

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

Auditors

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

DIRECTORS' REPORT

The Directors of Ausminerals Limited hereby present the financial report of the Group and 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 Group 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 Group experience as an executive director and held senior marketing and operational management positions with Minerals Corporation Limited, an ASX listed public Group, 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 Group which at that time had interests in kaolin, feldspar, garnet and toll processing of various minerals. He resigned from the Group 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

Term of office: July 7, 2007

Directors' Report

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 Group and 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,

OPERATING RESULTS

The operating loss attributable to the members of the Group and company was \$(1,489,643) (2007: a loss of \$(1,020,991) and \$(1,020,991) (2007: a loss of \$399,048).

REVIEW OF OPERATIONS

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

Directors' Report

DIVIDENDS

No dividend is recommended or was paid in respect of the year ended 30 June 2008 by the Group and company.

CHANGE IN STATE OF AFFAIRS

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

SUBSEQUENT EVENTS

On August 20th, the Group was admitted to the official list of the National Stock Exchange of Australia. The Group shares were available for trading on August 22nd, 2008. The Group has obtained an approval from the National Australia Bank for an additional overdraft facility of \$200,000.

There has not been any other 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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

SHARE OPTIONS

There are no un-issued ordinary shares of the Group 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 they were eligible to attend. During the year, a total of 9 Board meetings, were held.

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

REMUNERATION REPORT – 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 Managing Director 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 Group 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 24 to the financial statements or the fixed salary of a full time employee of the Group.

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

	Salary & Fees	Super-annuation	Other	Total
Directors	\$	\$	\$	\$
Erwin Brian Bouverie	180,000	16,200	12,500	208,700
Christopher Tony Valttila	-	-	-	-
Wayne Stephen Wilson	-	-	-	-
Guy Lindon Kempny	12,663	-	-	12,663
	192,663	16,200	12,500	221,363

Directors' Report

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

	Salary & Fees	Shares	Super-annuation	Total
Directors	\$	\$	\$	\$
Erwin Brian Bouverie	137,000	-	12,375	149,375
Christopher Tony Valttila	-	-	-	-
Wayne Stephen Wilson	-	-	-	-
Guy Lindon Kempny	-	3,100	-	3,100
	137,000	3,100	12,375	152,475

(a) Contracts for services

Mr Bouverie's employment contract with the Group was renewed on September 1st 2007, after which time he has continued as the Group Managing Director and CEO. He took on the responsibility of Chief Executive Officer of the Group effective 2002 (in addition to his position of Managing Director of Ausminerals Limited). Mr Bouverie has an executive service agreement with Ausminerals Limited for a 5 year period from the renewal date.

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

There are no option agreements with any of the Directors and Executives of the Group.

(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
Secretary				
Trevor Norman Stone	-	-	62,500	62,500
	31,406,575	-	125,000	31,531,575

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 Group paid a premium in respect of a contract insuring the Directors and officers of the Group 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 Group during or since the end of the financial period.

ENVIRONMENTAL REGULATIONS

The Group participates in ventures which hold exploration and development licences. These licences specify the environmental regulations applicable to the exploration, construction and operations of Ausminerals Limited. As the Group is in the exploration stage of its operations, there have been no known breaches of the environmental

Directors' Report

obligations of the Group's contracts or licences at this time.

FUTURE DEVELOPMENTS

Other than the matters included in the Operations or financial report, disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

AUDITORS' 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 Group'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



Erwin B Bouverie

Managing Director

September 30th, 2008

Operations Report

Operations Report

The 2007/8 year has seen the accomplishment of a number of major changes for the future benefit of your Group. 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 10 % up on 2007 levels whilst our reported loss was 46% higher than 2007. Capital raising opportunities are expected to be scarce for a while but the Group is very fortunate to have existing cash flow which can be expanded to sustain the growth of your Group.

The Group 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.

Erwin Bouverie
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION



Chartered Accountants
& Business Advisers

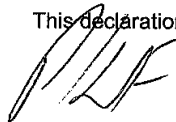
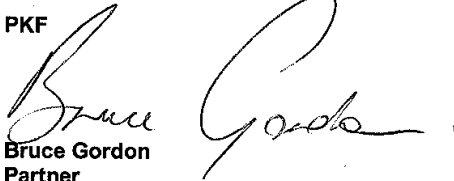
AUDITORS' INDEPENDENCE DECLARATION

Auditors' Independence Declaration

As lead auditor for the audit of Ausminerals Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ausminerals Limited and the entities it controlled during the year.


PKF

Bruce Gordon
Partner

Sydney 30 September 2008

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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 Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals and defining policies and monitoring the business of the Group, to ensure it is conducted appropriately and in the best interests of shareholders.

In respect of all decisions concerning the Group'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 Group 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 Group and establishing goals for management and the operation of the Group. The specific functions and responsibilities of the Board include:

- overseeing the Group 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 Group 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 Group'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 Group. 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 Group'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 Group 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 Group's Constitution as a minimum of 3 and up to a maximum of 10. At present, there are 4 Directors of the Group, 3 of whom are non-executive Directors.

Corporate Governance Statement

The retirement and rotation of Directors is governed by the *Corporations Act 2001* and the Group'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 Group.

Independence

There are three Directors of the Group 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 Group's expense with the prior approval of the Chairperson.

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

Ethical and responsible decision-making

The corporate goal of the Group 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 Group 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 Group and with all people with whom they deal in their work.

The Group's Codes of Conduct guide the Directors and the Group's key executives as to the practices necessary to maintain confidence in the Group'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 Group's performance under the Codes and for their regular review.

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

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

Director Dealings in Group Securities

The Group has established policies regarding trading in the Group's securities which governs Directors and key officers. Directors and key officers may acquire securities in the Group but are prohibited from dealing in the Group'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 Group. In accordance with the NSX Listing Rules, Directors must advise the NSX of any transactions conducted by them in securities in the Group.

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

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 Group 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 Group.

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 Group's financial report presents a true and fair view of the Group'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 Group 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 Group's Continuous Disclosure Policy seeks to ensure that shareholders are informed of all major developments affecting the Group's state of affairs and the price of the Group'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 Group:

- the full annual financial report (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the Group 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 Group containing summarised financial information and a review of the operations of the Group 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 Group 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 Group 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 Group's strategy and goals.

The Group 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 Group 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 Group on an ongoing basis and has instigated a control framework.

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

Balance Sheets

As At 30 June 2008

As At 30 June 2008		Consolidated		Company	
	Note	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	-	-	-	-
Total Current Assets		189,333	530,751	10,697	322,670
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	-	-	2,516,971	2,316,003
Exploration and evaluation expenditure	11	1,115,927	1,006,277	-	-
Deferred tax assets	5	-	-	-	-
Total Non-current Assets		6,618,549	6,967,203	2,520,539	2,317,533
TOTAL ASSETS		6,807,882	7,497,954	2,531,236	2,640,263
LIABILITIES					
Current Liabilities					
Trade and other payables	14	312,260	175,302	161,601	83,090
Provisions	15	207,894	58,935	187,911	39,901
Interest bearing liabilities	13	428,779	277,474	-	-
Other financial liabilities	16	154,590	148,960	24,600	-
Total Current Liabilities		1,103,523	660,671	374,112	122,991
Non-current Liabilities					
Other Financial Liabilities	17	120,939	172,120	-	-
Borrowings	13	300,000	300,000	-	-
Deferred tax liabilities	5	-	-	-	-
Total Non-current Liabilities		420,939	472,120	-	-
TOTAL LIABILITIES		1,524,462	1,132,791	374,112	122,991
NET ASSETS		5,283,420	6,365,163	2,157,124	2,517,212
EQUITY					
Contributed equity	18	3,324,160	2,916,260	3,324,160	2,916,320
Accumulated losses	19	(5,088,074)	(3,598,431)	(1,167,036)	(399,048)
Reserves	19	7,047,334	7,047,334	-	-
TOTAL EQUITY		5,283,420	6,365,163	2,157,124	2,517,212

Income Statement

For The Year Ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	1,194,979	1,083,157	21,871	-
Cost of sales		1,176,070	984,989	28,260	-
Gross profit		18,909	98,168	(6,389)	-
Other income	3	-	-	192,021	-
Exploration and evaluation expenditure		122,674	44,991	109,355	5,000
Depreciation and amortisation expense	4(b)	556,996	598,163	627	-
Administration expense		411,924	372,584	500,848	340,196
Finance costs	4(a)	74,168	49,569	-	-
Float Expenses		342,790	53,852	342,790	53,852
Profit/(loss) before taxation		(1,489,643)	(1,020,991)	(767,988)	(399,048)
Income tax benefit/(expense)	5	-	-	-	-
Profit/ (loss) after taxation		(1,489,643)	(1,020,991)	(767,988)	(399,048)
Earnings per Share					
Basic (cents per share) profit /(loss)	20	(3.5)	(7.4)	(1.8)	(2.9)
Diluted (cents per share) profit (loss)	20	(3.5)	(7.4)	(1.8)	(2.9)

Statements of Changes in Equity

For The Year Ended 30 June 2008

Consolidated

	Ordinary Shares \$	Asset Revaluation Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2006	1,136,160	7,047,334	(2,577,440)	5,606,054
Profit/(loss) for the year	-	-	(1,020,991)	(1,020,991)
Issue of share capital	1,780,100	-	-	1,780,100
Balance at 30 June 2007	2,916,260	7,047,334	(3,598,431)	6,365,163
Profit/(loss) for the year	-	-	(1,489,643)	(1,489,643)
Issue of share capital	407,900	-	-	407,900
Balance at 30 June 2008	3,324,160	7,047,334	(5,088,074)	5,283,420

Statements of Changes in Equity

For The Year Ended 30 June 2008

Company

	Ordinary Shares \$	Asset Revaluation Reserve \$	Options Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2006	1,136,160	-	-	-	1,136,160
Profit/(loss) for the year		-	-	(399,048)	(399,048)
Issue of share capital	1,780,100	-	-		1,780,100
Balance at 30 June 2007	2,916,260	-	-	(399,048)	2,517,212
Profit/(loss) for the year				(767,988)	(767,988)
Issue of share capital	407,900	-	-	-	407,900
Balance at 30 June 2008	3,324,160	-	-	(1,167,036)	2,157,124

Cash Flow Statements

For The Year Ended 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from mineral mining and production		1,196,083	1,098,097	21,870	-
Overheads and Salaries		(714,989)	(685,766)	(611,064)	(280,716)
Payments to suppliers		(749,076)	(662,417)	50,252	-
Borrowing costs		(74,168)	(49,569)	-	-
Sundry Expenses		-	(13,408)	-	-
Interest received		21,870	-	-	-
Net cash flows (used in) /provided by operating activities	21	(320,280)	(313,063)	(538,942)	(280,716)
Cash flows from investing activities					
Purchase of plant and equipment		(99,289)	(358,131)	(4,240)	(1,530)
Payments for exploration expenditure		(109,650)	(141,721)	-	-
Investment in subsidiary		-	-	170,035	(268,331)
Net cash flows provided by / (used in) investing activities		(208,939)	(499,852)	165,795	(269,861)
Cash flows from financing activities					
Proceeds from issue of ordinary shares		407,900	190,000	407,900	190,000
Contributions from Shareholder		-	(43,796)	-	-
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		35,812	702,703	312,972	727,401
Net increase / (decrease) in cash and cash equivalents		(464,108)	(666,891)	(308,036)	(414,429)
Cash and cash equivalents at the year end	21	(428,296)	35,812	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 Group) and the consolidated entity for the year ended 30 June 2008 and was authorised for issue in accordance with a resolution of Directors on 30 September 2008.

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

(a) Basis of preparation

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, Australian Accounting Interpretations, and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on an accruals basis, and is based on historical costs, modified where applicable by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

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 Group, using consistent accounting policies.

In preparing the consolidated financial statements, all inter Group 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.

A list of subsidiaries is contained in note 26 to the financial statements.

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 Group 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).

Compliance with AIFRS ensures that the financial report of Ausminerals Limited complies with International Financial Reporting Standards (IFRS)

The Group believes that the accounting standards that have been issued or amended but are not yet effective may have relevance to the Group 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

Accounting Interpretations

Int No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
4	Determining whether an Arrangement contains a Lease [revised]	Feb 2007	1 Jan 2008
12	Service Concession Arrangements	Feb 2007	1 Jan 2008
13	Customer Loyalty Programmes	Aug 2007	1 Jul 2008
129	Service Concession Arrangements: Disclosures [revised]	Feb 2007	1 Jan 2008
15	Agreements for the Construction of Real Estate	Aug 2008	1 Jan 2009
16	Hedges of a Net Investment in a Foreign Operation	Aug 2008	1 Oct 2008

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting standard

The Group 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) 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) Interest revenue

Interest revenue is recognised using the effective interest method.

(e) 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.

(f) 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.

(g) Interest-bearing liabilities and borrowings

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.

(h) 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.

(i) 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.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Cash and cash equivalents

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

(k) 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%

(l) Intangibles

Exploration and Production Licences

Licences are recognised at cost of acquisition. Licences with a finite life are carried at cost less any accumulated amortisation and any impairment losses. Licences with an indefinite life are tested annually for impairment and carried at cost less accumulated impairment losses.

(m) 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 Group contributes. The Group 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 employees own personal superannuation fund.

(n) 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

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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.

(o) 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.

(p) 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 Group 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

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group commits to purchase the asset.

(q) 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.

(r) 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.

(s) 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.

(t) 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 Group 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:

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impairment of financial assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available for sale financial asset recognised previously in equity is transferred to profit or loss.

(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 30.

(z) Going Concern

The consolidated entity and company have recorded a loss of \$1,489,643 and \$767,988 respectively for the year ended 30 June 2008 and current liabilities of the consolidated entity and company exceed current assets by \$914,190 and \$363,415 respectively.

Plant and equipment is recorded in the financial statements at \$5,415,362 and exploration and evaluation expenditure at \$1,115,927.

The on going viability of the consolidated entity and company and the recoverability of their non-current assets are dependent on the success in generating positive cash flows from the lime producing operations and the ability to develop and operate its exploration programmes. The Directors believe that the various projects will be ultimately be successful and that the non-current assets are included in the Financial Report at their recoverable amount.

In order to fund the exploration programmes the consolidated entity is currently focussing on producing higher quality lime products to generate surplus funds which can be utilised in the various exploration programmes. In addition the consolidated entity has listed on the National Stock Exchange to facilitate capital raisings in the future. Post year end the consolidated entity has also negotiated with its financier an additional facility of \$200,000.

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 and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

Should the consolidated entity and company be unable to continue as going concerns, they may be required to realise their assets, including exploration expenditure licenses and plant and equipment, and extinguish their liabilities, other than in the ordinary course of business, and at amounts that differ from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and company be unable to continue as going concerns.

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	-	28,353	-	-
	<u>1,194,979</u>	<u>1,083,157</u>	<u>21,871</u>	<u>-</u>
3 OTHER INCOME				
Interest on Inter-Group loans	-	-	192,021	-
Other income	-	-	-	-
	<u>-</u>	<u>-</u>	<u>192,021</u>	<u>-</u>
4 EXPENSES				
a) Finance costs				
Interest expense	74,168	49,569	-	-
Bank charges	-	-	-	-
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	-	-	-	-
Total depreciation and amortisation	<u>556,996</u>	<u>598,163</u>	<u>627</u>	<u>-</u>
c) Lease payments				
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	19,800	3,100	19,800	3,100
	<u>320,578</u>	<u>314,073</u>	<u>267,019</u>	<u>178,989</u>

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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

5 INCOME TAX

a) Income tax recognised in profit

The components of income tax expense comprise:	(1,489,643)	(1,020,991)	(767,988)	(399,048)
Current tax expense at 30%	(446,893)	(306,297)	(230,396)	(119,714)
Tax effect of permanent differences	81,623	-	7,791	-
Income tax expense	(365,270)		(222,605)	
Deferred tax assets not brought to account	365,270	306,297	222,605	119,714
Income tax attributable to the entity	-	-	-	-

As at 30 June 2008, the Company had estimated unrecouped operating income tax losses of \$4,443,606 (2007: \$3,430,013). The benefit of these losses of \$ 1,151,604 (2007:\$306,297) has not been brought to account as realisation is not probable.

The future income tax benefit will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be applied with; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit.

The Company is of the opinion that with further investigation, tax losses from prior periods will be available to the Company.

6 INVENTORIES

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

7 TRADE AND OTHER RECEIVABLES

<i>Current</i>				
Trade receivables	172,726	162,652	-	-
Provision for Doubtful debts	(25,140)	(25,140)	-	-
GST Receivable	-	33,048	5,761	9,688
Other receivables	-	-	-	-
	147,586	170,560	5,761	9,688

The Group's trading terms are net 30-60 days from date of statement and generally all customers conform, otherwise further supplies are withheld until accounts are maintained in accordance with these terms of trade. A contingency provision is carried in the accounts to cover for the contingency of one major customer defaulting. At 30 June 2008 \$33,465 (\$28,579 > 60 days and \$4,894 > 90 days) of trade receivables were past due but not specifically provided for as it is believed these amounts will be recoverable in the ordinary course of business as there is no recent history of default in respect of these customers.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

8 OTHER FINANCIAL ASSETS

Current

At fair value

-	-	-	-
-	-	-	-

9 PLANT AND EQUIPMENT

	Consolidated				
	Computer Equipment	Land & Buildings	Heavy Equipment	Plant and Equipment	Total
	\$	\$	\$	\$	\$
2008					
<i>Gross carrying amount</i>					
Opening balance	31,483	2,646,317	3,127,609	666,440	6,471,849
Additions	-	-	-	98,692	98,962
Closing balance	31,483	2,646,317	3,127,609	765,132	6,570,541
<i>Accumulated depreciation</i>					
Opening balance	3,647	107,840	119,217	367,459	598,163
Depreciation expense	2,174	105,135	116,339	333,348	556,996
Closing balance	5,821	212,975	235,556	700,807	1,155,159
Net book value	25,662	2,433,342	2,892,053	64,345	5,415,382
2007					
<i>Gross carrying amount</i>					
Opening balance	31,483	2,646,317	2,816,700	531,320	6,025,820
Additions	-	-	310,909	135,120	446,029
Closing balance	31,483	2,646,317	3,127,609	666,440	6,471,849
<i>Accumulated depreciation</i>					
Opening balance	-	-	-	-	-
Depreciation expense	3,647	107,840	119,217	367,459	598,163
Closing balance	3,467	107,840	119,274	367,459	598,163
Net book value	27,836	2,538,477	3,008,392	298,981	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	1,530	-	-	-	1,530
Additions	2,710	-	-	-	1,710
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	1,530	-	-	-	1,530
Closing balance	1,530	-	-	-	1,530
<i>Accumulated depreciation</i>	-	-	-	-	-
Opening balance	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Closing balance	-	-	-	-	-
Net book value	1,530	-	-	-	1,530

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

10 INTANGIBLE ASSETS

<i>Extractive Industry License</i>				
Gross carrying amount	87,240	87,240	-	-
Closing balance	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 and Evaluation Expenditure:

Assets in exploration

Carrying amount at beginning of financial year	1,006,277	-	-	-
Additions	109,650	1,006,277	-	-
Carrying amount at end of financial year	1,115,927	1,006,277	-	-

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward where the rights to tenure of the area of interest are current and when such costs are expected to be recouped through successful development of the area of interest or alternatively by its sale. In the case of the capitalised expenditure for the Mining Lease M37/220, the Agreement dated September 7th, 2007 deals with the appointment of Australasian Gold Pty Limited (a wholly owned group subsidiary) to develop the lease in accordance with the terms and conditions of the agreement. This agreement was binding as at balance date and continues until December 2008 when it is expected to be renewed. [The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.](#)

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

12 INVESTMENTS

Investments in subsidiaries

Kurdeez Lime Pty Limited	-	-	73,686	73,686
Victorian Agricultural Lime Pty Limited	-	-	326,314	326,314

Loans to subsidiaries at cost

Australasian Gold Pty Limited	-	-	294,050	148,560
Kurdeez Lime Pty Limited	-	-	1,709,036	1,667,443
Uranium Resources Pty Limited	-	-	113,885	100,000
Total Investments	-	-	2,516,971	2,316,003

Details of investments in subsidiaries disclosed in Note 26(a).

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

13 INTEREST BEARING LIABILITIES AND BORROWINGS

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

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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

14 TRADE AND OTHER PAYABLES

Current

Trade creditors	273,445	100,821	129,601	83,090
Accruals	38,815	74,481	-	-
Other payables	-	-	32,000	-
	312,260	175,302	161,601	83,090

15 PROVISIONS

Current

Payroll	122,625	-	122,625	-
Annual leave	80,172	50,012	65,286	39,901
PAYG tax	5,097	8,923	-	-
	207,894	58,935	187,911	39,901

16 OTHER FINANCIAL LIABILITIES

Current

Directors loan interest free and repayable 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 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	407,900	1,780,100
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	2,660,000	1,432,500
Shares issued for services/assets	123,750	5,644,375
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.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can continue as a Going concern.

The Group's debt and capital includes share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting the capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. This strategy is to ensure that the gearing ratio remains between 5% and 20%. The gearing ratio's for the year ended 30 June 2008 and 30 June 2007 are as follows:-

	2008	2007
Gearing ratio	1:7.25	1:11

19 Accumulated Losses

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Movement in accumulated losses were as follows:				
Opening balance	(3,598,431)	(2,577,440)	(399,048)	-
Net profit/(loss)	(1,489,643)	(1,020,991)	(767,988)	(399,048)
Closing balance	(5,088,074)	(3,598,431)	(1,167,036)	(399,048)
Movement in revaluation reserve was as follows:				
Opening Balance	7,047,334	7,047,334	-	-
Closing Balance	7,047,334	7,047,334	-	-

20 EARNINGS PER SHARE

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reconciliation of net earnings to net profit or loss				
Net profit/(loss)	(1,489,643)	(1,020,991)	(767,988)	(399,048)
Earnings used in the calculation of basic and diluted EPS.	(1,489,643)	(1,020,991)	(767,988)	(399,048)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share	43,135,398	13,710,476	43,135,398	13,710,476

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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

21 CASH FLOW STATEMENT RECONCILIATION

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

Operating Profit/(loss) after income tax	(1,489,643)	(1,020,991)	(767,988)	(399,048)
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Adjustments for non-cash and non-operating income and expenses:

Depreciation	556,996	598,163	677	-
Float Expenses	-	-	342,790	53,852
Share based payments	-	-	-	-
Exploration expenditure	109,650	109,770	-	-
Inter-Group Interest expense	-	-	(192,021)	-
Related Party Loans	-	-	-	-
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	180,533	(130,068)	137,410	(207,528)
Net cash used in operating activities	(320,280)	(313,063)	(538,942)	(280,716)

(b) Reconciliation of cash and cash equivalents

Cash at bank and in hand	483	313,286	4,936	312,972
Bank Overdraft	(428,779)	(277,474)	-	-
Net Position	(428,296)	35,812	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 AUDITORS' REMUNERATION

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amounts due and receivable by the auditors of the Group for:				
Audit or review of the financial report of the Group	16,525	7,250	-	-
Taxation services	31,945	-	31,945	-
Due diligence and other non-audit services	56,732	-	56,732	-
	105,202	7,250	88,677	-

23 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, 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.

(c) Interest rate risk management

The Group's and the Group'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	313,28
Trade and other receivables	-	-	147,586	137,512	-	-	147,586	137,51
Total Financial Assets			148,069	450,798	-	-	148,069	450,79
Financial Liabilities:								
Trade Creditors	-	-	273,445	100,821	-	-	273,445	100,82
Directors Loan	-	-			103,408	97,778	103,408	97,778
Lease Liabilities			172,121	223,302			172,121	223,30
Bank Overdraft facility	(i)	(i)	428,779	277,474	-	-	428,779	277,47
Bank loan	(i)	(i)	300,000	300,000	-	-	300,000	300,00
Total Financial Liabilities			1,174,345	901,597	103,408	97,778	1,277,753	999,375
Net Exposure			(1,026,276)	(450,799)	(103,408)	(97,778)	(1,129,684)	(548,57)

(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, and the Lease Liabilities of \$172,121 and (2007 : \$223,302

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

Company	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	5.0%	4.07%	4,936	312,972	-	-	4,936	312,972
Trade and other receivables	-	-	5,761	9,698	-	-	5,761	9,698
Loans to Subsidiaries	10.0%	-	2,116,971	1,916,003	-	-	2,116,971	1,916,003
Total Financial Assets			2,127,668	2,238,673	-	-	2,127,668	2,238,673
Financial Liabilities:								
Trade Creditors	-	-	175,302	198,598			175,302	198,598
Directors Loan	-	-	-	-	24,600	-	24,600	-
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			752,776	523,620	24,600	-	777,376	523,620
Net Exposure			1,374,892	1,715,053	(24,600)	-	1,350,292	1,715,053

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks. At 30 June 2008, the effect on profit and equity as a result of a change of 1% in the interest rate, with all other variables remaining constant would be an decrease in profit and equity of \$ 7,288 (Group) and \$ nil (company).

(d) Credit risk management

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

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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:

<i>Financial instruments</i>	<i>Accounting policies</i>	<i>Terms and conditions</i>
<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.
Lease Liabilities	Recognised for the amounts to be paid as per documented lease agreements.	Charged to Group account by direct debit
Bank Loan	Recognised at amount to be repaid to the bank at maturity	Repayable 30/8/2012
Directors Loans	Recognised at amount borrowed	Interest free, repayable at call
<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.

24 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:

<u>Name</u>	<u>Role</u>
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

<u>Name</u>	<u>Role</u>
Erwin Brian Bouverie	CEO

(b) Compensation of Key Management Personnel

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

	Salary & Fees	Bonus	Super-annuation	Other	Total
Directors	\$	\$	\$	\$	\$
Erwin Brian Bouverie	180,000	-	16,200	12,500	208,700
Christopher Tony Valttila	-	-	-	-	-
Wayne Stephen Wilson	-	-	-	-	-
Guy Lindon Kempny	12,663	-	-	-	12,663
Total	192,663	-	13,500	12,500	221,363

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

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

	Salary & Fees	Bonus	Super-annuation	Shares	Total
Directors	\$	\$	\$	\$	\$
Erwin Brian Bouverie	137,000	-	12,375	-	149,375
Christopher Tony Valttila	-	-	-	-	-
Wayne Stephen Wilson	-	-	-	-	-
Guy Lindon Kempny	-	-	-	3,100	3,100
	137,000	-	12,375	3,100	152,475

Executive

(c) Contracts for services

Mr Bouverie's employment contract with the Group 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	-	-	-	62,500	62,500
Wayne Stephen Wilson	5,000,000	-	-	-	5,000,000
Guy Lindon Kempny	1,019,375	-	-	-	1,019,375
Secretary					
Trevor Norman Stone	-	-	-	62,500	62,500
	31,406,575	-	-	125,000	31,531,575

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	-	-	-	-	-
Wayne Stephen Wilson	-	-	-	5,000,000	5,000,000
Guy Lindon Kempny	550,000	19,375	-	450,000	1,019,375
	937,200	19,375	-	30,450,000	31,406,575

(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). Mr Bouverie has extended an interest free loan to the Group and is repayable at call. The loan is disclosed at note 16.

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

25 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.

26 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 (%)	
		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 26(a).

Key Management Personnel

Details relating to key management personnel, including remuneration paid, are included in note 24.

(c) Transactions with related parties

During the year there were inter Group charges made by Ausminerals Limited to its wholly owned subsidiaries for interest on inter-Group loans. The interest rate charged was 10% on the average balance.

27 COMMITMENTS FOR EXPENDITURE

(a) Finance Lease Commitments

The Group 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 Group or consolidated entity is required to fulfil (30 June 2007: \$nil).

Notes to the Financial Statements (continued)

For The Year Ended 30 June 2008

(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	-	-	-	-
	<u>263,441</u>	<u>340,000</u>	<u>263,441</u>	<u>340,000</u>

28 DIVIDENDS PROPOSED

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

29 Options for Exploration tenements

The Group has signed options to acquire exploration tenements in the future, subject to further assessment to determine whether there may be some economic benefit to proceed with the exercising of these options. In addition a joint venture agreement has been signed which will give Ausminerals Limited a 51% joint venture equity however as this joint venture has not commenced there is no liability to Ausminerals Limited until further conditions are met and at this stage the joint venture has not been accounted for. In the opinion of the Directors there is no value, nor should any value be assigned, to any of these options.

30 SUBSEQUENT EVENTS

On August 20th, the Group was admitted to the official list of the National Stock Exchange of Australia. The Group shares were available for trading on August 22nd, 2008. The Group has obtained an approval from the National Australia Bank for an additional overdraft facility of \$200,000.

The Directors of Ausminerals Limited declare that:

- (a) in the directors' opinion, the financial statements and notes on pages x to x, and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, set out on pages x to x, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;
- (c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*, the *Corporations Act 2001* and the *Corporations Regulations 2001*; and
- (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer for the financial year ended 30 June 2008, required by Section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Dated this 30th day of September 2008, Sydney



Erwin B Bouverie

Managing Director

.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITORS' REPORT

To the members of Ausminerals Limited,

Report on the Financial Report

We have audited the accompanying financial report of Ausminerals Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising Ausminerals Limited (the company) and the entities it controlled (the consolidated entity) at the year end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' Responsibility

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

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

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

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Chartered Accountants
& Business Advisers

Independence

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

Auditors' Opinion

In our opinion:

- (a) the financial report of Ausminerals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity'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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 (z) in the financial report which indicates that the consolidated entity and company have recorded a loss of \$1,489,643 and \$767,988 respectively for the year ended 30 June 2008 and current liabilities of the consolidated entity and company exceed current assets by \$914,190 and \$363,415 respectively.

The on going viability of the consolidated entity and company and the recoverability of their non-current assets are dependent on the success in generating positive cash flows from the lime producing operations and the ability to develop and operate its exploration programmes.

This condition indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity and the company ability to continue as going concerns

Should the consolidated entity and company be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at the amounts that differ from those stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 7 of the Directors' Report for the year ended 30 June 2008. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors' Opinion

In our opinion the Remuneration Report of Ausminerals Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.

PKF


Bruce Gordon
Partner

Sydney 30 September 2008

NSX additional Information

Additional information required by the National Stock Exchange of Australia 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>