directors and key officers must obtain the approval of the Chairman of the Board before they sell or buy securities in the Company. In accordance with the NSX Listing Rules, Directors must advise the NSX of any transactions conducted by them in securities in the Company.

Directors must not at any time engage in short-term trading in securities of the Company.

For details of the securities held by Directors and officers please refer to the Directors' Report.

Related Party Transactions

A Director or an entity over which a Director has control or significant influence, who enters into a transaction with the Company must make full disclosure of all material elements of the transaction to the Chairman or, if the Director involved is the Chairman, to the Board.

Constitution

The Directors must adhere to, and the Board must conduct itself in accordance with, the Constitution of the Company.

Corporate Governance Statement

Certification by the Chief Executive Officer and Chief Financial Officer

The Chief Executive Officer and Chief Financial Officer have provided the Board with written confirmation that the Company's financial report presents a true and fair view of the Company's financial position and performance and are in accordance with relevant accounting standards as required by Section 295A of the *Corporations Act 2001*.

Commitment to timely and balance disclosure

The Company has established a Continuous Disclosure Policy which imposes obligations and procedures on Directors, employees and consultants to ensure compliance with the disclosure requirements of the NSX Listing Rules and to ensure accountability at a senior management level for that compliance.

The Company's Continuous Disclosure Policy seeks to ensure that shareholders are informed of all major developments affecting the Company's state of affairs and the price of the Company's securities in a direct, open and timely manner.

The Rights of Shareholders / Shareholder Communications

The Board has established a Shareholder Communication Policy to promote effective communication with shareholders and encourage effective participation at general meetings.

The following information is communicated to shareholders in a manner which ensures that all investors have equal and timely access to material information concerning the Company:

- the full annual financial report (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments, in addition to the other disclosures required by the *Corporations Act 2001*;
- the quarterly and half-yearly reports of the Company containing summarised financial information and a review of the operations of the Company during the period. The half-year audited financial report is lodged with the Australian Securities and Investments Commission and the NSX, and sent to any shareholder who requests it; and
- reports of the Chairman as disclosed at the annual general meeting of shareholders.

In addition, proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.

All documents that are released publicly are made available on the NSX internet web site at www.nsx.com.au and the Company web site at www.ausminerals.com.au.

The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The Company requests that its external auditor attend each annual general meeting and be available to answer shareholders questions about the conduct of the audit and the preparation and content of the auditor's report.

Internal Control Framework / Risk Management

The responsibilities of the Board detailed in the Board's Charter include responsibility for the oversight of the Company as a whole and reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance.

The Board examines the adequacy of the nature, extent and effectiveness of the internal control processes of the Company on an ongoing basis and has instigated a control framework that includes the appointment of an Audit Committee with responsibility for, amongst other things, assisting the Board in fulfilling its oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial controls, the independence, objectivity and competency of internal auditors and external auditors and the Company's policies on risk oversight and management.

The Board regularly monitors and reviews the inherent risks involved in mineral exploration, development and production company and the specific risks and uncertainties faced by the Company. All proposals reviewed by the Board include a conscious consideration of the risks associated with the proposal.

Balance Sheet

As At 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	21	483	313,286	4,936	312,972
Trade and other receivables	7	147,586	170,560	5,761	9,698
Inventories	6	41,264	46,905	-	-
Other financial assets	8	-	-	-	60
Total Current Assets		<u>189,333</u>	<u>530,751</u>	<u>10,697</u>	<u>322,730</u>
Non-current Assets					
Plant and equipment	9	5,415,382	5,873,686	3,568	1,530
Intangible assets	10	87,240	87,240	-	-
Investments	12	-	-	2,324,950	2,316,003
Exploration and evaluation expenditure:	11	1,115,927	1,006,277	-	-
Group assets					
Capitalised borrowing costs					
Deferred tax assets	5	-	-	-	-
Total Non-current Assets		<u>6,618,549</u>	<u>6,967,203</u>	<u>2,328,518</u>	<u>2,317,533</u>
TOTAL ASSETS		<u>6,807,882</u>	<u>7,497,954</u>	<u>2,339,215</u>	<u>2,640,263</u>
LIABILITIES					
Current Liabilities					
Trade and other payables	15	312,260	175,302	161,602	83,090
Provisions	16	207,894	58,935	187,910	39,901
Interest bearing liabilities	13	728,779	577,474	-	-
Other financial liabilities	17	<u>154,590</u>	<u>148,960</u>	<u>24,600</u>	-
Total Current Liabilities		<u>1,403,523</u>	<u>960,671</u>	<u>374,112</u>	<u>122,991</u>
Non-current Liabilities					
Other Financial Liabilities	17(a)	120,939	172,120	-	-
Provisions	16	-	-	-	-
Deferred tax liabilities	5	-	-	-	-
Total Non-current Liabilities		<u>120,939</u>	<u>172,120</u>	-	-
TOTAL LIABILITIES		<u>1,524,462</u>	<u>1,132,791</u>	<u>374,112</u>	<u>122,991</u>
NET ASSETS		<u>5,283,420</u>	<u>6,365,163</u>	<u>1,965,103</u>	<u>2,517,272</u>
EQUITY					
Contributed equity	18	3,324,160	2,916,260	3,324,160	2,916,320
Retained earnings	19	(5,098,675)	(3,598,431)	(1,359,057)	(399,048)
Reserves	19	7,057,935	7,047,334	-	-
TOTAL EQUITY		<u>5,283,420</u>	<u>6,365,163</u>	<u>1,965,103</u>	<u>2,517,272</u>

Income Statement

For The Year Ended 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	1,194,979	1,054,804	21,871	-
Cost of sales	4 (d)	1,176,070	984,989	28,260	(5,039)
Gross profit		18,909	69,815	(6,390)	-
Other income	3	-	28,353		
Exploration and evaluation expenses		122,674	44,991	109,355	5,000
Depreciation and amortisation expense	4(b)	556,996	598,163	627	
Administration expense		422,527	372,584	500,848	340,196
Finance costs	4(a)	74,168	49,569		
Impairment of non-current assets	4(e)	-	-		
Fair value loss on financial instruments		-	-		
Float Expenses		342,790	53,852	342,790	53,852
Income tax benefit/(expense)	5	-	-		
Profit after tax		(1,500,245)	(1,020,991)	(960,009)	(399,048)
Earnings per Share					
Basic (cents per share) profit /(loss)	20	(3.5)	(7.4)	(2.2)	(2.9)

Statement of Changes in Equity

For The Year Ended 30 June 2008

<u>Consolidated</u>	Ordinary Shares \$	Asset Revaluation Reserve \$	Options Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2006	1,136,160	7,047,334		(2,577,440)	5,606,054
Gains on available for sale investments					
Income tax on items taken directly to equity					
Total income and expense for the year recognised directly in equity					
Profit for the year				(1,020,991)	(1,020,991)
Total income for the year					
Equity transactions:					
Issue of share capital	1,780,100				1,780,100
Exercise of options					
Cost of share based payments					
Balance at 30 June 2007	2,916,260	7,047,334	-	(3,598,431)	6,365,163
Gains on available for sale investments					
Income tax on items taken directly to equity					
Total income and expense for the year recognised directly in equity					
Profit for the year				(1,500,244)	(1,500,244)
Total income for the year					
Issue of share capital	407,900				407,900
Cost of share based payments		10,601			10,601
Balance at 30 June 2008	3,324,160	7,057,334	-	(5,088,074)	5,283,420

Statement of Changes in Equity

For The Year Ended 30 June 2008

<u>Company</u>	Ordinary Shares \$	Asset Revaluation Reserve \$	Options Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2006	1,136,160			-	1,136,160
Gains on available for sale investments					
Income tax on items taken directly to equity					
Total income and expense for the year recognised directly in equity					
Profit for the year				(399,048)	(399,048)
Total income for the year					
Equity transactions:					
Issue of share capital	1,780,100				1,780,100
Exercise of options					
Cost of share based payments					
Balance at 30 June 2007	2,916,260			(399,048)	2,517,212
Gains on available for sale investments					
Income tax on items taken directly to equity					
Total income and expense for the year recognised directly in equity					
Profit for the year				(960,009)	(960,009)
Total income for the year					
Equity transactions:					
Issue of share capital	407,900				407,900
Balance at 30 June 2008	3,324,160			(1,359,057)	1,965,103

Cash Flow Statement

For The Year Ended 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from Mineral mining & production		1,196,083	(1,098,097)	21,870	
Overheads & Salaries		(714,989)	(685,766)	(611,064)	(280,716)
Payments to suppliers and employees		(749,051)	(662,417)	(50,252)	
Borrowing costs		(74,168)	(49,569)		
Interest received		21,870	-		
Net cash flows provided by operating activities	21	(320,255)	(312,543)	(538,942)	(280,716)
Cash flows from investing activities					
Purchase of plant and equipment		(99,289)	(358,131)	(4,240)	(1,530)
Proceeds from sale of assets					
Purchase of available-for-sale financial assets					
Payments for exploration expenditure		(109,650)	(141,723)		
Investment in subsidiary				170,035	(268,331)
Net cash flows provided by / (used in) investing activities		(208,939)	(499,854)	165,795	(269,861)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		407,900	190,000	407,900	190,000
Contribution from Shareholder			(43,796)		
Repayment of borrowings					
Float Expenses		(342,789)		(342,789)	(53,852)
Net cash flows (used in) / provided by financing activities		65,111	146,024	65,111	136,148
Cash and cash equivalents at beginning of the year		35,810	702,703	312,972	727,401
Net increase / (decrease) in cash and cash equivalents		(464,106)	(666,893)	(308,036)	(414,429)
Effects of exchange rate changes on cash					
Cash and cash equivalents at the year end	21	(428,296)	35,810	4,936	312,972

Notes to the Financial Statements

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

This financial report covers both the financial statements of Ausminerals Limited (the company) and the consolidated entity for the year ended 30 June 2008 and was authorised for issue in accordance with a resolution of Directors on (TBA) 2008.

Ausminerals Limited is a public company, listed on the National Stock Exchange of Australia, incorporated and domiciled in Australia. Ausminerals Limited Australia's operations comprise minerals production, exploration and investment in the resources industry.

(a) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

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.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ausminerals Limited and its subsidiaries as at 30 June each year ('the Group').

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profits after tax in the Income Statement and are presented within equity in the consolidated Balance Sheet, separately from parent shareholders' equity.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Statement of compliance

The principal accounting policies adopted by the Company are stated in order to assist in a general understanding of the financial report.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS).

The Company believes that the accounting standards that have been issued or amended but are not yet effective may have relevance to the Company in future reporting periods. The following standards have not been adopted in the annual reporting period ended 30 June 2008:

New and revised standards	Effective Date
<p>AASB 101 Presentation of Financial Statements (Revised), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations</p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers shall make use in financial reports of the descriptions- Statement of Financial Performance and Position and use the term "financial report" and not "financial statement." The Amending Standard updates references in various other pronouncements.</p>	Beginning 1 January 2009
<p>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009
<p>AASB 3 Business Combinations (Revised)</p> <p>The IASB issued the revised IFRS 3 on 10 January, 2008. The equivalent AASB 3 standard has not yet been issued in Australia, but is expected to be released shortly. The revision makes several key amendments to the accounting for business combinations. Entities may want to early adopt the revised standard when issued.</p>	Beginning 1 January 2009
<p>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</p> <p>This standard supersedes AASB 114 Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB. This standard only applies to entities that have public accountability therefore any entities that do not fall within scope may wish to early adopt and avoid segment reporting. The Amending Standard updates references in various other pronouncements.</p>	Beginning 1 January 2009

Adoption of new accounting standard

The Company has adopted *AASB 7 Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(d) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Interest in jointly controlled operations

The Company's share of the assets, liabilities, revenue and expenses of jointly controlled operations are included in the appropriate items of the Income Statement and Balance Sheet.

(f) Revenue recognition

(i) *Sale of goods*

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer. In most cases, this coincides with the transfer of legal title or the passing of possession to the buyer.

(ii) *Rendering of services*

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference of the percentage of the service performed.

(iii) *Interest revenue*

Interest revenue is recognised using the effective interest method.

(g) Trade and other receivables

Trade receivables are recognised initially at their cost when the contractual right to receive cash or another financial asset from another entity is established.

(h) Trade and other payables

Trade and other payables are measured at cost when there is a contractual obligation to deliver cash or another financial asset to another entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Interest-bearing liabilities

All loans are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield-related are included as part of the carrying amount of the loans.

Interest-bearing liabilities are classified as current unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(j) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income tax

The income tax expense for the year is the tax payable on the current year's taxable income based on the notional income tax rates adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the Income Statement.

Deferred tax assets and liabilities are offset only if a legally enforceable right to offset amounts exists, and the deferred items relate to income taxes levied by the same taxing authority on the same taxable entity.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits convertible into cash within 2 working days.

(m) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to AUSMINERALS Limited commencing from the time the asset is held ready for use

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Computer equipment	20% - 33%
Furniture and fixtures	20% - 33%
Leasehold improvements	20% - 33%
Plant and equipment	33%

(n) Intangibles

Exploration and Production Licences

Exploration and Production Licences are stated at cost.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by Ausminerals Limited in respect of services provided by employees up to the reporting date.

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Superannuation commitments

Each employee nominates their own superannuation fund into which the company contributes. The company contributes voluntarily to each employee's nominated plan based on a percentage of each member's salary. It is at the discretion of employees to seek their individual financial advice with regards to each employee's own personal superannuation fund.

(p) Impairment

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

Intangible assets with indefinite lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Generally Ausminerals Limited evaluates its properties on a field by field basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

(q) Provision for Restoration

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at reporting date, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

The unwinding of the effect of discounting on the provision is recognised as a finance cost.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains and losses on investments held for trading are recognised in the Income Statement.

Gains and losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For available-for-sale investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the company commits to purchase the asset.

(s) Capitalisation of borrowing costs

Borrowing costs are recognised in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case, borrowing costs are capitalised as part of the cost of such a qualifying asset.

Borrowing costs are amortised over the life of the borrowing facility to which they relate.

(t) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When a reasonable assessment of the existence of economically recoverable reserves is possible, the accumulated costs for the relevant area of interest are reallocated into development expenditure.

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

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Inventories

Inventories include products and consumables and are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Consumables

Consumables includes drilling and maintenance stocks, which includes plant spares, consumables and maintenance and drilling tools used for ongoing operations. They are valued at actual cost.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to the members of the company by the weighted average number of ordinary shares outstanding during the financial period.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will arise from the exercise of options outstanding during the financial period.

(x) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) *Impairment of non-financial assets*

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include field performance, technology, economic and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

(y) Events after the balance sheet date

Assets and liabilities are adjusted for events occurring after the balance date that provide evidence of conditions existing at the balance date. Important after balance date events which do not meet these criteria are disclosed in Note 31.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$'
2 REVENUE				
Revenue	1,165,555	1,054,804	21,871	
Interest income	29,424	-		
Other revenue	-	-		
	<u>1,194,979</u>	<u>1,054,804</u>	<u>21,871</u>	<u>-</u>
3 OTHER INCOME				
Cost reimbursement				
Gain on disposal of interest in joint venture				
Fair value gains on financial instruments				
Net gain on foreign exchange				
Insurance claim				
Other income	-	28,353		
	<u>-</u>	<u>28,353</u>	<u>-</u>	<u>-</u>
4 EXPENSES				
a) Finance costs				
Establishment fees				
Interest expense	74,168	49,569	-	-
Bank charges				
Unwinding of discount on restoration provision				
Total finance costs	<u>74,168</u>	<u>49,569</u>	<u>-</u>	<u>-</u>
b) Depreciation and amortisation expense				
Depreciation of fixed assets	556,996	598,163	627	-
Amortisation of intangible assets				
Amortisation of capitalised borrowing costs				
Total depreciation and amortisation	<u>556,996</u>	<u>598,163</u>	<u>627</u>	<u>-</u>
Amortisation of producing assets included in cost of sales				
c) Lease payments included in the Income Statement				
Operating lease payments	<u>76,116</u>	<u>76,277</u>	<u>-</u>	<u>-</u>
d) Employee benefits expense				
Wages and salaries	290,663	310,973	247,219	175,889
Superannuation expense	10,125			
Share-based payment expense				
	<u>300,778</u>	<u>310,973</u>	<u>247,219</u>	<u>175,889</u>

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

4 EXPENSES (Continued)

e) Impairment of non-current assets

Impairment of exploration license (refer to Note 10)

Impairment of exploration and evaluation expenditure

Impairment of investment in subsidiary (refer to Note 12)

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

5 INCOME TAX

a) Income tax recognised in profit

The components of income tax expense comprise:

Current tax expense

Deferred tax relating to the origination and reversal of temporary differences

Total tax (benefit) / expense

-	-	-	-
-	-	-	-
-	-	-	-

The prima facie tax benefit on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Profit from operations

Prima facie tax expense on profit from ordinary activities at 30% (2006-30%)

Add: tax effect of non-deductible expenditure/deductible capitalised costs

Income tax (benefit) / expense

-	-	-	-
---	---	---	---

b) Deferred tax balances

Deferred tax assets comprise:

Tax Losses – revenue

Temporary differences

-	-	-	-
---	---	---	---

Deferred tax liabilities comprise:

Temporary differences

Capitalised exploration, development and production costs

Exploration and production licences

-	-	-	-
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Tax losses amounting to \$ 4.34 million have not been recorded in respect of Future Tax Benefits, as the recoupment of these losses is not considered probable until commencement of gold producing assets and the introduction of improved higher yield agricultural products.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

6 INVENTORIES

Mineral products	41,264	46,905		
Consumables				
	41,264	46,905	-	-

7 TRADE AND OTHER RECEIVABLES

<i>Current</i>				
Trade receivables	147,586	137,512	-	-
Receivable from joint venture				
Receivable from parent entity				
Accrued income				
Prepayments				
GST Receivable		33,048	5,761	9,689
Other receivables				
	147,586	170,560	5,761	9,689

8 OTHER FINANCIAL ASSETS

<i>Current</i>				
At fair value				
	-	-	-	-

9 PLANT AND EQUIPMENT

	Computer Equipment	Land & Buildings	Consolidated Heavy Equipment	Plant and Equipment	Total
	\$	\$	\$	\$	\$
2008					
<i>Gross carrying amount</i>					
Opening balance	31,483	3,488,059	1,666,570	5,417,632	10,603,744
Additions	7,085		(1,100)	89,373	95,358
WIP				12,052	12,052
Closing balance	38,568	3,488,059	1,665,470	5,519,057	10,711,154
<i>Accumulated depreciation</i>					
Opening balance	25,473	960,798	919,879	2,832,030	4,738,179
Depreciation expense	2,174	105,135	116,339	333,948	556,996
Closing balance	27,647	1,065,933	1,036,218	3,165,975	5,295,773
Net book value	10,921	2,422,126	629,523	2,353,082	5,415,382
2007					
<i>Gross carrying amount</i>					
Opening balance	31,483	3,488,059	1,355,661	5,417,632	10,292,835
Additions	-	-	310,909	-	310,909
Closing balance	31,483	3,488,059	1,666,570	5,417,632	10,603,744
<i>Accumulated depreciation</i>					
Opening balance	21,826	852,958	800,661	2,464,571	4,140,017
Depreciation expense	3,647	107,840	119,217	367,459	598,163
Closing balance	25,473	960,798	919,879	2,832,030	4,738,179
WIP				8,121	8,121
Net book value	6,010	2,527,261	746,692	2,866,723	5,873,686

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

9 PLANT AND EQUIPMENT (Continued)

	Computer Equipment \$	Land & Buildings \$	Parent Heavy Equipment \$	Plant and Equipment \$	Total \$
2008					
<i>Gross carrying amount</i>					
Opening balance					
Additions	4,240				4,240
Closing balance	4,240				4,240
<i>Accumulated depreciation</i>					
Opening balance					
Depreciation expense	672				672
Closing balance	672				672
Net book value	3,568	-	-	-	3,568
2007					
<i>Gross carrying amount</i>	-				
Opening balance					
Additions					
Closing balance	-	-	-	-	-
<i>Accumulated depreciation</i>					
Opening balance					
Depreciation expense					
Closing balance					
Net book value	-	-	-	-	-

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

10 INTANGIBLE ASSETS

<i>Exploration licences</i>				
Gross carrying amount	87,240	87,240	-	-
Opening balance				
Additions at cost				
Disposals				
Impairment (refer to Note 4 (e))				
Closing balance	87,240	87,240	-	-
<i>Accumulated amortisation</i>				
Opening balance				
Amortisation expense				
Disposals				
Closing balance	-	-	-	-
Net book value	87,240	87,240	-	-

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

11 Exploration Assets:

Assets in development

Carrying amount at beginning of financial year	1,006,277	-		
Additions	109,650	1,006,277		
Disposals				
Transfer to producing assets				
Carrying amount at end of financial year	1,115,927	1,006,277	-	-

Accumulated amortisation

Carrying amount at beginning of financial year				
Amortisation expense				
Transfers to producing assets				
Carrying amount at end of financial year				
Net book value	1,115,927	1,006,277	-	-

12 INVESTMENTS

Investments in subsidiaries

Acquisition Investment	400,000	400,000
------------------------	---------	---------

Loans to subsidiaries at cost¹

Australasian Gold Pty Limited	272,973	148,560
Kurdeez Lime Pty Limited	1,548,277	1,667,443
Uranium Resources Pty Limited	103,700	100,000
Total Investments	2,324,950	2,316,003

Impairment (refer to Note 4 (e))

¹ Loans from the parent entity have been reclassified as investments in subsidiaries where the recoverability of the loans are dependent on future production, or the sale of all or part of the exploration lease. Details of investments in subsidiaries disclosed in Note 27(a).

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

13 INTEREST BEARING LIABILITIES

Current				
Bank Overdraft	428,779	277,474		
Bank Loan - secured	300,000	300,000	-	-
	728,779	577,474	-	-
Non-current				
Bank Loan - secured				

14 INTERESTS IN JOINTLY CONTROLLED OPERATIONS

The Group is a venturer in the following jointly controlled operations:

Joint Venture	Area	Principal Activities	Percentage Interest	
			2008	2007
-	-	-	-	-

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

The Group's share of the assets utilised in the jointly controlled operations, which are included in the consolidated financial statements, are as follows:

Current Assets

Cash and cash equivalents

Trade debtors

Inventories

Prepayments

Other debtors

GST recoverable

Total Current Assets

Non-current Assets

Plant and equipment

Intangible assets

Exploration and evaluation expenditure

Accumulated amortisation

Total Non-current Assets

Total Assets

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

15 TRADE AND OTHER PAYABLES

Current

Trade creditors

Accruals

Other payables

273,445	100,821	129,602	83,090
38,815	74,481		
		32,000	
312,260	175,302	161,602	83,090

16 PROVISIONS

Current

Payroll

Annual leave

PAYG tax

122,625		122,624	-
80,172	50,012	65,286	39,901
5,097	8,923		
207,894	58,935	187,910	39,901

Non Current

Restoration provision

a) Movement in restoration provision

Opening balance

Unwinding and discount rate adjustment

Decrease in provision due to sale of 10% interest in joint venture

Increase in provision during the year

Closing balance

-	-	-	-
-	-	-	-

b) Nature and timing of provisions

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

The restoration provision represents the present value of the future sacrifice of economic benefits that will be required to remove equipment, abandoning wells and meeting environmental obligations for the areas under the retention leases after production activities have been completed.

17 OTHER FINANCIAL LIABILITIES

Current

Directors loan at call	103,408	97,778	24,600
Lease Liabilities Less than 1 year	51,182	51,182	
	154,590	148,960	24,600

17(a) OTHER FINANCIAL LIABILITIES

Non-Current

Lease Liabilities 1 – 5 years

120,939	172,120
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18 CONTRIBUTED EQUITY

	2008	2007
	\$	\$
a) Ordinary Shares		
Opening balance	2,916,260	1,136,160
Shares issued to acquire Investment (i)	407,900	1,780,100
Share options exercised (ii)		
Closing balance	3,324,160	2,916,260
	Number	Number
b) Fully Paid Ordinary Shares		
Opening balance	41,777,742	9,700,867
Shares issued for cash	2,783,750	1,187,500
Share issued for Services/assets	-	5,889,375
Shares issued in lieu of Directors Loan	-	25,000,000
Closing balance	44,561,492	41,777,742

Ordinary shares carry one vote per share and carry the right to dividends.
There are no options currently on issue.

c) Retained Earning	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Movement in retained earnings were as follows:				
Opening balance	(3,598,431)	(2,577,440)	(399,048)	(5,039)
Net profit	(1,500,244)	(1,020,991)	(960,009)	(394,009)
Closing balance	(5,098,675)	(3,598,431)	(1,359,057)	(399,048)
Movement in option reserve was as follows:				
Opening balance	-	-	-	-
Share based payments in the year				
Closing balance	-	-	-	-
Movement in revaluation reserve was as follows:				
Opening Balance	7,047,334	7,047,334	-	-
Net adjustment to carried forward value	10,601			
Closing Balance	7,057,935	7,047,334	-	-

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

20 EARNINGS PER SHARE

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reconciliation of net earnings to net profit or loss				
Net profit	(1,500,245)	(1,020,991)	(960,009)	(399,048)
Earnings used in the calculation of basic EPS.	(1,500,245)	(1,020,991)	(960,009)	(399,048)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	43,135,398	13,710,476	43,135,398	13,710,476

21 CASH FLOW STATEMENT RECONCILIATION

(a) Reconciliation of net cash provided by (used in) operating activities to operating profit after income tax:

Operating Profit after income tax	(1,500,245)	(1,020,991)	(960,009)	(399,048)
<i>Adjustments for non-cash and non-operating income and expenses:</i>				
Depreciation	556,996	598,163	672	-
Float Expenses			342,789	53,852
Share based payments				
Exploration expenditure	109,650	755,469		
Changes in fair value of financial instruments (net of exchange)				
(Gain)/Loss on foreign currency				
Gain on disposal				
Unwinding of discount on restoration provision				
Related Party Loans		(1,054,575)		
Impairment of non-current assets				
<i>Changes in assets and liabilities net of development and exploration expenditure:</i>				
Decrease/(increase) in receivables	22,974	57,012	9,698	(9,698)
Decrease/(increase) in other receivables				158,715
Decrease/(increase) in inventory	5,641	41,050		
Increase/(decrease) in taxation	3,826	5,285		
Increase/(decrease) in trade payables	136,958	(23,296)	78,512	83,090
Increase/(decrease) in Provisions	152,785	50,012	148,010	39,901
(Decrease)/increase in other provisions/liabilities		(75,022)	75,782	(346,260)
Net cash used in operating activities	1,036,139	354,098	651,973	(20,420)
(b) Reconciliation of cash and cash equivalents				
Cash at bank and in hand	(464,106)	(666,893)	(308,036)	(414,429)
	(428,296)	35,10	4,936	312,972

Cash at bank earns interest at floating rates based on daily bank deposits rates. The carrying amounts of cash and cash equivalents represent fair value.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

22 AUDITOR'S REMUNERATION

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts due and receivable by the auditor of the group for:				
Audit or review of the financial report of the company	16,525	7,250		-
Taxation services	31,945		31,945	
Due diligence and other non-audit services	56,732		56,732	
	105,203	7,250	88,678	-

23 SEGMENTAL REPORTING

(a) Business Segments

The consolidated entity operates in one business segment, namely exploration, development and production of minerals. The company operates from Australia only.

(b) Geographical Segments

	Australia		Other country		Consolidated	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
External Revenue	1,194,979	1,054,804			1,194,979	1,054,804
Segment result/(loss)	(1,500,245)	(1,020,991)				
Income tax (expense)	-	-				
Net profit after tax	(1,500,245)	(1,020,991)			(1,500,245)	(1,020,991)
Depreciation and amortisation	556,996	598,163			556,996	598,163
Segment assets						
Segment liabilities						

24 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The principal activities of the Group are mining and exploration. In this regard the Group is exposed to commodity price risk, interest rate risk, foreign currency risk, credit risk, operational risk and liquidity risk.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments and the overall risk management strategy of the Group are governed by the Board of Directors and are primarily focused on ensuring that the Group is able to finance its business plans.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, liabilities and equity instruments, are disclosed in Note 1.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

(c) Interest rate risk management

The Group's and the Company's exposure to interest rate risk and the effective rates of interest of financial assets and financial liabilities, recognised at the reporting date are detailed below:

Consolidated	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount per Balance Sheet	
	2008	2007	2008	2007	2008	2007	2008	2007
			\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash and cash equivalents	5.6%	5.0%	483	313,286			483	313,286
Trade and other receivables	-	-	147,586	137,512			147,586	137,512
Put options	-	-						
Call options	-	-						
Total Financial Assets			140,069	450,798			140,069	450,798
Financial Liabilities:								
Trade Creditors	-	-	273,445	100,821			273,445	100,821
Amounts due to Joint Venture Partners	-	-						
Other payables	-	-						
Bank Overdraft facility	(i)	(i)	428,779	277,474			428,779	277,474
Bank loan	(i)	(i)	300,000	300,000			300,000	300,000
Total Financial Liabilities			1,002,224	678,295			1,002,224	678,295
Net Exposure			862,155	227,507			862,155	227,507

(i) The weighted average effective interest rate on the borrowing facilities is 9.9% (8.0% 2007)

All amounts are current except for \$300,000 (2007: \$300,000) in relation to the bank loan which is due in 1 to 5 years.

Company	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount per Balance Sheet	
	2007	2006	2007	2006	2007	2006	2007	2006
			\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash and cash equivalents	5.0%	4.07%	313,286	727,725			313,286	727,725
Trade and other receivables	-	-	170,560	227,572			137,512	227,572
Put options	-	-						
Call options	-	-						
Total Financial Assets			450,798	955,297			450,798	955,297
Financial Liabilities:								
Trade Creditors	-	-	175,302	198,598			175,302	198,598
Amounts due to Joint Venture Partners	-	-						
Other payables	-	-						
Bank Overdraft Facility	-	-	277,474	25,022			277,474	25,022
Bank loan	(i)	(i)	300,000	300,000			300,000	300,000
Total Financial Liabilities			678,295	523,620			678,295	523,620
Net Exposure			(227,507)	431,677			(227,507)	431,677

(d) Credit risk management

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

receivables.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. To minimise credit risk the Group trades with recognised, creditworthy third parties.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is minimal.

(e) Liquidity risk management

The Group manages liquidity risk by adopting policies to maintain sufficient available funding to meet ongoing operational requirements, exploration and development commitments and ad-hoc projects that may arise. The need for available funds is monitored through the preparation and maintenance of future rolling cash flow forecasts.

(f) Net fair value

The following methods and assumptions are used to determine the net fair values of financial assets and financial liabilities:

Cash and cash equivalents: The carrying amount approximates fair value because of the short term to maturity.

Trade receivables and payables: The carrying amount approximates fair value because of settlement terms.

Terms, Conditions and Accounting Policies: The Group's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date:

Financial instruments	Accounting policies	Terms and conditions
<i>Financial assets</i>		
Cash at bank	Stated at nominal value.	At call, interest rate subject to balance.
Receivables	Stated at nominal value.	Normally settled on 90 day terms.
Other financial assets	Stated at fair value.	
<i>Financial liabilities</i>		
Payables	Recognised for amounts to be paid for goods and services received, whether or not billed to the Group.	Trade liabilities are normally settled on 30 day terms.
<i>Equity instruments</i>		
Ordinary shares	Recognised at the fair value of the consideration received by the Group.	Terms and conditions of shares issued and options outstanding are set out in the Directors Report.

25 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) The specified directors of Ausminerals Limited in office any time during the year were:

Name	Role
Erwin Brian Bouverie	Managing Director
Christopher Tony Valttila	Non Executive Chairman
Wayne Stephen Wilson	Non Executive Director
Guy Lindon Kempny	Alternate Director for Mr Bouverie.

(ii) Executives

Name	Role
Erwin Brian Bouverie	CEO

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

(b) Compensation of Key Management Personnel

Directors' and officers' remuneration for the year ended 30 June 2008:

	Salary & Fees	Bonus	Super-annuation	Options	Total
Directors	\$	\$	\$	\$	\$
Erwin Brian Bouverie	-	-	-	-	-
Christopher Tony Valttila	-	-	-	-	-
Wayne Stephen Wilson	-	-	-	-	-
Guy Lindon Kempny	-	-	-	-	-
Total	-	-	-	-	-

Executives

Erwin Brian Bouverie	180,000	-	13,500	-	193,500
	180,000		13,500		193,500

Directors' and officers' remuneration for the year ended 30 June 2007:

	Salary & Fees	Bonus	Super-annuation	Options	Total
Directors	\$	\$	\$	\$	\$
Erwin Brian Bouverie	137,000	-	12,375	-	149,375
Christopher Tony Valttila	-	-	-	-	-
Wayne Stephen Wilson	-	-	-	-	-
Guy Lindon Kempny	-	-	-	-	-
	137,000		12,375		149,375

Executive

(c) Contracts for services

Mr Bouverie's employment contract with the Company was renewed on September 1st, 2007, for a period of 5 years.

(d) Option holding of Key Management Personnel

There were no options available to any Director, employee, employee's spouse or relatives and or any shareholder during the periods under review.

(e) Shareholding of Key Management Personnel (Consolidated)

30 June 2008	Balance at beginning of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
Directors					
Erwin Brian Bouverie	25,387,200				25,387,200
Christopher Tony Valttila	0			62,500	62,500
Wayne Stephen Wilson	5,000,000				5,000,000
Guy Lindon Kempny	1,019,375				1,019,375
	31,406,575			62,500	31,469,075
Executives					
Erwin Brian Bouverie	25,387,200				25,387,200
	25,387,200				25,387,200

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

30 June 2007	Balance at beginning of year	Granted as remuneration	On exercise of options	Net change other	Balance at end of year
Directors					
Erwin Brian Bouverie	387,200			25,000,000	25,387,200
Christopher Tony Valttila	0				0
Wayne Stephen Wilson	0			5,000,000	5,000,000
Guy Lindon Kempny	550,000	19,375		450,000	1,019,375
	937,200	198,375		30,450,000	31,406,575
Executives					
Erwin Brian Bouverie	387,200			25,000,000	25,387,200

(f) Loans to Key Management Personnel

There are no loans to Key Management Personnel in the year ended 30 June 2008 (30 June 2007: \$Nil).

26 SHARE-BASED PAYMENT PLANS

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year was as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions	-	3,100	-	3,100

(b) Employee Share Option Plan (ESOP)

There are no Share Option Plans available to any employee or Director in the years ended June 30 2008 and 2007.

27 RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Ausminerals Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	Equity Interest (%)		Investment (\$)	
		2008	2007	2008	2007
Kurdeez Lime Pty Limited	Australia	100%	100%		
Australasian Gold Pty Limited	Australia	100%	100%		
Uranium Resources Pty Limited	Australia	100%	100%		
Victorian Agricultural Lime Pty Limited	Australia	100%	100%		

(b) Ultimate parent

Ausminerals Limited, an Australian registered entity which is listed on the National Stock Exchange of Australia (NSX), is the ultimate parent of the subsidiaries listed in 27(a).

Key Management Personnel

Details relating to key management personnel, including remuneration paid, are included in note 25.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

(c) Transactions with related parties

During the year there were no intercompany charges made by Ausminerals Limited to any subsidiary.

28 COMMITMENTS FOR EXPENDITURE

(a) Operating Lease Commitments

The Company has monthly lease payments for Plant and Equipment.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Within one year	51,182	51,182	-	-
1-5 years	120,939	172,120	-	-
> 5 years	-	-	-	-
	172,121	223,302	-	-

(b) Capital expenditure commitments

As at 30 June 2008, there are no specific capital expenditure contracts which the company or consolidated entity is required to fulfil (30 June 2007: \$nil).

(c) Operating expenditure 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:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Within one year	153,241	170,000	153,241	170,000
1-5 years	83,200	170,000	83,200	170,000
> 5 years	-	-	-	-
	263,441	340,000	263,441	340,000

29 DIVIDENDS PROPOSED

There are no dividends proposed for the year to June 30, 2008, (June 30 2007 Nil)

30 SUBSEQUENT EVENTS

On August 20th, the company was admitted to the official list of the National Stock Exchange of Australia. The company shares were available for trading on August 22nd, 2008

Directors' Declaration

In accordance with a resolution of the Directors of Ausminerals Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the 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.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 259A of the Corporations Act 2001 for the financial period ending 30 June 2008.

On behalf of the Board

Christopher T Valttila

Chairman

Sydney

AUDIT REPORT

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ASX Additional Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at

a) Distribution of equity securities

i) Ordinary share capital

44,561,492 fully paid ordinary shares are held by 54 individual shareholders.
All issued ordinary shares carry one vote per share and carry the rights to dividends.

ii) Options

There are no options issued.

The number of shareholders, by size of holding, in each class is:

Number of Ordinary Shares held	Number of shareholders
1-1,000	-
1001 - 5,000	-
5001 - 10,000	1
10,001 - 50,000	15
10,001 - 100,000	11
100,001 and over	27
	<u>54</u>

b) Substantial shareholders

As at August 31st, 2008 the name and holdings of substantial shareholders are as follows:

Substantial Shareholder	No. of Shares	% of total
Bouverie, Erwin Brian	25,387,200	9.3
Wilson Investment Superannuation Trust	4,000,000	9.0
The Carolan Superannuation Fund	3,316,667	7.4
Mr Paul C Mueller	2,500,000	5.6

Top 20 Shareholders as at August 31st, 2008

	Fully paid Number	Percentage
Bouverie, Erwin Brian	25,387,200	57.0
Wilson Investment Superannuation Trust	4,000,000	9.0
The Carolan Superannuation Fund	3,316,667	7.4
Muller Paul C	2,500,000	5.6
Chaplin, Trevor	1,093,750	2.5
Kempny, Guy	1,019,375	2.3
Ausfel Pty Limited	1,000,000	2.2
Yiu, Samson	680,000	1.5
Sofalat Holdings Pty Limited	625,000	1.4
Alabasha Investments Pty Limited	500,000	1.1
Dixon, Trevor John	468,750	1.1
King, Geoffrey & Moria	350,000	.8
Lee, Dr Astin K Y	312,500	.7
Castle Kitchens Pty Limited	220,000	.5
Ong, Yu-Phing	200,000	.5
Monteverde, Marian & Vince	184,500	.4
Paddles, Ken W & Joy L	160,000	.4
Snowshow Pty Limited	150,000	.3
Wise, David C & Kathleen M	130,000	.3
Cartwright, Wayne	125,000	.3
	<u>42,422,742</u>	<u>95.2%</u>