

CONCENTRATED CAPITAL LIMITED
ABN 34 087 730 667

Financial Report

for the year ended 30 June 2004

Corporate Information
ABN 34 087 730 667

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Melbourne Vic 3000
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Menzies & Partners
Level 9
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Phone: (03) 9602 1500

Bankers

National Australia Bank Limited

Share Register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
Phone: 1300 137 328

Auditors

Ernst & Young
Level 28
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MELBOURNE VIC 3000

Website Address

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Chairman's Report

This year has been one of opportunities and expectations.

In addition to direct investments in West Pine Ridge and Avalon Investments, your Board has diversified the portfolio of oil and gas exploration and production with an investment into petroleum services.

In respect to opportunities your Board took various decisions during the year to both protect and enhance shareholder value. These included:

- Advising the PDF Board of your Board's decision to hand back its PDF Licence, thereby opening up the opportunity to use your Company's scrip as a form of currency in identifying further investment opportunities. This action also has potential taxation consequences and shareholders are encouraged to seek independent financial advice as to the impact on them personally;
- Undertaking a successful placement to Professional Investors which raised \$667,549 and allowed your Company to make a \$500,000 initial investment in Convertible Notes issued by Middle East Petroleum Services Limited (MESL). MESL is essentially a vertically integrated services business with significant contracts already on foot in Iran which is seeking an Alternative Investments Market (AIM) listing in the United Kingdom before the end of the year;
- On 25 June 2004 the Company issued a prospectus for a Non-renounceable Rights Issue to Eligible Shareholders of up to approximately 1,180,381 New Shares and Options on the basis of 1 New Share for every 10 Shares held as at 5.00pm (EST) on 5 July 2004 at an issue price of fifty-five cent (\$0.55) per New Share with a free attaching Option exercisable at thirty-five cents (\$0.35) on or before 30 June 2006 to raise approximately **\$649,209.55** (before expenses) to enhance working capital reserves of your Company and provide it with resources to undertake further investment opportunities. The issue closed on 27 August 2004 (although your Board now has a 3 month window to place any shortfall), raising **\$55,365.15** through the allotment of 91,573 new shares and free attaching options respectively; and
- Your Company's interest in the Avalon Partnership has increased during the year from approximately 3.39% to 3.56% as a result of taking up calls made by Avalon. Your Company's investment in Avalon continues to prosper in value particularly in light of increased energy prices during the year.

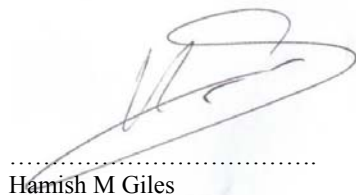
With regard to the coming year, your Directors will pursue the following strategies and investments;

- We are currently seeking to farm out a part interest in the coal prospects in Queensland;
- Your Board is seeking to enhance liquidity in the Company's shares and is investigating opportunities both within Australia and overseas to achieve both enhanced value and liquidity;
- Your Board has had a number of discussions with the board of Pooled Mining Investments Limited (PMI). PMI have a range of investments in the same areas as your Company. However, there appears, at present, to be little chance of any outcome which would benefit shareholders and these discussions are now on hold; and
- Your Board continues to investigate the opportunities presented to it by Avalon.

The Company's financial position as at 30 June 2004 reflects expenditure incurred to allow the Company to continue participation in the West Pine Ridge Project, the Avalon Partnership, the coal prospect in the Surat Basin, participation in the Swearingen Project and a new investment in the Iranian Project.

The Company has enjoyed strong support for the recent placement of shares. All funds for the Iranian Project have been fully committed. In light of this the Company is in a financial position to undertake its obligations pursuant to the drilling programs and operating agreements that the Company continues to be committed to.

Finally I would like to thank you for your continued support and for the contribution made by the Board to the operations of the Company



.....
Hamish M Giles
Chairman

Signed this 29th day of September 2004

Directors' Report

Your directors submit their report for the year ended 30 June 2004.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Hamish M Giles (LLB, BEC) **Chairman of Directors**

Mr Giles is founder and a director of a Melbourne based consultancy firm. Salmon Giles Pty Ltd which offers strategic consultancy services in areas including human resource management consulting, strategic industrial relations consulting, accounting and tax planning services, remuneration structuring, personal wealth and contingency services.

Mr Giles established Salmon Giles Pty Ltd 16 years ago after working with Arthur Andersen and McIntosh Securities. Mr Giles has qualifications in Law and Accounting and provides advice in relation to enterprise bargaining, innovative remuneration and incentive arrangements, business consulting and taxation planning. His clients include government, city councils, the health care industry and a wide range of private companies and high net worth individuals.

He is a founding director of HarvestRoad Limited and is Chairman of their Audit and Compliance Committee.

Mr Giles is Chairman of the Audit and Compliance Committee and Board Appointments Committee of the Company.

Christopher Kenneth George Rowe **B.A., M.A., (Economics and Law) Cambridge University** **Non Executive Director**

Mr Rowe migrated to Western Australia in 1970 and began legal practice with a leading commercial law firm. He became a Partner of the firm in 1972 where he practiced in the areas of corporate advisory, commercial, mining and taxation law for clients predominantly associated with the mining and general resources sector.

In 1979, Mr Rowe was appointed executive chairman of Cultus Petroleum N.L (ASX and Alberta) and other associated companies including Southern Ventures N.L (ASX). He remained in that position until 1990. Mr Rowe was responsible for the day to day activities of Cultus and completed a number of capital raisings during that time in Australia, England and Canada. During this period the group was involved in exploration activities which resulted in oil and gas discoveries in the United States, Australia and New Zealand, and the discovery of the Gabanintha Gold Mine at Meekatharra.

In 1990, Mr Rowe left Cultus to take a position as Counsel assisting the Western Australian Royal Commission into the Commercial Activities of the Government and Other Matters.

Since 1993, Mr Rowe has been a principal of Thames Capital (Thames) and in 2001 was appointed Executive Chairman of Hawkesbridge Private Equity a wholesale private equity fund manager based in Sydney.

Mr Rowe is currently a director of Hawkesbridge Limited (Executive Chairman), Northern Star Resources Ltd (ASX) (Chairman), Unilink Data Systems Pty Ltd (Chairman) Middle East Petroleum Services Ltd (Executive Chairman) and is on the Advisory Board of Avalon Oil & Gas Group (Midland, Texas).

Mr Rowe has held the following public company positions, Chairman of Cultus Petroleum NL (ASX), International Oiltex Limited, (Alberta) Deputy Chairman of UTS Energy Corporation (TSX), Director of Horizon Oil NL (NZX), Director and Chairman of Aerodata Holdings Ltd (ASX).

For four years from 1993 he served on the Environmental Protection Authority in Western Australia, the final six months as deputy chairman.

Mr Rowe is Chairman of the Strategic Review and Operations Committee of the Company and a member of the Board Appointments Committee.

Directors' Report continued

Peter Reilly (BBac, CA) Non Executive Director

Mr Reilly has 30 years experience and achievement in Senior Executive roles most recently as Managing Director Chief Executive Officer of Ausdoc Group Limited.

Ausdoc was a publicly listed company with operations involved in couriers, express freight, processing and delivery of business mail, records management and logistics operating in Australia, New Zealand and Canada. Peter has successfully built high performance teams, developed and implemented financial and business plans, undertaken acquisitions and divestments and tapped into capital markets.

From a base in 1991 of A\$42m revenue and A\$6m EBITA under the stewardship of Peter, Ausdoc grew to a market capitalization in excess of A\$200m, an enterprise value of A\$350m and over 2,000 employees.

Mr Reilly has undertaken a number of strategic acquisitions, divestments and business developments within Ausdoc and brings to the Board of Concentrated Capital, significant commercial experience as a Public Company Director.

Mr Reilly is Chairman of the Risk Management Committee of the Company and a member of the Audit and Compliance Committee and Strategic Review and Operations Committee.

Mr Reilly is currently a director of Ausdoc Holdings Pty Ltd, CPI Group Limited, Acumentum Pty Ltd, Residential Aged Services Pty Ltd and Sirecam Group Pty Ltd.

Executives

Company Secretaries

Hamish Giles (appointed 21 March 2001)

Peter Reilly (appointed 31 May 2004)

Richard Baker (appointed 24 June 2004)

Mr Baker is a director of Salmon Giles Pty Ltd and specialises in corporate advice and taxation consulting.

Prior to his appointment at Salmon Giles Pty Ltd he held several financial controller positions in the construction services and retailing industries.

Mr Baker has qualifications in Economics and Accounting.

Retired Secretary

Stephen Danne (retired 31 May 2004).

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Concentrated Capital Limited were:

	Ordinary Shares Fully Paid	Options over Ordinary Shares
	Number	Number
H.Giles	158,750	375,000
P.Reilly	2,262,916	-
C.Rowe	-	-
	2,421,666	375,000

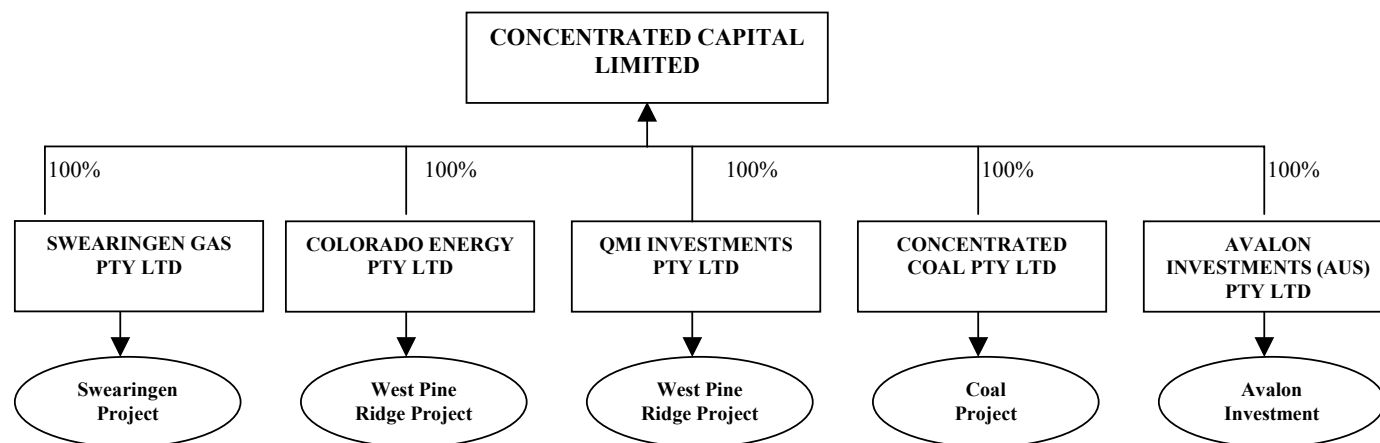
Directors' Report continued

The Company has 5 wholly owned subsidiaries as follows:

- Swearingen Gas Pty Ltd (ACN 100 609 998);
- Colorado Energy Pty Ltd (ACN 100 609 952);
- Concentrated Coal Pty Ltd (ACN 099 939 027);
- QMI Investments Pty Ltd (ACN 099 936 875); and
- Avalon Investments (Aus) Pty Ltd (ACN 103 074 102).

Each of those subsidiaries has been a wholly owned subsidiary from incorporation.

- Swearingen Gas Pty Ltd was formed with the intent to farm into the Swearingen Project;
- Colorado Energy Pty Ltd has farmed into the West Pine Ridge Project;
- Concentrated Coal Pty Ltd has made applications for the coal permits in the Surat in Queensland;
- QMI Investments Pty Ltd has farmed into the West Pine Ridge Project; and
- Avalon Investments (Aus) Pty Ltd has made investments into the Avalon Oil Company Partnership ("Avalon").



Employees

The consolidated entity employed three (3) employees as at 30 June 2004 (2003: 4 employees).

Nature of operations and principal activities

For the year ended 30 June 2004, the Company continued the execution of its Corporate Strategy and Business Plan which included:

- A placement completed in June 2004 which provided funds for the company to make an investment in the Iranian Project as well as working capital to assist in the continued investment in Avalon;
- The issuance of a Prospectus dated 25 June 2004 in order to raise moneys to provide working capital and put the Company in a position to take advantage of opportunities as they may arise;
- Further investment of approximately A\$30,178 in the Avalon Oil Company Partnership and increasing the Company's interest to approximately 3.56%;
- The investment on 24 June 2004 of \$500,000 into Middle Eastern Petroleum Services Ltd of Convertible Notes; and
- On 2 March 2004 the Directors resolved that the Pooled Development Fund structure no longer suited the Corporate Strategy and hence the PDF licence was surrendered. Official notification from the PDF Board was received by the Company on 16 March 2004.

Directors' Report continued

Investments for Future Performance

This year has been one of opportunities and expectations.

In addition to direct investments in West Pine Ridge and Avalon Investments, your Board has diversified the portfolio of oil and gas exploration and production with an investment into petroleum services.

In respect to opportunities your Board took various decisions during the year to both protect and enhance shareholder value. These included:

- Advising the PDF Board of your Boards decision to hand back its PDF Licence, thereby opening up the opportunity to use your Company's scrip as a form of currency in identifying further investment opportunities. This action also has potential taxation consequences and shareholders are encouraged to seek independent financial advice as to the impact on them personally;
- Undertaking a successful placement to Professional Investors which raised \$667,549 and allowed your Company to make a \$500,000 initial investment in Convertible Notes issued by Middle East Petroleum Services Limited (MESL). MESL is essentially a vertically integrated services business with significant contracts already on foot in Iran which is seeking an Alternative Investments Market (AIM) listing in the United Kingdom before the end of the year. Details of MESL are further outlined below;
- On 25 June 2004 the Company issued a prospectus for a Non-renounceable Rights Issue to Eligible Shareholders of up to approximately 1,180,381 New Shares and Options on the basis of 1 New Share for every 10 Shares held as at 5.00pm (EST) on 5 July 2004 at an issue price of fifty-five cent (\$0.55) per New Share with a free attaching Option exercisable at thirty-five cents (\$0.35) on or before 30 June 2006 to raise approximately **\$649,209.55** (before expenses) to enhance working capital reserves of your Company and provide it with resources to undertake further investment opportunities. The issue closed on 27 August 2004, raising **\$55,365.15** through the allotment of 91,573 new shares and free attaching options respectively; and
- Your Company's interest in the Avalon Partnership has increased during the year from approximately 3.39% to 3.56% as a result of taking up calls made by Avalon. Avalon is currently negotiating for the sale of its interest in the Jewel Box project which will result in the pay down of debt and the freeing up of cash reserves. Your Company's investment in Avalon continues to prosper in value particularly in light of increased energy prices during the year. Avalon continues to identify new investment opportunities that are being assessed by your Board as they are presented.

In respect to expectations and their status:

- On 11 August 2004 the following announcement was made to the Newcastle Stock Exchange:

“The Board of Directors advise that the recent drilling of the Peroulis #1 well at West Pine Ridge, Colorado has not been successful.

An initial well was drilled, the results from which were inconclusive. Sufficient optimism existed for the well to be re-perforated in an attempt to establish the existence of a commercially productive zone. Unfortunately the target structure only produced water, albeit the well did confirm the existence of coal beds which may have potential for methane production.

A final report on the Peroulis #1 well will be prepared in due course. Following delivery of this final report CCL and its partners in West Pine Ridge will consider the future of the project including its potential for other structures and possible methane development from coal beds.

The Directors have however resolved to take a conservative view and provide for a write down in the value of the capitalised exploration expenditure on West Pine Ridge by \$250,000 to a carrying value of \$120,000 as at 30 June 2004. This write down relates to all the costs associated with the Peroulis #1 well.”

Directors' Report continued

The results from the well are very disappointing as the Company and its partners had a strong belief that the well would prove up the geology of the area and achieve indications of productive oil flows.

Your Directors will make a decision in respect to the prospect after receipt of the final report to the partners;

- The Partners resolved not to drill the Swearingen Prospect at this time;
- The Company is currently seeking to farm out a part interest in its coal prospects in Queensland;
- Your Board is seeking to enhance liquidity in the Company's shares and is investigating opportunities both within Australia and overseas to achieve both enhanced value and liquidity; and
- Your Board has had a number of discussions with the board of Pooled Mining Investments Limited (PMI). PMI have a range of investments in the same areas as your Company. However, there appears, at present, to be little chance of any outcome which would benefit shareholders and these discussions are now on hold.
- The MESL Convertible Notes will earn a coupon of 10% per annum and subject to its AIM listing, will convert into shares in the listed entity at 70% of the issue price. MESL has a range of operating subsidiaries and holds all 'A' class shares representing 49% of the share capital in those subsidiaries with an attaching entitlement to 75% of distributed profits.

An outline of the activities of the businesses comprising the Iranian Project is as follows:

a) **Keyhan Exploration and Production Services (KEPS)**

KEPS was established in late, 1999 to provide the following services.

Technical Services:

- Project Management Services (drilling, geology, geophysics and HS&E)
- Geosciences, Petroleum Engineering, Reservoir Management, Geology & Geophysics
- Industry specific IT services
- Health Safety & Environment (HS&E)
- Training and technology transfer

Additional Non-Technical Services:

- Increase "Local Content"
- Inter-cultural liaison
- Visa/work permit/social security requirements, etc.
- Language/translation

Major clients of KEPS include the National Iranian Oil Company, Norske Hydro, Edison Gas and Inpex on behalf of a consortium of Japanese companies who have recently been awarded a contract to develop the largest onshore oil field in Iran. KEPS which is managed by New Zealander, Arnold Picard, currently turns over approximately US\$1.5M per annum. It has recently been invited to tender for a number of additional contracts. In addition, it has recently finalised an agreement with Australian Core Services (ACS), a company which operates core and fluid analytical laboratories in the oil and gas industry and which operates in Australia, Egypt and Canada, amongst other countries. Under the terms of this agreement KEPS and ACS will establish an analytical laboratory at Kish Island in the Gulf to service the industry not only in Iran but elsewhere in the region.

b) **Terras Persia Seismic Company (TPS)**

This company was established in mid 2002 to carry out seismic acquisition on behalf of oil and gas explorers in Iran. There are currently only 2 other seismic acquisition companies operating in Iran operating 3 crews between them. TPS is the only one equipped to carry out high altitude recording. The company recently achieved what is believed to be an altitude record in

Directors' Report continued

Iran, completing a programme at a height of 10,200 feet (3,124 metres). On 27 August, 2002, TPS was awarded a US\$32M contract to acquire seismic data on behalf of the National Iranian

Oil Company over a 2 year period. This contract is approximately 15% completed. TPS is currently tendering for additional contracts and intends to use funds raised on the AIM listing to increase its presence to either three 2D crews or one 3D and one 2D crew.

c) **Bareen International Drilling Company (BIDCO)**

This company was recently established with the Tabassi Group sharing ownership with (SAFF), a major Iranian heavy engineering company which provides services to the oil and gas industry.

BIDCO has recently been invited to prequalify for a major drilling contract for Inpex. This would commence initially with one rig but would ultimately require 4 rigs to drill a total of 37 wells, some multi-lateral and the remaining horizontal.

BIDCO has a memorandum of understanding with the Australian company Oil Drilling & Exploration Limited (ODE) which is, in turn, owned by the major Canadian drilling company Ensign Drilling. Negotiations are progressing which BIDCO anticipates will lead to a bid for this contract.

d) **Al Mashriq Oil and Gas Supplies (AMOGS)**

AMOGS has been established to provide procurement of material, equipment and machinery for upstream and downstream projects of the petroleum and petrochemical industries including:

- Procurement of Iranian and International Supplies
- Increase local content
- Provision of storage and warehousing
- Custom clearance processing
- Inventory management
- Short, medium and long term Industry supply and demand projection
- EPC facilitation.

With the expected increase in oil production and in particular with the development of the South Pars Gas field in the Gulf, there is expected to be a significant increase in requirements for engineering services and in particular procurement of materials.

AMOGS is in the process of establishing a presence at Kish Island, an Iranian Government-approved Trade Free Zone to provide services in this area. AMOGS intends to establish a number of strategic alliances with engineering and other groups involved in both upstream and downstream development.

e) **Kish Petroleum Company (KPC)**

This company has been established to take advantage of any opportunity that may arise to tender for oil and gas exploration and development permits in Iran. KPC has, on behalf of KPC, entered into a joint venture with an international oil exploration and production company to review, select and bid for exploration and development areas in Iran. MESL will fund KPC until permit grant. KPC will seek separate funding for any exploration development.

f) **Enochs Point Pty Ltd (EPPL)**

EPPL holds an interest in 5 gold tenements in the State of Victoria Australia. One of the permits has already been farmed out and EPPL is actively seeking to dispose of or farm out its interest in the other permits.

Directors' Report continued

Your Board sees many opportunities in the coming year to both enhance shareholder value and create greater liquidity and thanks you for your patience as these strategies unfold.

Review of Financial Condition

The Company's financial position as at 30 June 2004 reflects expenditure incurred to allow the Company to continue participation in the West Pine Ridge Project, the Avalon Partnership, the coal prospect in the Surat Basin, participation in the Swearingen Project and a new investment in the Iranian Project.

The Company has enjoyed strong support for the recent placement of shares. All funds for the Iranian Project have been fully committed. In light of this the Company is in a financial position to undertake its obligations pursuant to the drilling programs and operating agreements that the Company continues to be committed to.

The Company has also raised capital via a Rights Issue. The funds from the Rights Issue will be used for working capital.

Capital Structure

The Company's capital comprises 11,803,810 ordinary shares as at 30 June 2004.

Risk Management

The Company takes a proactive approach to Risk Management. The Board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company has established the following Committees in order to manage its risk:

- Audit & Compliance Committee;
- Strategic Review & Operations Committee;
- Board Appointments Committee; and
- Risk Management Committee.

In addition, all directors have signed letters of appointment which reflect their personal obligations to deliver services to the Board of the Company.

One of the key objectives to the Board is to ensure timely, transparent and accurate communication with all Shareholders and compliance with all regulatory requirements. To this effect, the Board has established the abovementioned Committees and these Committees are fully operational during the financial reporting year ending 30 June 2004.

Significant changes in the State of Affairs

- Relinquishing PDF licence which was confirmed by PDF Board on 16 March 2004.
- On 30 March 2004, the Company advised members that it had identified an opportunity to invest in the Iranian Project;
- In May 2004, the Company undertook a placement of shares to Sophisticated Investors raising \$667,545 through the placement of 1,213,727 shares at \$0.55, with attaching option exercisable at \$0.35 up to 30 June 2006; and
- On 25 June 2004, a prospectus was lodged with ASIC offering a non-renounceable rights issue on a 1:10 basis to existing shareholders on the same terms as the aforementioned placement.

Directors' Report continued

Indemnification and Insurance of Directors and Officers

During the financial year, the Company did not undertake to insure Directors of the Company.

Emoluments of Directors and Executives of Concentrated Capital Limited

Details of the nature and amount of each element of the emolument of each director of the Company for the financial year are as follows:

Name	Number of Shares	\$	Base Fee (\$)	Estimated Value (\$)
Directors				
Hamish Giles	32,084	17,500	12,500	30,000
Chris Rowe	-	-	-	-
Peter Reilly	22,916	12,500	7,500	20,000
Executives				
Stephen Danne	13,750	7,500	22,500	30,000
Richard Baker	-	-	-	-
	68,750	37,500	42,500	80,000

No Options have been issued as part of remuneration during the year.

On 1 October 2003, 37,500 Shares were issued at A\$0.50c each in lieu of payment for services rendered totalling A\$18,750 in relation to controlled entities for the six months to 31 December 2003.

On 25 February 2004, 15,625 Shares were issued at A\$0.60c each in lieu of payment for services rendered totalling A\$9,375 in relation to controlled entities for the three months to 31 March 2004.

On 23 April 2004, 15,625 Shares were issued at A\$0.60c each in lieu of payment for services rendered totalling A\$9,375 in relation to controlled entities for the three months to 30 June 2004.

Meetings of Directors and Committees

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Meetings of Committees				
	Directors' Meetings	Audit & Compliance	Risk Management	Strategic Review & Operations	Board Appointments
Number of meetings held:	19	3	2	2	2
Number of meeting attended:					
H.Giles	19	3	-	-	2
C.Rowe	17	-	-	2	2
P.Reilly	17	3	2	2	-
S.Danne (resigned 31 May 2004)	-	3	2	2	-

Directors' Report continued

Committee membership

As at the date of this report, the Company had an Audit & Compliance Committee, a Risk Management Committee, a Strategic Review & Operations Committee, and a Board Appointments Committee with Board agreed charters all appointed as sub Committees of the Board.

Members acting on the committees of the Board during the year or subsequently appointed were:

Audit & Compliance	Risk Management	Strategic Review & Operations	Board Appointments
H. Giles (Chairman) P. Reilly	P. Reilly (Chairman) S. Danne (Resigned 31 May 2004)	C. Rowe (Chairman) P. Reilly	H. Giles (Chairman) C. Rowe
S. Danne (Resigned 31 May 2004)		S. Danne (Resigned 31 May 2004)	

Corporate governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Concentrated Capital Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the directors.



.....
Hamish M Giles
Chairman

Signed this 29th day of September 2004

Corporate Governance Statement

This statement outlines the main Corporate Governance Practices adopted and approved by the Board.

These Policies have been adopted by the Board pursuant to the ASX Corporate Governance Counsel "Principals of good Corporate Governance and best practice recommendations" issued by the ASX on 31 March 2003.

The Practices are in place at the present time and are dealt with under the following headings:

1. Board of Directors and its Committee's;
2. Internal Control Framework; and
3. The role of Shareholders.

1. Board of Directors and its Committee's

A. Role of the Board

The Board's primary role is the protection and enhancement of long term Shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board is responsible for:

- Providing entrepreneurial leadership for the Company;
- The appointment and removal of Key Executive staff including the Chief Executive Officer and the Chief Financial Officer;
- Setting Corporate Strategy and Performance Objectives;
- Reviewing and ratifying systems of Risk Management and Internal Compliance and Control, Codes of Conduct, Delegations Manuals and Legal Compliance;
- Monitoring Management's Performance and Implementation of Strategy and ensuring appropriate Human and Financial Resources are available; and
- Approving and monitoring Capital Expenditure, Capital Management and Acquisition and Divestitures.

The terms and conditions of the appointment and retirement of non-Executive Directors are set out in the letter of appointment.

The appointment letter includes the following matters:

- Details of the induction process;
- The manner in which remuneration is determined;
- The term of the appointment (subject to Shareholder approval);
- The expectation of the Board in relation to attendance and preparation for all Board meetings;
- The Committee's to which the Director may be expected to be appointed;
- The procedures for dealing with conflicts of interest;
- The availability of independent professional advice;
- The acceptance of other Directorships; and
- A copy of the Constitution of the Company is also provided.

Corporate Governance Statement continued

The Chairman reviews the performance of all Directors each year. Directors whose performance is unsatisfactory are asked to retire.

Non-Executive Directors are expected to attend 90% of all Board meetings and to attend in person a minimum of two (2) Board meetings per year. Non-Executive Directors are expected to devote a minimum of two (2) days per month in respect to attending to Board matters including attendance on various Board Committee's. Non-Executive Directors are not expected to sit on more than three (3) Public Company Boards.

Senior Executive Management are provided with Contracts of Employment incorporating formal job descriptions and performance parameters.

The Board has resolved the appointment and/or removal of a Company Secretary shall be a matter for decision by the Board as a whole.

B. Composition of the Board

The Composition of the Board is determined using the following principals:

The Board should comprise a minimum of three (3) Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or where an outstanding candidate is identified.

- Where practicable, the Chairman of the Board should be an independent non-Executive Director;
- The Board should comprise a majority of non-Executive Directors, with at least 50% of the Board being independent non-Executive Directors;
- An independent non-Executive Director is a Director who is not a member of Management or a full time employee and who:
 - has not within the last three (3) years been employed an Executive capacity by the Company;
 - is not a significant supplier or customer to the Company or an Officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
 - has no material contractual relationship with the Company or another group member other than as a Director of the Company;
 - is free of any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interest of the Company;
 - is not a substantial Shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial Shareholder in the Company;
 - in the last three (3) years has not been a Principal or Employee of a Material Professional Advisor or a Material Consultant to the Company or another group member, or an Employee materially associated with the service provided; and
 - has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interest of the Company.
- The Board should have enough Directors to serve on various Committee's of the Board without over burdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- The Board should comprise Directors with a broad range of expertise both nationally and internationally.

Corporate Governance Statement continued

C. Board Appointments Committee

Background

The Board Appointments Committee (“**Committee**”) is a Committee established by the Board to review the composition of the Board and ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Board.

The Board believes that the individual performance of the Directors of the Company has a significant bearing on the success of the Company and that each Director should be independently accountable in respect to their contribution. The Board is cognisant of the need to ensure that appropriate expertise and skills exist within the Board in order for the Board to address current issues of the Company and focus on the strategic plans of the Company.

Constitution

The Committee has been established by a Board resolution and has the power to obtain information from management. The Committee also has the right to seek independent professional advice, when considered necessary.

Charter

a) Objectives

- Review the individual performance of Directors against key performance indicators and agreed benchmarks;
- Identify potential candidates who could provide services as a new Director of the Company;
- Utilise professional external consultants where necessary to identify potential candidates;
- Establish key performance indicators for Directors; and
- Establish and monitor the Company’s Director education program.

b) Composition of the Board Appointments Committee

The Committee shall initially consist of the Chairman, a non Executive Director appointed by the Chairman and an external consultant, when required.

The Chairman shall chair the Committee.

The Chief Executive Officer of the Company shall be invited to attend Committee meetings.

Members of the Committee shall be appointed for an initial three (3) year term of office after which their appointment may be subject to annual rotation.

c) Meetings

The Committee shall meet as and when required.

The Chairman will determine when meetings are to be held having regard to the needs of the Company and on the recommendation and advice of an external consultant.

The Chairman will call a meeting of the Committee if so requested by any Committee member, the Board or the Chief Executive Officer.

Corporate Governance Statement continued

d) Responsibilities

The Committee shall consider all matters in respect to the appointment of Board members and a review of the performance of Board members including:

- The development of an appointment letter for Board members;
- Identification of the induction process for Board members;
- The term of appointment of Board members, subject to shareholders approval;
- The expectation of the Board in relation to attendance and preparation for all Board meetings;
- The Committees to which the Director may be expected to be appointed;
- The procedures for dealing with conflicts of interest;
- The establishment of a Directors continuous education program; and
- The establishment of key performance indicators and responsibilities for each Director.

e) Reporting

The Chairman of the Committee shall report the findings and recommendation of the Committee to the Board as soon as practicable after a recommendation has been made. The Minutes of all Committee meetings shall be circulated to members of the Board.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year.

D. Audit and Compliance Committee

Background

The Audit and Compliance Committee (“**Committee**”) is a committee established by the Board of the Company to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its Statutory reporting requirements.

The Board of the Company believe that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

Corporate Governance Statement continued

Constitution

The Committee has been established by a Board resolution and has the power to obtain information from management and to consult directly with the Auditors of the Company.

The Committee also has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances accept the delegation of Executive power in respect to the operations of the Company or undertake activities in a manner which could be construed to impinge on the Executive role of the Company.

Charter

a) Objectives

- Provide enhanced public confidence in the credibility and objectivity of financial information released to the public;
- Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities;
- Improved quality of financial reporting;
- Augment non Executive Directors' knowledge and understanding of financial information;
- Increase focus on the corporate risk profile of the Company including the level of authority delegated to management by the Board;
- Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and management action to maintain and improve them;
- Assist the Finance Director/Financial Controller by providing a forum in which to raise issues of concern;
- Increase Directors' understanding of the nature and scope of the statutory audit and where applicable, internal audit;
- Provide a framework within which the external Auditors can assert their independence in the event of a dispute with management;
- Strengthen the position of the internal audit function, by providing a greater degree of independence from management; and
- Provide improved communication between the external Auditor and the Board.

Corporate Governance Statement continued

b) **Composition of the Audit and Compliance Committee**

The Committee shall consist of a minimum of two (2) non Executive Directors appointed by the Board, and the Company Secretary.

The Board shall determine the Chairman of the Committee and the Chairman may choose to expand the membership of the Committee by the appointment of external professionals to the Committee or by the appointment of further non Executive Directors of the Company to the Committee. The Chairman will be a non Executive Director. Should the Chairman of the Committee be absent from a meeting, the members of the Committee present shall appoint an acting Chairman for that meeting.

The Chief Executive Officer and other senior management of the Company may be invited to attend Committee meetings. Advisers and other parties external to the Company may also be invited to attend meetings of the Committee, as the Chairman considers appropriate.

A quorum of the meeting will consist of two members of the Committee.

Members of the Committee shall be appointed for an initial three (3) year term of office after which their appointment may be subject to annual rotation.

c) **Meetings**

The Committee is expected to meet three (3) times per year and more often where specifically required to.

The content of the meetings shall be determined have regard to the financial reporting and audit cycle of the Company and having specific reference to NSX listing requirements.

The Company Secretary of the Company shall be appointed Secretary of the Committee. Minutes of the meetings shall be prepared by the Secretary, as required, approved by the Chairman and circulated to all members of the Committee for their approval. The Secretary shall, in conjunction with the Chairman, draw up an agenda which will be circulated at least ten business days prior to each meeting to the members of the Committee.

The Chairman will call a meeting of the Committee if so requested by any Committee member, the Finance Director/Financial Controller or the internal or external Auditors.

Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by all the members of the Committee, provided that such written consent shall be filed with the minutes of the proceedings of the Committee.

The Constitution of the Company shall govern the regulation of the meetings and proceedings of the Committee, so far as the Constitution may be applicable.

Corporate Governance Statement continued

d) Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and NSX listing requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee are as follows:

- reviewing financial statements and other financial information distributed externally and determine whether or not to recommend their acceptance by the Board;
- monitoring corporate risk assessment and internal controls instituted and implementing internal controls to manage those risks;
- monitoring the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- reviewing internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the external Auditors;
- liaising with the external Auditors and ensuring that the annual and half year statutory audits are conducted in an effective manner;
- monitoring the procedures in place to ensure that the Company is in compliance with the Corporations Law, NSX Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Corporations Law and the listing rules of Newcastle Stock Exchange Limited;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities;
- ensuring that a corporate Code of Ethics is established and periodically reviewed;
- initiating and supervising special investigations;
- reviewing risk management practices, including the Company's use of derivatives;
- reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between the Company and members of management;
- reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements;
- reviewing reports on certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;

Corporate Governance Statement continued

- reviewing reports on the adequacy of insurance coverage;
- formulate, review and monitor compliance with and investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters effecting the Company;
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principals and other associated documents dealing with, amongst other matters:
 - a) the structure and responsibilities of the Board;
 - b) the proper relationship between the Board and management including the proper relationship between the roles of Chairman and Managing Director;
 - c) the responsibilities of management;
 - d) the proper relationships between the Company and its shareholders, suppliers and customers and employees;
 - e) business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest and their appropriate disclosure of such dealings; and
 - f) ethical and other matters considered by the Committee to be relevant to good corporate governance practice.
- to monitor compliance with the statement and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
- to formulate for Board approval and review and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters; and
- to act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or the Managing Director.

e) Reporting

The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board. The Chairman shall submit an annual report to the Board summarising the Committees activities during the year and the related significant results and findings.

Corporate Governance Statement continued

E. Strategic Review and Operations Committee

Background

The Strategic Review and Operations Committee ("**Committee**") is a Committee established by the Board to review the operational activities of the Company. As the Company at present has not appointed a Managing Director, this Committee has strategic and operational responsibility and reports directly to the Board. In the event that the Company appoints a Managing Director, then this Committee will support the activities of the Managing Director.

Constitution

The Committee has been established by a Board resolution.

The Committee has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances accept the delegation of Executive power in respect to the operations of the Company or undertake activities in a manner which could be construed to impinge on the Executive role of the Company.

Charter

a) Objectives

- Provide an interface to the Board on the operational activities of the Company;
- Develop the Business Plan and Budgets for review by the Board;
- To keep the Board apprised of variances against the Business Plan and Budgets;
- To liaise with the Risk Management Committee and assess and determine any risks that may become apparent from an operational stand point; and
- To meet on a regular basis in order to provide executive management to the activities of the Company or in the event of an MD being appointed to support the MD's activities.

b) Composition of the Strategic Review and Operations Committee

The Committee shall consist of a minimum of two (2) non Executive Directors appointed by the Board, and the Company Secretary.

The Board shall determine the Chairman of the Committee and the Chairman may choose to expand the membership of the Committee by the appointment of external professionals to the Committee or by the appointment of further non Executive Directors of the Company to the Committee. The Chairman will be a non-Executive.

Director. Should the Chairman of the Committee be absent from a meeting the members of the Committee present shall appoint an acting Chairman for that meeting.

The Chief Executive Officer and other senior management of the Company may be invited to attend Committee meetings. Advisers and other parties external to the Company may also be invited to attend meetings of the Committee as the Chairman considers appropriate.

A quorum of the meeting will consist of two members of the Committee.

Members of the Committee shall be appointed for an initial three (3) year term of office after which their appointment may be subject to annual rotation.

Corporate Governance Statement continued

c) Meetings

The Committee is expected to meet two (2) times per year and more often where specifically required to.

The content of the meetings shall be determined having regard to the operational requirements of the Company and having specific reference to the review of the Company's Business Plan and development of budgets.

The Company Secretary of the Company shall be appointed Secretary of the Committee. Minutes of the meetings shall be prepared by the Secretary, as required, approved by the Chairman and circulated to all members of the Committee for their approval. The Secretary shall, in conjunction with the Chairman, draw up an agenda which will be circulated at least ten business days prior to each meeting to the members of the Committee.

The Chairman will call a meeting of the Committee if so requested by any Committee member, the MD (once appointed) or the Board.

Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by all the members of the Committee, provided that such written consent shall be filed with the minutes of the proceedings of the Committee.

The Constitution of the Company shall govern the regulation of the meetings and proceedings of the Committee, so far as the Constitution may be applicable.

d) Responsibilities

- Provide support to the Managing Director (MD) and senior management team on identifying issues of strategic importance and providing possible directions;
- Provide support to the MD in considering step-out opportunities to reduce product/business dependence & risk and to provide the business with growth options;
- Promote a frequent and robust process for strategy debate and agreement by the MD and senior management and involving the Board;
- Ensure that the Company maintains focus on potential for unsolicited acquisition – not to prevent this – but to ensure that it only occurs at a fair valuation;
- Ensure that the Company maintains a watching brief for strategic acquisitions;
- Ensure that the Company is proactive in managing its register and in attracting strategic partners onto the register where this is considered sensible;
- Develop and monitor the Business Plan in consultation with the Board;
- Establish the business Budgets and assess the performance of the business against the Budgets and Business Plan;
- Develop, review and assess Business Forecasts and Cashflow Forecasts;
- Review and advise the Board on the Farm-in activities of the Company and compliance with these agreements; and
- Monitor and assess the operational activities of the Company.

Corporate Governance Statement continued

e) Reporting

The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board. The Chairman shall submit an annual report to the Board summarising the Committees activities during the year and the related significant results and findings.

F. Risk Management Committee

The Board has established a sound system of Risk Oversight and Management of Internal Control.

Background

The Risk Management Committee (“**Committee**”) is a Committee established by the Board of the Company to provide risk management assessment of the business activities of the Company.

The Board has resolved that this Committee shall be a sub committee of the Audit & Compliance Committee.

Constitution

The Committee has been established by a Board resolution and ratified as a sub-committee of the Audit & Compliance Committee by the Audit & Compliance Committee.

The Committee has the right to seek independent professional advice when considered necessary.

Charter

a) Objectives

- To establish a Risk Management process which objectively assesses the risks of the Company in their business activities;
- To provide quantitative and qualitative assessment of risks;
- To develop Risk Action Plans and ensure that management responds to these plans and reports to this Committee as to their response;
- To liaise with the external auditors in respect to their assessment of risks encountered by the Company in its ongoing business activities; and
- To assess the business plans developed by management in consultation with the Audit & Compliance Committee and independently determine risks associated with those business plans.

b) Composition of the Risk Management Committee

The Audit & Compliance Committee shall determine the Chairman of this Committee which will at all times be a non executive Director.

The Committee shall initially consist of two non Executive Directors and the Company Secretary.

A quorum of the meeting will consist of three members of the Committee, inclusive of the Chairman.

Members of the Committee shall be appointed for an initial three (3) year term of office, after which their appointments may be subject to annual rotation.

Corporate Governance Statement continued

c) Meetings

Having regard to the Risk Action Plans developed by the Risk Management Committee, the Committee shall meet as and when required and generally on the same timelines as the Audit & Compliance Committee.

The Company Secretary shall act as Secretary to the Committee and shall prepare an agenda and keep minutes in respect to meetings.

The external auditors may be requested to attend Committee meetings.

d) Responsibilities

The Committee shall consider any matters relating to risk assessment of the business activities of the Company including and not limited to:

- Investment strategies;
- Operational activities;
- Assessment and minimisation of potential internal and external fraud;
- NSX Listing obligations;
- Corporate governance; and
- Such other matters the Committee considers to be relevant in assessing the risk of the business.

The duties of the Committee are as follows:

- Monitoring corporate risk and implementing controls to manage those risks;
- Reporting to the Audit & Compliance Committee as to the development of Risk Action Plans and the activities of management in monitoring the risks identified;
- Liaising with external auditors and ensuring the accuracy and timeliness of legislatively required reporting; and
- Continuous review of risk management practices within the Company.

e) Reporting

The Chairman of the Committee shall report its findings to the Chairman of the Audit & Compliance Committee.

The Chairman of the Committee shall report to the Board at each Board meeting with particular reference to the 5 highest ranked Risks of the business and the Risk Action Plans targeted to those Risks.

Corporate Governance Statement continued

G. Remuneration

The Board determines remuneration packages and policies subject to shareholder approval at the Annual General Meeting applicable to the Managing Director, Senior Executives and the Directors themselves. This also includes responsibility for future entitlements under any option plan and share plan, incentive performance packages, superannuation entitlements, retirement and termination entitlement and fringe benefits policies.

To the extent that any Directors have a conflict of interest in respect to remuneration policies they abstain.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. Where appropriate, the Board seeks independent advice on the appropriateness of remuneration packages.

The Shareholders determine at a General Meeting the total remuneration to be paid to non-Executive Directors. When setting fees and other compensation for non Executive Directors, the Board takes independent advice and applies Australian and International benchmarks.

Any share plan, incentives or option incentives are predicated on the enhancement of Shareholder value and the achievement of specific corporate milestones.

The Board has determined that:

- Non-Executive Directors should be remunerated by way of fees and should not participate in schemes designed for the remuneration of Executive Directors;
- Non-Executive Directors may received options and bonus payments subject to the achievement of specific milestones and Shareholder value hurdles determined and agreed by Shareholders at a General Meeting; and
- Non-Executive Directors are only entitled to receive retirement benefits as determined by the law.

H. Directors Dealing in Company Shares

All Directors and Senior Executives must comply with the law regarding to purchase or sale of securities by a person who has inside knowledge (Corporations Law Section 1002G).

As policy, the Company will comply with the continuance disclosure regime under NSX Listing Rules, subject to the exceptions pursuant to that listing Rule whereby certain information may not be provided in circumstances where for example, transactions are incomplete. Directors and Senior Executives therefore acknowledge that there is the potential for a breach of Corporations Law Section 1002G in circumstances where price sensitive information has not been provided to NSX.

In respect to the Company's investor relations, the Company wishes to give to the public, its shareholders, investors, analysts and the financial press, information which properly reflects the activities of the Company and provides the impression that Directors and Senior Executives are focused on the development of the Company and its business rather than continuously dealing in its listed securities.

Corporate Governance Statement continued

In order to minimise any negative perception that may arise from dealing in the Company's securities, Directors and Senior Executives may purchase or sell Company securities within a four week window **after** the day on which:

- a) The half yearly report is filed with NSX;
- b) The preliminary final report is filed with NSX;
- c) The day of the Annual General Meeting; and
- d) The day of listing of the Company on NSX.

In order for a Director or Senior Executive to purchase or sell securities in the Company:

- a) It must be lawful to do so pursuant to Section 1002G of the Corporations Law;
- b) There must be a relevant window as outlined above;
- c) The individual must give notice to the Chairman in the case of a Director and Senior Executives (whether Executive or non Executive) and all Directors in the case of the Chairman;
- d) The information to be provided shall include the number of shares that the Director or Executive wishes to buy or sell and that notification can be either verbal or in writing;
- e) Subject to no negative response within one business day of the notification being provided, the Director or Executive may implement their specific trade/s;
- f) In the event that the Chairman or the CEO provides instruction to a Director or Senior Executive as to perceived dangers or impropriety in trading, that person must heed that warning or instruction;
- g) In the event of a significant dealing in the Company's securities (defined as an amount greater than A\$100,000) the Chairman or CEO shall notify the other Directors of the Company; and
- h) In the case of serious financial need of either a Director or Senior Executive, the Chairman or CEO have the discretion to provide special dispensation in respect to the buying or selling of the Company securities subject always to the proposed dealing being lawful.

The thrust of this policy is to ensure that the Company, Directors and Senior Executives will be saved from embarrassment in undertaking transactions in securities of the Company in circumstances where they may be perceived to have inside information (whether or not that is the actual case).

I. Independent Professional Advice and access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A Copy of advice received by the Director is made available to all other members of the Board.

Corporate Governance Statement continued

J. Promotion of Ethical and Responsible Decision Making

The Company has established within its Human Resources manual a set of standards and a Code of Conduct. The Code of Conduct sets out how each Director, Manager and Employee of the Company is expected to act. The requirement to comply with the Code of Conduct is communicated to and signed by all Employees on an annual basis. All Directors, Managers and Employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. Every Employee has a nominated Manager to whom they may refer any issues arising from their employment.

The Code of Conduct addresses the following:

- Conflicts of interest - where the interest of a private individual interferes or appears to interfere with the interests of the Company as a whole;
- Corporate opportunities - where Directors and key Executives take advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
- Confidentiality - the use of non-public information except where disclosure is authorised or legally mandated;
- Fair dealing - by all Employees with the Company's customers, suppliers, competitors and Employees;
- Protection of and proper use of the Company's assets - protecting and ensuring efficient use of assets for legitimate business purposes;
- Compliance with laws and regulations - active promotion of compliance; and
- Encouraging reporting of unlawful/unethical behaviour - active promotion of ethical behaviour and protection for those who report violations in good faith.

K. Making Timely and Balanced Disclosures

The Company has adopted written Policies and Procedures designed to ensure compliance with NSX Listing Rule disclosure requirements and to ensure accountability at a Senior Management level for that compliance.

The Company has a policy that all Shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the NSX in accordance with continuous disclosure requirements of the Corporations Act 2001 and NSX Listing Rules.

The Company Secretary is responsible for the drafting of communications to the NSX.

The announcements are provided to the Chairman of the Audit and Compliance Committee and/or the Chairman of the Board prior to release to the NSX.

The announcements are vetted to ensure:

- So they are made in a timely manner;
- Are factual;
- Do not omit material information; and
- Are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions.

Corporate Governance Statement continued

The Company has adopted a transparent process in respect to the release of information. Once authorised, all releases and information will be monitored and managed by the Company Secretary.

Media comment and external communications are the responsibility of the Chairman.

Meetings with Analysts, Share brokers and the Capital Markets are the responsibility of the Chairman and other Board members as and when specifically required.

L. Performance Management

The Board has introduced Performance Management for both itself and staff of the Company and this is reflected in the contractual relations between the Employees and the Company and in the letter of appointment provided to Directors.

The Performance Management system identifies Key Performance Indicators for each of the job roles undertaken within the Organisation. The Key Performance Indicators are:

- Specific;
- Measured;
- Agreed between the parties;
- Realistic; and
- Timed.

The Performance Management Reviews are undertaken annually and the Company has introduced a bonus structure to reflect over achievement.

At each Board meeting of the Company, management are requested to provide:

- Management reports that reflect accurately the accounts, work in progress, debtors and creditors, cash flows forecasts and variances against budget;
- Senior Executives are requested to attend Board meetings to present to the Board the activities within their division; and
- Key elements of the business are addressed by key Managers at each Board meeting.

2. Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has adopted policies and procedures that can be described under the following headings:

- Financial reporting - the Company reports to Shareholders half-yearly;
- Continuous disclosure - the Company has a policy that all Shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the NSX in accordance with Continuous Disclosure Requirements of the Corporations Act 2001 and NSX Listing Rules;
- Quality and integrity of personnel - the Company's policies are detailed in a Human Resources Manual. A signed statement is obtained on an annual basis from Employees stating that they have read and understood the Code of Conduct and the various policies and procedures as published on the Company's Intranet and contained in the Company's Human Resources Manual. Formal appraisals are conducted at least annually for all Employees;
- Financial controls - various policies and procedures are in place for financial controls including a Delegations Manual;

Corporate Governance Statement continued

- Investment appraisal - the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements if any businesses are to be acquired or divested;
- The Chief Executive Officer and the Company Secretary/Chief Financial Officer provides to the Board a statement that the Company's financial reports present fairly, in all material respects, the Company's financial condition and operating results in accordance with relevant accounting standards;
- Further, they formally state to the Board that the statement given about the integrity of the financial statement is founded on a sound system of Risk Management and Internal Compliance and Control, which implements the policies adopted by the Board and that the Company's Risk Management and Internal Compliance and Control system is operating efficiently and effectively in all material respects; and
- Finally, they confirm they have disclosed to the Audit and Compliance Committee and the External Auditor any significant deficiencies of material weaknesses in Internal Control and financial reporting and they have disclosed any significant changes that have occurred that effected Internal Controls over the financial reporting period and whether any corrective actions were taken if any significant deficiencies and material weaknesses were identified.

3. The Role of Shareholders

The Board of Directors aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders as follows:

- The annual report is distributed to all Shareholders (unless a Shareholder has specifically requested not to receive the documents). The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- The half-yearly report contains summarised financial information and review of the operations of the Company during the period. The annual audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Newcastle Stock Exchange Limited. The financial report is sent to any Shareholder who requests it;
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of Shareholders;
- Price sensitive information is reported to the NSX in accordance with Continuous Disclosure Requirements;
- Notices of all meetings of Shareholders; and

The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the Shareholders as single resolutions.

The Shareholders are requested to vote on the granting of options and shares to Directors and on the reappointment of Directors. Directors rotate in accordance with the Constitution.

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
REVENUES FROM ORDINARY ACTIVITIES	2	6,318	5,394	6,318	5,394
Corporate and administrative expenses		(76,276)	(90,108)	(75,016)	(86,107)
Salaries and employee benefits expense		(80,000)	(58,958)	(80,000)	(58,958)
Other expenses from ordinary activities	3	(257,058)	(8,854)	(257,058)	(8,854)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(407,016)	(152,526)	(405,756)	(148,525)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-	-	-
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		(407,016)	(152,526)	(405,756)	(148,525)
NET LOSS ATTRIBUTABLE TO MEMBERS OF CONCENTRATED CAPITAL LIMITED		(407,016)	(152,526)	(405,756)	(148,525)
Basic earnings per share (cents per share)		\$(0.0345)	\$(0.0149)		
Diluted earnings per share (cents per share)		\$(0.0345)	\$(0.0149)		
Franked dividends per share (cents per share)		-	-		

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
CURRENT ASSETS					
Cash assets		106,020	300,576	106,015	300,571
Receivables	5	105,018	38,874	515,804	492,989
Prepayments	6	23,610	-	23,610	-
TOTAL CURRENT ASSETS		234,648	339,450	645,429	793,560
NON-CURRENT ASSETS					
Other financial assets	7	682,346	152,168	500,005	5
Deferred exploration, evaluation and development costs	9	219,148	305,528	-	10,811
TOTAL NON-CURRENT ASSETS		901,494	457,696	500,005	10,816
TOTAL ASSETS		1,136,142	797,146	1,145,434	804,376
CURRENT LIABILITIES					
Payables	10	62,142	43,991	62,142	43,191
TOTAL CURRENT LIABILITIES		62,142	43,991	62,142	43,191
TOTAL LIABILITIES		62,142	43,991	62,142	43,191
NET ASSETS		1,074,000	753,155	1,083,291	761,185
EQUITY					
Contributed equity	11	1,671,655	943,794	1,671,655	943,794
Retained profits	13	(597,655)	(190,639)	(588,365)	(182,609)
TOTAL EQUITY		1,074,000	753,155	1,083,291	761,185

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(211,461)	(114,565)	(195,646)	(94,366)
GST refund received		16,796	23,107	15,633	23,107
Interest received		4,540	5,394	4,540	5,394
Withholding tax paid		-	(9)	-	(9)
Deferred exploration, evaluation and development costs		(143,557)	(397,957)	-	2,019
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	14(a)	(333,682)	(484,030)	(175,473)	(63,855)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments in associates		(30,178)	-	-	-
Purchase of shares		-	-	-	(5)
Purchase of convertible notes		(500,000)	-	(500,000)	-
Advances to related parties		-	-	(188,385)	(420,175)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(530,178)	-	(688,385)	(420,180)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		687,549	933,000	687,549	933,000
Proceeds from exercise of options		15,300	-	15,300	-
Payment of share issue costs		(26,489)	(139,541)	(26,489)	(139,541)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		676,360	793,459	676,360	793,459
NET INCREASE/(DECREASE) IN CASH HELD		(187,498)	309,429	(187,498)	309,424
Add opening cash brought forward		300,576	2	300,571	2
Effects of exchange rates on cash		(7,058)	(8,855)	(7,058)	(8,855)
CLOSING CASH CARRIED FORWARD	14(b)	106,020	300,576	106,015	300,571

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention. The accounting policies adopted are consistent with those of the previous year.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Concentrated Capital Limited (the parent company) and all entities that Concentrated Capital Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(c) Foreign Currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(d) Cash and cash equivalents

Cash on hand and in banks and short term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(e) Deferred exploration, evaluation and development costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Amortisation

Costs carried forward in relation to a producing area of interest will be amortised on a production output basis, over the economic life of the area, pending commencement of production.

(f) Receivables

Trade receivables are carried at original invoice amounts less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Investments

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

(h) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down..

(i) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(j) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interests

Control of the right to receive the interest payment.

(l) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(m) Comparative figures

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

(n) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary share that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary share and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from non-operating activities					
Interest		6,318	5,394	6,318	5,394
Total revenues from ordinary activities		6,318	5,394	6,318	5,394
3. EXPENSES AND LOSSES/(GAINS)					
a) Losses/(gains)					
Net foreign currency (gains)/losses		7,058	8,854	7,058	8,854
b) Specific Items					
Provision for Write down of Deferred Exploration, Evaluation and Development Costs		250,000	-	-	-
Provision of Write down of related party receivables		-	-	250,000	-
Total other expenses from ordinary activities		257,058	8,854	257,058	8,854

In July 2004 it was decided to write down the value of the investment at West Pine Ridge, Colorado by **\$250,000** to a carrying value of **\$120,000** as a result of the drilling of Peroulis #1 well being unsuccessful.

4. INCOME TAX

No income tax is payable by the parent company or any subsidiary company within the consolidated entity as the companies are in a current tax loss position.

Income tax losses

The parent company has tax losses of A\$48,642 at reporting date. The future income tax benefit arising from these tax losses has not been brought to account at reporting date, as realisation of the benefit is not regarded as virtually certain. The parent company was a Pooled Development Fund up until 16 March 2004. On this date the Pooled Development Fund Licence was relinquished, and consequently accumulated tax losses to that date may not be deductible in future years. Since 16 March 2004 the Company has accumulated losses of A\$48,642.

This 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 complied with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax consolidation

Concentrated Capital Limited and its 100% owned subsidiaries have not formed a tax consolidated group as at the date of this report. The position of the Board regarding tax consolidation is to review the necessity and/ or benefits of tax consolidation during the current financial year.

NOTES CONTINUED**YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
5. RECEIVABLES (CURRENT)					
Sundry debtors		16,018	38,874	8,503	33,140
Other receivables		89,000	-	89,000	-
Amounts other than trade debts receivable from related parties:					
Wholly-owned group – controlled entities		-	-	668,301	459,849
Provision for write down of related party receivables		-	-	(250,000)	-
		105,018	38,874	515,804	492,989

Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Sundry debtors and other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
6. PREPAYMENTS					
Capital Raising Costs Deferred		23,610	-	23,610	-
		23,610	-	23,610	-

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
7. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost					
Shares – Unlisted		-	-	5	5
3.56% (2003: 3.39%) interest in the Avalon Oil Partnership		182,346	152,168	-	-
Convertible note		500,000	-	500,000	-
		682,346	152,168	500,005	5

The Convertible Note will earn a coupon of 10% per annum and subject to the listing of Middle East Petroleum Services Limited on AIM, will convert into shares in the listed entity at 70% of the issue price. The Convertible Note expires on 30 June 2006.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

8. INTERESTS IN SUBSIDIARIES

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2004 %	2003 %	2004 \$	2003 \$
Concentrated Coal Pty Ltd	Australia	100	100	1	1
QMI Investments Pty Ltd	Australia	100	100	1	1
Swearingen Gas Pty Ltd	Australia	100	100	1	1
Colorado Energy Pty Ltd	Australia	100	100	1	1
Avalon Investments (Aus) Pty Ltd	Australia	100	100	1	1

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
9. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT COSTS					
Exploration, evaluation and development costs carried forward in respect of mining, oil and gas areas of interest					
Pre-production					
– exploration and evaluation phases		469,148	305,528	-	10,811
Provision for write down of Deferred Exploration, Evaluation and Development Costs		(250,000)	-	-	-
		219,148	305,528	-	10,811

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining, oil and gas areas to which the deferred costs relate. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Consolidated Deferred Exploration, Evaluation and Development costs are allocated between the entities as follows:

	2004	2003
Concentrated Coal Pty Ltd	92,985	61,041
QMI Investments Pty Ltd	60,000	113,756
Swearingen Gas Pty Ltd	6,163	6,163
Colorado Energy Pty Ltd	60,000	113,756
Concentrated Capital Ltd	-	10,811
	219,148	305,526

NOTES CONTINUED**YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
10. PAYABLES					
Trade creditors		16,453	2,396	16,453	1,596
Other creditors		45,689	41,595	45,689	41,595
		62,142	43,991	62,142	43,191

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004 \$	2003 \$	2004 \$	2003 \$
11.CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		1,671,655	943,794	1,671,655	943,794
		1,671,655	943,794	1,671,655	943,794

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

11. CONTRIBUTED EQUITY (continued)

		CONSOLIDATED			
(b) Movements in share on issue	Notes	2004		2003	
		Number of Shares	\$	Number of Shares	\$
Beginning of the financial year		10,171,333	943,794	1,200,000	50,002
Issued during the year					
- public equity raising	(i)	40,000	20,000	7,208,000	848,000
- issued in lieu of services	(ii)	208,750	51,500		
- private equity raising	(iii)	1,213,727	667,549	1,763,333	185,333
- less issue costs		-	(26,489)	-	(139,541)
- exercise of options	(iv)	170,000	15,300	-	-
End of the financial year		11,803,810	1,671,655	10,171,333	943,794

- (i) On 24 July 2003, 40,000 shares were issued at A\$0.50 each which was receivable at 30 June 2003 from the Offer Information Statement.???
- (ii) On 30 September 2003, 18,750 shares were issued at A\$0.50 each in lieu of payment for services rendered totalling A\$9,375.
On 18 October 2003, 18,750 shares were issued at A\$0.50 each in lieu of payment for services rendered totalling A\$9,375.
On 23 February 2004, 15,625 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$9,375.
On 25 February 2004, 140,000 shares were issued at A\$0.10 in lieu of payment for services rendered totalling A\$14,000.
On 23 April 2004, 15,625 shares were issued at A\$0.60 each in lieu of payment for services rendered totalling A\$9,375.
- (iii) On 15 June 2004, 1,213,727 shares were issued at A\$0.55 each by private placement. Capital of A\$667,549 was raised. Each share issued had one attaching option exercisable at A\$0.35.
- (iv) On 19 November 2003, 170,000 shares were issued by the exercising of 170,000 options at A\$0.09 each.

(c) Terms and conditions of contributed equity

Ordinary Shares

Ordinary Shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary Shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(d) Share options	2004		2003	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of year	1,895,000	0.159	1,350,000	0.166
- granted under Employee Share Scheme	-	-	375,000	0.166
- issued	1,213,727	0.35	170,000	0.09
- forfeited	-	-	-	-
- exercised	(170,000)	0.09	-	-
Balance at end of year	2,938,727	0.242	1,895,000	0.159

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

11. CONTRIBUTED EQUITY (continued)

The following table summarises information about options outstanding and exercisable at 30 June 2004:

Option price			Options	Outstanding		Exercisable	
				Weighted Average option life	Weighted Average option price	Number of options	Average option price
\$0.10	Exercisable	by	575,000 (1)	2.80	0.10	575,000	0.10
18/04/07							
\$0.20	Exercisable	by	1,150,000 (2) & (3)	2.80	0.20	-	-
18/04/07							
\$0.35	Exercisable	by	1,213,727 (1)	2.00	0.35	1,213,727	0.35
30/06/06							
Total			<u>2,938,727</u>	2.5	0.24	<u>1,788,727</u>	0.27

(1) Exercisable at any time up till expiry date

(2) Exercisable at \$0.20 upon listing on ASX

(3) Exercisable at \$0.20 upon commercial production from any subsidiary of the Company

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

12. DIRECTOR AND EXECUTIVE BENEFITS

Director and Executive Share Incentive Scheme

A Director and Executive share scheme has been established where directors and executives of the consolidated entity are issued with options over the ordinary Shares of Concentrated Capital Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Concentrated Capital Limited. The options are issued for a term of 5 years and are exercisable on granting. The options cannot be transferred and will not be quoted on the Newcastle Stock Exchange. There are currently three (3) Directors eligible to participate.

		2004		2003	
		Number of Options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance at beginning of year	11(a)	375,000	0.166	375,000	0.166
- granted		-	-	-	-
- forfeited		-	-	-	-
- exercised		-	-	-	-
Balance at end of year	11(b)	375,000	0.166	375,000	0.166
Exercisable at end of year		-	-	-	-

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2003:

Number of options	Grant date	Expiry date	Weighted average exercise price
375,000	18 April 2002	18 April 2007	0.166

(b) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2004:

Number of Options	Grant date	Expiry date	Weighted average exercise price
375,000	18 April 2002	18 April 2007	0.166

NOTES CONTINUED**YEAR ENDED 30 JUNE 2004**

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004	2003	2004	2003
		\$	\$	\$	\$
13. RESERVES AND RETAINED PROFITS					
Retained profits					
Balance at the beginning of the year		(190,639)	(38,113)	(182,609)	(34,084)
(Loss) from ordinary activities		(407,016)	(152,526)	(405,756)	(148,525)
Balance at the end of the year		(597,655)	(190,639)	(588,365)	(182,609)
14. STATEMENT OF CASH FLOWS					
(a) Reconciliation of the net profit after tax to the net cash flows from operations					
Net Loss		(407,016)	(152,526)	(405,756)	(148,525)
Non-Cash Items					
Shares issued in lieu of payment for services		51,500	100,333	51,500	100,333
Net foreign currency (gains)/losses		7,058	8,854	7,058	8,854
Changes in assets and liabilities					
(Increase)/decrease in deferred exploration, evaluation and development costs		86,380	(397,957)	10,811	2,019
(Increase)/Decrease in trade and other receivables		(66,102)	(25,520)	163,834	(25,520)
(Decrease)/Increase in trade and other creditors		(5,459)	(13,357)	(4,659)	1,546
(Decrease)/Increase in goods and services tax payable		(42)	(3,857)	1,739	(2,562)
Net cash flow from operating activities		(333,682)	(484,030)	(175,473)	(63,855)
(b) Reconciliation of cash					
Cash balance comprises:					
- Cash assets		106,020	300,576	106,015	300,571
Closing cash balance		106,020	300,576	106,015	300,571

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

15. EXPENDITURE COMMITMENTS

The Directors confirm that there are no material Capital or Income expenditure commitments as at the date of this report.

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent Liabilities

The Directors confirm that there are no known contingent liabilities at the date of this report.

(b) Contingent Assets

The Directors confirm that there are no known contingent assets at the date of this report.

17. SUBSEQUENT EVENTS

On 25 June 2004 the Company issued a prospectus for a Non-renounceable Rights Issue to Eligible Shareholders of up to approximately 1,180,381 New Shares and Options on the basis of 1 New Share for every 10 Shares held as at 5.00pm (EST) on 5 July 2004 at an issue price of fifty-five cents (\$0.55) per New Share with a free attaching Option exercisable at thirty-five cents (\$0.35) on or before 30 June 2006 to raise approximately **\$649,209.55** (before expenses). The issue closed on 27 August 2004, raising **\$55,365.15** through the allotment of 91,573 new shares and free attaching options respectively.

	Notes	CONSOLIDATED		CONCENTRATED CAPITAL	
		2004	2003	2004	2003
		\$	\$	\$	\$
18. AUDITORS' REMUNERATION					
Amounts received or due and receivable by Ernst & Young Australia for:					
- an audit or review of the financial report of the entity and any other entity in the consolidated entity					
		15,500	19,000	15,500	19,000
- other services in relation to the entity and any other entity in the consolidated entity.					
		-	17,550	-	17,550
		15,500	36,550	15,500	36,550

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

19. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified directors

H. Giles	Chairman (non-executive)
P. Reilly	Director (non-executive) and Company Secretary (appointed 31 May 2004)
C. Rowe	Director (non-executive)

(ii) Specified executives

S. Danne	Company Secretary (Registered 31 May 2004)
R. Baker	Company Secretary (appointed 24 June 2004)

(b) Remuneration of Specific Directors and Specified Executives

(i) Remuneration Policy

The Board of Directors of Concentrated Capital Limited is responsible for determining and reviewing compensation arrangements for the directors, and specified executives subject to approval of the shareholders of the Annual General Meeting. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and shares in the Company. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

(b) Remuneration of Specific Directors and Specified Executives cont

To assist in achieving these objectives, the Board links the nature and amount of executive director's and officers emoluments to the company's financial and operational performance. All directors and executives have the opportunity to qualify for participation in the Employee Share Incentive Plan which currently provides incentives where specified criteria are met including criteria relating to profitability, cash flow, share price growth and environmental performance.

	Primary Salary & Fees	Equity Shares	Total
Specified Directors			
H.Giles			
2004	12,500	17,500	30,000
2003	12,500	833	13,333
P. Reilly			
2004	7,500	-	12,500
2003	-	-	-
C. Rowe			
2004	-	-	-
2003	-	-	-
Total Remuneration: Specified Directors			
2004	20,000	30,000	50,000
2003	12,500	833	13,333
Specified Executives			
S. Danne			
2004	22,500	7,500	30,000
2003	16,000	-	16,000
R.Baker			
2004	-	-	-
2003	-	-	-
Total Remuneration: Specified Executives			
2004	22,500	7,500	30,000
2003	16,000	-	16,000

* Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003.

NOTES CONTINUED**YEAR ENDED 30 JUNE 2004****(c) Shares issued in accordance of remuneration approved by shareholders**

	Shares issued Number	Paid up value \$ per share	Unpaid value \$ per share
Specified Directors			
H. Giles	17,500	0.50	-
H. Giles	14,584	0.60	-
P. Reilly	12,500	0.50	-
P. Reilly	10,416	0.60	-
Specified Executives			
S. Danne	7,500	0.50	-
S. Danne	6,250	0.60	-
	68,750		

20. RELATED PARTY DISCLOSURES**Director-related entity transactions****Services**

Accounting services, Nominated Advisor Services and Sundry Corporate Services were provided by Salmon Giles Pty Ltd, of which Mr Hamish M Giles is a director, for an amount of \$25,250 (2003: A\$31,400).

Equity instruments of directors**Interests at balance date**

Interests in the equity instruments of Concentrated Capital Limited held by Directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2004 Number	2003 Number	2004 Number	2003 Number
H. Giles	158,750	126,666	375,000	375,000
C. Rowe	-	-	-	-
P. Reilly	2,262,916	2,200,000	-	40,000
	2,421,666	2,326,666	375,000	415,000

Movements in directors' equity holdings

During the year, Mr Giles received 58% of his Director's remuneration by the issue of Shares per Note 19 (c).

During the year, Mr Reilly received 62.5% of his Director's remuneration by the issue of Shares per Note 19 (c).

During the year Mr Reilly converted 40,000 options at A\$0.09 per Note 11 (d).

There have been no other transactions concerning equity instruments during the year with Directors or their director related entities.

NOTES CONTINUED**YEAR ENDED 30 JUNE 2004****21. SEGMENT INFORMATION**

The company was a Pooled Development Fund up until 16 March 2004. This company is in the business of investing in small to medium sized Australian companies. These companies then invest in projects in Australia, the United States of America and Iran.

Geographic segments	Australia		United States of America		Iran		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
Segment revenue	6,318	5,394	-	-	-	-	6,318	5,394
Segment assets	234,648	339,450	401,494	457,696	500,000	-	1,136,142	797,146

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

22. FINANCIAL INSTRUMENTS

Interest Rate Risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Fixed Interest Rate maturing in:									
	Floating interest rate		Over 1 to 5 years		Non-Interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<i>(i) Financial assets</i>										
Cash	106	300	-	-	-	-	106	300	3.45	3.0
Trade and other receivables	-	-	-	-	103	38	103	38	-	-
Convertible Note	-	-	500	-	-	-	500	-	10	-
	106	300	500	-	103	38	709	338	8.8	3.0
<i>(ii) Financial liabilities</i>										
Trade Creditors	-	-	-	-	16	2	16	2	-	-
	-	-	-	-	16	2	16	2	-	-

Net Fair Values

All financial assets and financial liabilities have been recognised at balance date at their net fair values.

Credit Risk Exposures

The Company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset, is the carrying amount of those assets in the Statement of Financial Position.

NOTES CONTINUED

YEAR ENDED 30 JUNE 2004

23.IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Concentrated Capital Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, the Audit and Compliance Committee will address each of the areas in order of priority. The Company has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with ASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company will prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity - measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

Identified the type of hedge - fair value or cash flow;

Identify the hedged item or transaction;

Identify the nature of the risk being hedged;

Identify the hedging instrument;

Demonstrate that the hedge has and will continue to be highly effective; and

Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

At this stage the company does not have any hedge contracts and reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible Assets

Under the Australian equivalent to IAS 38 Intangible Assets, costs incurred in the research phase of the development of an internally generated intangible must be expensed. The company presently has no internally generated intangible assets. Under the new policy, all research costs will be written off as incurred.

Share based payments

Under AASB 2 Share based Payments, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 Income Taxes, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any further material impact as a result of adoption of this standard. In the immediate/short term future as the company presently has substantial tax losses.

Exploration and evaluation expenditure

The IFRS equivalent standard of AASB 1022 "Accounting for the Extractive Industries" has not been issued as at the date of this report. As such, the future financial effects of the IFRS standards in this regard are not yet known.

DIRECTOR'S DECLARATION

YEAR ENDED 30 JUNE 2004

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

1. In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Hamish M Giles
Chairman

----- AUDITOR REPORT TO BE INSERTED HERE 2 PAGES -----

----- AUDITOR REPORT TO BE INSERTED HERE 2 PAGES -----

CONCENTRATED CAPITAL LIMITED

ABN 34 087 730 667

NOTICE OF ANNUAL GENERAL MEETING

incorporating

EXPLANATORY MEMORANDUM

and

PROXY FORM

Date of meeting: 5 November 2004

Time of meeting: 11.00am

Place of meeting: The Boardroom
Tolhurst Noall Limited
Level 29, 35 Collins Street
Melbourne, Victoria 3000

The Notice of Annual General Meeting and Explanatory Memorandum should be read in their entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

CONCENTRATED CAPITAL LIMITED

ABN 34 087 730 667

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of shareholders of Concentrated Capital Limited ("**Company**") will be held in the Boardroom, at Tolhurst Noall Limited, Level 29, 35 Collins Street, Melbourne, on 5 November 2004 at 11.00am.

The Proxy Form and Explanatory Memorandum accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting.

Unless the context indicates a contrary intention, definitions used in this Notice of Annual General Meeting have the same meaning as in the Explanatory Memorandum.

(a).1 ORDINARY BUSINESS

Annual Financial Report

To receive the Annual Financial Report of the Company for the year ended 30 June 2004, together with the Directors' Report and Declaration in relation to that financial year and the Auditors' Report on those financial statements.

Resolution 1 – Re-Election of Mr Reilly

To consider and if thought fit, to pass, with or without amendment the following, as an **ordinary resolution**:

"That Mr Peter Reilly, who retires by rotation in accordance with Article 8.1 ((e) (2)) of the Company's Constitution and, being eligible for re-election, be re-elected as a Director."

Resolution 2 – Refresh Capacity To Issue Shares Following Issue of Placement Shares and Rights Issue Shares

To consider and if thought fit, to pass, with or without amendment the following, as a **ordinary resolution**:

"That the issue by the Company on 15 June 2004 of 1,213,727 placement shares at \$0.55 each and the issue by the Company on 27 August 2004 of 91,573 Rights Issue Shares at \$0.55 each be approved for all purposes including the purpose of NSX Listing Rule 6.25"

BY ORDER OF THE BOARD



Hamish M Giles

Chairman

Dated: 29th day of September 2004

PROXIES

Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the registered office of the Company Level 2, 409 St Kilda Road, Melbourne, Victoria 3004 or facsimile number (+61 3 9820 2158), at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the individual named in the proxy form proposes to vote.

A proxy must be signed by the shareholder or his/ her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act. The proxy may, but need not, be a shareholder of the Company.

VOTING ENTITLEMENT

"The Company (as convener of the meeting) has determined that person's entitlement to vote at the Annual General Meeting will, in accordance with the Corporations Act 2001, be the entitlement of that person set out in the register of members as at 1900hrs EST on Thursday TBA.

Concentrated Capital Limited
ABN 34 087 730 667

PROXY FORM

The Company Secretary
Concentrated Capital Limited
Level 2, 409 St Kilda Road
MELBOURNE VIC 3004

Facsimile: +61 8 9820 2158

I/We _____

of _____

being a member/(s) of Concentrated Capital Limited (the "**Company**"),

hereby appoint _____

of _____

or in his/her absence _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held in the Boardroom, at Tolhurst Noall Limited, Level 29, 35 Collins Street, Melbourne, Victoria on 5 November 2004 at 11.00am (EST), and at any adjournment of that meeting.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

	FOR	AGAINST	ABSTAIN
ORDINARY BUSINESS			

A. ORDINARY RESOLUTIONS

- | | | | | |
|----|----------------------------------|--------------------------|--------------------------|--------------------------|
| 1. | Re-election of Mr Reilly | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Refresh Capacity to Issue Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

CONCENTRATED CAPITAL LIMITED

ABN 34 087 730 667

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders in Concentrated Capital Limited ("**Company**") in connection with the business to be considered at the Annual General Meeting of shareholders to be held in the Boardroom, at Tolhurst Noall Limited, Level 29, 35 Collins Street, Melbourne, Victoria on 5 November 2004 at 11.00am (EST).

The Explanatory Memorandum should be read in conjunction with the accompanying Annual Notice of General Meeting. For the assistance of shareholders, a glossary of defined terms is included at the end of the Explanatory Memorandum.

Full details of the business to be considered at this Annual General Meeting are set out below.

ANNUAL FINANCIAL REPORT

The first item of the Notice of Annual General Meeting deals with the presentation of the Company's Annual Financial Report for the year ending 30 June 2004. Shareholders should consider this document and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

RESOLUTION 1 – ROTATION OF DIRECTORS

It is a requirement under Article 8.1 ((e) (2)) of the Company's Constitution that Mr Reilly retire by rotation. Mr Reilly offers himself for re-election. The remaining Directors recommend to shareholders that Mr Reilly be re-elected.

RESOLUTION 2 – REFRESH CAPACITY TO ISSUE SHARES FOLLOWING ISSUE OF PLACEMENT SHARES AND RIGHTS ISSUE SHARES

This resolution has been proposed so that shareholders may consider and, if thought fit, formally approve for all purposes, including the purpose of NSX Listing Rule 6.25 the recent issue of shares under the placement and subsequent Rights Issue.

This issue of shares has already taken place, within the 15% limit prescribed by NSX listing Rules.

The approval by shareholders gives the Company the ability to raise further capital up to the 15% limit set under the NSX Listing Rules.

GLOSSARY OF TERMS

"Annual General Meeting" or "Meeting" means the Annual General Meeting of shareholders of the Company to be held in the Boardroom, at Tolhurst Noall Limited, Level 29, 35 Collins Street, Melbourne, on 5 November 2004 at 11.00am (EST) or any adjournment thereof.

"ASIC" means the Australian Securities & Investments Commission.

"Board" means the board of the Company.

"Company" means Concentrated Capital Limited (ABN 34 087 730 667).

"Corporations Act" means the Corporations Act 2001.

"Director" means a director of the Company.

"Directors" means the board of directors of the Company as constituted from time to time.

"EST" means Eastern Standard Time.

"Explanatory Memorandum" means this explanatory memorandum.

"Notice of Annual General Meeting" means the notice of Annual General Meeting, which accompanies the Explanatory Memorandum.

"NSX" means Stock Exchange of Newcastle Limited.

"NSX Listing Rules" means the official listing rules of NSX.