LIONTOWN RESOURCES LIMITED

ABN 39 118 153 825

Annual Financial Report
30 June 2007

LIONTOWN RESOURCES

Corporate Directory

Directors
T R B Goyder – Chairman
A R Bantock – Managing Director
D A Jones – Executive Director
V P Gauci – Non-executive Director
A W Kiernan - Non-executive Director
C R Williams – Non-executive Director

Company Secretary
R K Hacker

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WEST PERTH WA 6005
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Fax: (08) 9322 5800
Web: www.ltresources.com.au
Email: info@ltresources.com.au

Auditors
HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Solicitors
Pullinger Readhead Lucas
Level 2 Fortescue House
50 Kings Park Road
WEST PERTH WA 6005

Share Registry
Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Tel: 1300 557 010

Home Exchange
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code
Share Code: LTR

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Directors' Report

The Directors present their report together with the financial report of Liontown Resources Limited ('Liontown Resources' or 'the Company') for the financial year ended 30 June 2007 and the independent audit report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

T R B Goyder Chairman	Tim has over 30 years experience in the resource industry. Tim has been involved in the formation and management of a number of publicly-listed companies and is currently a Director of Chalice Gold Mines Limited and Uranium Equities Limited.
A R Bantock B.Com, ACA Managing Director	Andrew has extensive professional, corporate and commercial experience in the resources, resource contracting and infrastructure sectors. He is currently Executive Chairman of Chalice Gold Mines Limited, Executive Director of Uranium Equities Limited, and is a Director of Water Corporation, Western Australia's water utility.
D A Jones PhD, AusIMM, RPGeo Executive Director (appointed 4 September 2007)	Doug has 30 years experience in international mineral exploration, having worked extensively in Australia, Africa, South America and Europe. His career has covered exploration for volcanic and sediment-hosted zinc-copper-lead, gold in a wide range of geological settings and IOCG style copper-gold. This included a period with Pancontinental Mining, spent working on the Mt Windsor Volcanics, host to the Liontown deposit. He is also a director of AIM-listed Minera IRL Limited.
V P Gauci B.Eng (Hons) Non-executive Director (appointed 7 August 2007)	Vince was previously Managing Director of Pancontinental Mining Ltd and M.I.M. Holdings Ltd. Vince graduated from the University of NSW with an Honours Degree in B.Eng (Mining) and has been active for many years in the resource industry both in Australia and overseas. Vince is currently the Chairman of Gallipoli Mining Limited, a Director of Coates Hire Limited and is involved in a number of community and research programs, including his roles as Chairman of the Broken Hill Community Foundation and the Centre for Low Emission Technology.
A W Kiernan LLB Non-executive Director	Tony is a Solicitor with considerable experience in the administration and operation of listed public companies. He practices extensively in the areas of media, resources and information technology law. In addition to his legal practice Tony provides commercial and corporate advice to various entities. Tony is Chairman of Anglicare (WA), BC Iron Limited and Solbec Pharmaceuticals Ltd. He is also a Director of Uranium Equities Limited, Chalice Gold Mines Limited, Hailian International Limited and North Queensland Metals Limited.
C R Williams BSc (Hons) Non-executive Director (appointed 11 November 2006)	Craig is a geologist with over 30 years experience in mineral exploration and development. Craig co-founded Equinox Minerals Limited in 1993 where he is currently President, Chief Executive Officer and Director. He has been directly involved in several significant discoveries, including the Ernest Henry Deposit in Queensland and a series of gold deposits in Western Australia. In addition to his technical capabilities, Craig also has extensive corporate management and financing experience and is a Director of TSX-V listed Alturas Minerals Corporation.

J R McIntyre
BSc (Hons), MAIG
Executive Director
(Resigned 17 July 2007)

2. Company secretary

R K Hacker
B.Com, ACA, ACIS

Richard has 14 years professional and corporate experience in the energy and resources sector in Australia and the United Kingdom. Richard has previously worked in senior finance roles with global energy companies including Woodside Petroleum Limited and Centrica Plc. Prior to this, Richard worked with leading accounting practices. Richard is both a Chartered Accountant and Chartered Secretary and is also Company Secretary of Chalice Gold Mines Limited.

3. Directors' meetings

During the year and since listing on ASX, seven Directors' meetings were held. The number of these meetings attended by each of the Directors of the Company during the year are:

Director	Number of board meetings attended	Number of meetings held during the time the Director held office during the year
T R B Goyder	7	7
A R Bantock	7	7
J R McIntyre	6	7
A W Kiernan	6	7
C R Williams	7	7

4. Principal activities

The principal activities of the Company during the course of the period were mineral exploration and evaluation.

5. Review of Operations

During the financial year Liontown Resources Limited:

⇒ raised $7 million from an initial public offering ('IPO');

⇒ commenced a substantial drilling and exploration program at the Liontown Prospect within its Mount Windsor Volcanics Project in Queensland in January 2007, with 23 holes completed, for a total of 6,256m of RC/Diamond drilling completed by 30 June 2007;

⇒ engaged resource consultants to calculate a maiden resource estimate at Liontown;

⇒ commenced a step-out drilling program, to test the down-plunge potential of the Liontown Horizon and Carrington Lode systems, each of which remain open at depth; and

⇒ commenced a detailed review of regional exploration targets along the 115 kilometres of strike it holds across the key Mount Windsor Stratigraphic package within the Mount Windsor Volcanics Project. This work has identified over 30 targets within the project and identified the 4x5 km block surrounding Liontown as a key focus for a regional exploration program in 2007/2008.

6. Significant changes in the state of affairs

The Company was admitted to the official List of the Australian Securities Exchange ("ASX") on 27 December 2006 following the completion of an IPO, raising $7 million by the allotment and issue of 35 million shares.

Other than as referred to in the Financial Report, there have not been any matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

7. Remuneration report

This report outlines remuneration arrangements in place for Directors and executives of Liontown Resources.

7.1 Principles of compensation

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, officers and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is particularly important in view of the strong demand for experienced technical and financial personnel currently being experienced in the Australian and international resources industry, driven by increased world demand for commodities, and the significant impact that each individual can make within a small executive team for an exploration and development company such as at Liontown Resources. In short, the labour market is tight and key people make a difference to exploration and growth outcomes.

Remuneration offered by Liontown Resources is therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer incentive to join and remain with the Company.

Fixed compensation

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits, including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers the person's responsibilities, expertise, duties and personal performance.

Long-term incentives
Options may be issued under the Employee Share Option Plan to Directors, employees and consultants of the Company and must be exercised within 3 months of termination. The ability to exercise the options is usually based on the option holder remaining with the Company for at least one year. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of share options in the Company aligns the interests of Directors, employees and shareholders alike.

Performance related compensation
The Company currently has no formal performance related remuneration policy which governs the payment of annual cash bonuses upon meeting per-determined performance targets. However, the board may consider performance related remuneration in the form of cash or share options when they consider these to be warranted.

Employment contracts
The following table sets out the contractual provisions of executive Directors and key management personnel.

Name and Job Title	Employment Contract Duration	Notice Period	Termination Provisions
Executive Directors			
A R Bantock Executive Director	Unlimited	3 months by the Company and the employee	Other than for misconduct, the Company must pay Mr Bantock 12 months salary to terminate his contract. In the case of a take-over, and if Mr Bantock is not offered a similar position and terms of employment, the Company must pay Mr Bantock 12 months salary to terminate his contract.
D A Jones * Exploration Director	Unlimited	3 months by the Company and the employee	In the case of a take-over, and if Dr Jones is not offered a similar position and terms of employment, the Company must pay Dr Jones 12 months salary to terminate his contract.

*Doug Jones commenced his employment on 3 September 2007.

Non-executive directors
The Board recognises the importance of attracting and retaining talented non executive Directors and aims to remunerate these Directors in line with fees paid to Directors of companies in the mining and exploration industry of a similar size and complexity.

Total compensation for all non-executive Directors is not to exceed $300,000 per annum.

7.2 Directors' and executive officers' remuneration (audited)

Non-executive Directors' fees were payable from 1 November 2006. Salaries and fees of all other key management personnel were not payable until January 2007, being after the Company listed on the ASX on 27 December 2006.

Key Management Personnel		Short-term payments			Post-employment payments	Share-based payments		Value of options as proportion of remuneration (%)
		Salary & fees $	Non-monetary benefits $	Total $	Super-annuation benefits $	Options (A) $	Total $	
Directors								
T R B Goyder	2007	29,017	2,263	31,280	2,612	39,998	73,890	54%
	2006	-	-	-	-	-	-	-
A R Bantock	2007	80,275	2,263	82,538	7,225	66,665	156,428	43%
	2006	-	-	-	-	-	-	-
A W Kiernan	2007	20,312	2,263	22,575	1,828	39,998	64,401	62%
	2006	-	-	-	-	-	-	-
C R Williams	2007	20,312	1,439	21,751	1,828	39,998	63,577	63%
	2006	-	-	-	-	-	-	-
Former Director								
J R McIntyre	2007	68,119	9,349	77,468	6,881	66,665	151,014	44%
(resigned 17 July 2007)	2006	-	-	-	-	-	-	-
Executives								
R K Hacker (Company Secretary)	2007	-	2,263	2,263	-	26,667	28,930	92%
	2006	-	-	-	-	-	-	-
Total Compensation	**2007**	**218,035**	**19,840**	**237,875**	**20,374**	**279,991**	**538,240**	
	2006	-	-	-	-	-	-	

Notes in relation to the table of directors' and executive officers' remuneration

A. The fair value of the options are calculated at the date of grant using a binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise price	Price of ordinary shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
18.12.06	18.12.09	0.10	0.25	0.20	80%	6.06%	Nil

Details of performance related remuneration

Detail of the Company's policy in relation to the proportion of remuneration that is performance related is discussed at 7.1 above.

7.3 Equity instruments

7.3.1 Options and rights over ordinary shares granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to key management personnel during the reporting period and details of options that vested during the reporting period are as follows:

	Number of options granted during 2007	Grant date	Number of options vested during 2007	Fair value per option at grant date $	Exercise price $	Expiry date
Directors						
T R B Goyder	750,000	18.12.06	-	0.10	0.25	18.12.09
A R Bantock	1,250,000	18.12.06	-	0.10	0.25	18.12.09
A W Kiernan	750,000	18.12.06	-	0.10	0.25	18.12.09
C R Williams	750,000	18.12.06	-	0.10	0.25	18.12.09
Former Director						
J R McIntyre	1,250,000	18.12.06	-	0.10	0.25	18.12.09
Executives						
R K Hacker	500,000	18.12.06	-	0.10	0.25	18.12.09

All options were issued at no cost to the recipients.

No options were granted in the 2006 financial year.

No options have been granted to key management personnel since the end of the period. Dr D Jones and Mr V Gauci are to receive 2,000,000 options each, subject to shareholder approval at the next Annual General Meeting.

7.3.2 Exercise of options granted as compensation

During the reporting year, no shares were issued on the exercise of options previously granted as compensation.

Analysis of options and rights over ordinary shares granted as compensation

Details of the vesting profile of the options granted as remuneration to each Director of the Company and each of the named Company executives are outlined below.

	Number granted	Date granted	% vested in year	Forfeited in year	Financial year in which grant vests
Directors					
T R B Goyder	750,000	18.12.06	-	-	2008
A R Bantock	1,250,000	18.12.06	-	-	2008
A W Kiernan	750,000	18.12.06	-	-	2008
C R Williams	750,000	18.12.06	-	-	2008
Former Director					
J R McIntyre	1,250,000	18.12.06	-	-	2008
Executives					
R K Hacker	500,000	18.12.06	-	-	2008

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each Company Director and each of the named Company executives is detailed below.

	Granted in year $ (A)	Value of options Exercised in year $ (B)	Forfeited in year $ (C)	Total option value in year $
Directors				
T R B Goyder	75,257	-	-	75,257
A R Bantock	125,428	-	-	125,428
A W Kiernan	75,257	-	-	75,257
C R Williams	75,257	-	-	75,257
Former Director				
J R McIntyre	125,428	-	-	125,428
Executives				
R K Hacker	50,171	-	-	50,171

(A) The value of options granted in the year is the fair value of the options calculated at grant date using a binomial option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company on ASX as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using a binomial option-pricing model with no adjustments for whether the performance criteria have or have not been achieved.

8. Dividends

No dividends were declared or paid during the period and the Directors recommend that no dividend be paid.

9. Events subsequent to reporting date

On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of 1,037,114 fully paid ordinary shares in CBH Resources Ltd, to the value of $620,000.

During September 2007, the entire investment in CBH Resources was sold for $533,286 (at an average price of 51.4 cents per share) resulting in a loss on sale of the investment of $86,714.

10. Likely developments

The Company will continue activities in the exploration and evaluation of minerals tenements with the objective of developing a significant minerals business.

11. Directors' interests

The relevant interest of each Director in the shares, rights or options over such instruments issued by the Company and other related bodies corporate, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
T R B Goyder	15,721,002	750,000
A R Bantock	3,063,544	1,250,000
D A Jones	-	-
V P Gauci	150,000	-
A W Kiernan	460,154	750,000
C R Williams	100,000	750,000

12. Share options

Options granted to directors and officers of the Company
During or since the end of the period, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and to the most highly remunerated officers of the Company as part of their remuneration:

	Number of options granted	Exercise price	Expiry date
Directors			
T R B Goyder	750,000	0.25	18.12.09
A R Bantock	1,250,000	0.25	18.12.09
A W Kiernan	750,000	0.25	18.12.09
C R Williams	750,000	0.25	18.12.09
Former Director			
J R McIntyre	1,250,000	0.25	18.12.09
Officers			
R K Hacker	500,000	0.25	18.12.09

All options were granted during the period. No options have been granted since the end of the period. Dr D Jones and Mr V Gauci are to receive 2,000,000 options each, subject to shareholder approval at the next Annual General Meeting.

Unissued shares under options
At the date of this report 7,225,000 unissued ordinary shares of the Company are under option on the following terms and conditions:

Expiry date	Exercise price	Number of shares
18.12.09	0.25	5,475,000
31.12.09	0.25	1,500,000
06.08.10	0.35	250,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options
During or since the end of the period, the Company has not issued any ordinary shares as a result of the exercise of options.

13. Indemnification and insurance of directors and officers

The Company has agreed to indemnify all the Directors who have held office of the Company during the year, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

During the period the Company paid insurance premiums of $12,754 in respect of Directors and officers indemnity insurance contracts, for current and former Directors and officers. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and

- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The amount of insurance paid is included in Directors and executives remuneration on page 7.

14. Non-audit services

During the year HLB Mann Judd, the Company's auditors, performed no other services in addition to their statutory duties other than the preparation of an Independent Accountants Report in relation to the Company's prospectus.

15. Auditor's independence declaration

The auditor's independence declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2007.

This report is made with a resolution of the Directors:

TIM R B GOYDER
Chairman

Dated at Perth the 28th day of September 2007

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Liontown Resources Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Liontown Resources Limited.

Perth, Western Australia
28 September 2007

L Di Giallonardo
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Partners: Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

Liontown Resources Limited
Income Statement
For the year ended 30 June 2007

	Note	2007 $	2006 $
Other income – interest received		133,175	-
Exploration costs not capitalised		(39,286)	-
Corporate administrative expenses	3	(965,706)	(17,846)
Finance costs	6	(5,387)	-
Loss before tax		(877,204)	(17,846)
Income tax expense/benefit	7	-	-
Loss for the period		(877,204)	(17,846)
Basic earnings per share attributable to ordinary equity holders	8	(0.02)	(8,923.00)
Diluted earnings per share attributable to ordinary equity holders	8	(0.02)	(8,923.00)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Liontown Resources Limited

Balance Sheet

As at 30 June 2007

	Note	2007 $	2006 $
Current assets			
Cash and cash equivalents	9	3,122,703	1,778
Trade and other receivables	10	798,196	-
Total current assets		3,920,899	1,778
Non-current assets			
Financial assets	11	60,312	-
Exploration and evaluation assets	12	11,087,435	-
Property, plant and equipment	13	153,430	-
Total non-current assets		11,301,177	-
Total assets		15,222,076	1,778
Current liabilities			
Trade and other payables	14	656,114	-
Interest-bearing loans and borrowings	15	-	19,622
Employee benefits	16	14,553	-
Total current liabilities		670,667	19,622
Total liabilities		670,667	19,622
Net assets		14,551,409	(17,844)
Equity			
Issued capital	17	14,977,361	2
Accumulated losses	17	(895,050)	(17,846)
Reserves	17	469,098	-
Total equity		14,551,409	(17,844)

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Liontown Resources Limited

Statement of Changes in Equity

For the year ended 30 June 2007

	Note	Share capital $	Accumulated losses $	Share based payments reserve $	Total equity $
Balance at 1 July 2006		2	(17,846)	-	(17,844)
Issue of fully paid ordinary shares – tenement acquisition		3,400,000	-	-	3,400,000
Issue of fully paid ordinary shares – initial public offering		7,000,000	-	-	7,000,000
Issue of fully paid ordinary shares – share conversion		5,400,002	-	-	5,400,002
Transaction costs		(822,643)	-	-	(822,643)
Share options vested		-	-	469,098	469,098
Loss for the period		-	(877,204)	-	(877,204)
Balance at 30 June 2007	17	14,977,361	(895,050)	469,098	14,551,409

	Note	Share capital $	Accumulated losses $	Share based payments reserve $	Total equity $
Balance at date of incorporation		-	-	-	-
Issue of fully paid ordinary shares – incorporation		2	-	-	2
Loss for the period		-	(17,846)	-	(17,846)
Balance at 30 June 2006	17	2	(17,846)	-	(17,844)

The statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

Liontown Resources Limited

Cash Flow Statement

For the year ended 30 June 2007

	Note	2007 $	2006 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(521,950)	(17,846)
Interest paid		(5,141)	-
Interest received		132,998	-
Net cash used in operating activities	20	(394,093)	(17,846)
Cash flows from investing activities			
Payments for mining exploration and evaluation		(2,584,063)	-
Acquisition of property, plant and equipment		(144,917)	-
Net cash from investing activities		(2,728,980)	-
Cash flows from financing activities			
Net proceeds from issue of shares		6,336,340	2
Lodgement of bank guarantee and security deposits		(60,312)	-
Proceeds from borrowings		296,074	19,622
Repayment of borrowings		(328,104)	-
Net cash from financing activities		6,243,998	19,624
Net increase in cash and cash equivalents		3,120,925	1,778
Cash and cash equivalents at the beginning of the period		1,778	-
Cash and cash equivalents at 30 June	9	3,122,703	1,778

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 18 to 35.

1. Significant accounting policies

Liontown Resources is an ASX listed public company domiciled in Australia. The financial report of the Company is for the year ended 30 June 2007. The previous financial period of the Company was from the date of incorporation, 2 February 2006 to 30 June 2006.

The financial report was authorised for issue by the Directors on the 28th day of September 2007.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(b) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. The financial report is presented in Australian dollars.

In the year ended 30 June 2007, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to its accounting policies.

(c) Significant accounting judgements, estimates and assumptions

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) **Recoverability of exploration expenditure**

The carrying amount of exploration and evaluation expenditure is dependent on the future successful outcome from exploration activity or alternatively the sale of the respective areas of interest.

(ii) Shared-based payment transactions

The Company measures the cost of equity-settled share-based payments at fair value at the grant date using a binomial formula taking into account the terms and conditions upon which the instruments were granted.

(d) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the buyer.

(ii) Services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably.

(iii) Interest received

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(f) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested.

(g) Depreciation

Depreciation is charged to the income statement on a diminishing value basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- plant and equipment 7%-40%
- fixtures and fittings 11%-22%
- motor vehicles 18.75%

The residual value, if not insignificant, is reassessed annually.

(h) Income tax

Income tax in the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ('ATO') is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Impairment

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cashflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Receivables with a short duration are not discounted.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(l) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses (see accounting policy (j)).

(m) Non-current assets held for sale and discontinued operations

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable AIFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned also may qualify.

(n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(o) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value, through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

If the Company has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(p) Exploration, Evaluation, Development and Tenement Acquisition Costs

Exploration, evaluation, development and tenement acquisition costs in relation to separate areas of interest for which rights of tenure are current, are capitalised in the period in which they are incurred and are carried at cost less accumulated impairment losses. The cost of acquisition of an area of interest and exploration expenditure relating to that area of interest is carried forward as an asset in the balance sheet so long as the following conditions are satisfied:

1) the rights to tenure of the area of interest are current; and

2) at least one of the following conditions is also met:

   (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or

   (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation expenditure is assessed for impairment when facts and circumstances suggest that their carrying amount exceeds their recoverable amount. Where this is the case an impairment loss is recognised. Should a project or an area of interest be abandoned, the expenditure will be written off in the period in which the decision is made. Where a decision is made to proceed with development, accumulated expenditure will be amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

(q) Trade and other payables

Trade and other payables are stated at cost.

(r) Interest-bearing loans and borrowings

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

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit and loss when the liabilities are derecognised.

(i) Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of minimum lease payments.

(s) Employee benefits

(i) Superannuation

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions

The Company provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The Company currently provides benefits under an Employee Share Option Plan.

The cost of these equity-settled transactions with employees and Directors is measured by reference to the fair value at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

(i) the extent to which the vesting period has expired; and

(ii) the number of awards that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(t) Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(u) Share capital

(i) Ordinary share capital

Ordinary shares and partly paid shares are classified as equity.

(ii) Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

2. Segment reporting

The Company currently only operates in one business segment and one geographical segment being the mining and exploration industry in Australia.

3. Corporate administrative expenses

	Note	2007 $	2006 $
Accounting fees		5,450	-
ASIC fees		1,412	-
ASX fees		48,609	-
Audit fees	5	21,300	-
Consulting fees		6,190	-
Depreciation and amortisation	13	18,202	-
Insurance		26,408	-
Legal fees		38,910	6,344
Loss on sale of equipment		1,531	-
Loss on sale of interest in tenements		1,892	-
Marketing		8,940	-
Personnel expenses	4	578,246	-
Printing and stationery		12,548	-
Rent and outgoings		7,234	-
Share registry		33,272	-
Travel and accommodation		11,506	-
Corporate and administration service fees		96,500	-
Other		47,556	11,502
		965,706	17,846

4. Personnel expenses

	Note	2007 $	2006 $
Wages and salaries		118,260	-
Directors' fees		75,909	-
Other associated personnel expenses		42,866	-
Defined contribution superannuation fund contributions		23,681	-
Increase in liability for annual leave		7,415	-
Equity-settled transactions	16	310,115	-
		578,246	-

		Note	2007 $	2006 $
5.	**Auditor's remuneration**			
	Audit services			
	HLB Mann Judd:		21,300	-
	Audit and review of financial reports		21,300	-
6.	**Finance costs**			
	Interest expense		5,387	-
7.	**Income tax**			
	Current tax expense		(169,721)	(5,354)
	Deferred tax expense relating to the origination and reversal of temporary differences		(3,491,719)	2,699
	Tax losses not brought to account as deferred tax assets		3,661,440	2,655
	Total income tax expense reported in the income statement		-	-
	Numerical reconciliation of income tax expense to prima facie tax payable			
	Loss from continuing operations before income tax expense		(877,204)	(17,846)
	Tax at the Australian corporate rate of 30%		(263,161)	(5,354)
	Tax effect of amounts which are not tax deductible (taxable) in calculating taxable income:			
	Non-deductible expenses		93,440	-
	Blackhole expenditure tax deductible		(49,359)	-
	Origination and reversal of temporary differences		(3,491,719)	2,699
			(3,710,799)	(2,655)
	Current year tax benefits not recognised		3,710,799	2,655
	Income tax expense reported in the income statement		-	-
	Deferred income tax			
	Deferred tax liabilities			
	Delayed revenue recognition for tax purposes		(53)	-
	Current receivable		(186,000)	-
	Exploration and evaluation expenditure		(3,326,230)	-
	Tax Losses			
	Unused tax losses for which no deferred tax asset has been recognised		12,378,180	8,851
	Potential tax benefit at 30% tax rate		3,713,454	2,655

8. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the period ended 30 June 2007 was based on the loss attributable to ordinary shareholders of $877,204 [2006: $17,846] and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 42,638,361 [2006: 2].

Diluted earnings per share

The calculation of diluted earnings per share for the period ended 30 June 2007 was based on the loss attributable to ordinary shareholders of $877,204 [2006: $17,846] and a weighted average number of ordinary shares outstanding during the period ended 30 June 2007 of 42,638,361 [2006: 2] calculated as follows:

Loss attributable to ordinary shareholders (diluted)	**2007**	**2006**
	$	**$**
Loss attributable to ordinary shareholders	877,204	17,846
Loss attributable to ordinary shareholders (diluted)	877,204	17,846

Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	42,638,361	2
Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at 30 June	42,638,361	2

9. Cash and cash equivalents

	2007	**2006**
	$	**$**
Bank accounts	3,122,703	1,778
Cash and cash equivalents in the cash flow statement	3,122,703	1,778

10. Trade and other receivables

Current		
Other trade receivables	157,801	-
Prepayments	20,395	-
Other current receivable - sale of assets*	620,000	-
	798,196	-

* On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of fully paid ordinary shares in CBH Resources Ltd, to the value of $620,000.

11. Financial assets

Non-current		
Bond in relation to office premises	18,972	-
Bank guarantee	25,000	-
Security deposits	16,340	-
	60,312	-

	2007 $	2006 $
12. Exploration and evaluation expenditure		
Costs carried forward in respect of areas of interest in the exploration and evaluation phase (at cost)	-	-
Acquisition of tenements	9,415,248	-
Expenditure incurred during the year	2,333,365	-
Exploration costs not capitalised	(39,286)	-
Interest in tenements disposed of	(621,892)	-
	11,087,435	-

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploration or sale of the respective areas.

	2007 $	2006 $
13. Property, plant and equipment		
At cost	171,572	-
Less: accumulated depreciation	(18,142)	-
	153,430	-
Plant and equipment		
Carrying amount at 1 July	-	-
Additions	173,163	-
Disposals/written off	(1,531)	-
Depreciation	(18,202)	-
Carrying amount at end of period	153,430	-

	2007 $	2006 $
14. Trade and other payables		
Trade payables	547,714	-
Accrued expenses	108,400	-
	656,114	-

15. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk, see note 18.

	2007 $	2006 $
Current liabilities		
Loan – Uranium Equities Ltd	-	19,622
	-	19,622

	2007 $	2006 $
16. Employee benefits		
Liability for annual leave	14,553	-
Total employee benefits	14,553	-

Share based payments

(a) Employee Share Option Plan

The Company has an Employee Share Option Plan ('ESOP') in place. Under the terms of the ESOP, the Board may offer free options to full-time or part-time employees (including persons engaged under a consultancy agreement) and executive and non-executive Directors.

Each option entitles the holder, on exercise, to one ordinary fully paid share in the Company. There is no issue price for the options. The exercise price for the options is such price as determined by the Board.

An option may only be exercised after that option has vested and any other conditions imposed by the Board on exercise satisfied. The Board may determine the vesting period, if any.

There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the issued ordinary shares when the options have been exercised.

Share options were granted to employees on the following terms and conditions during the year:

Grant date	Number of instruments	Vesting conditions	Contractual life of options
18 December 2006	5,400,000	1 year continual services	3 years
18 December 2006	75,000	No vesting conditions	3 years
9 January 2007	250,000	1 year continual services	3 years

The number and weighted average exercise prices of shares options are as follows:

	Weighted average exercise price $ 2007	Number of options 2007
Outstanding at the beginning of the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Granted during the period	0.25	5,725,000
Outstanding at the end of the period	0.25	5,725,000
Exercisable at the end of the period	0.25	75,000

The options outstanding at 30 June 2007 have an exercise price of $0.25 and a weighted average contractual life of 3 years.

During the year, no share options were exercised.

The fair value of the options is estimated at the date of grant using a binomial option-pricing model.

The following table gives the assumptions made in determining the fair value of the options granted in the year to 30 June 2007.

Fair value of share options and assumptions	2007	2006
Share price at grant date (weighted average)	$0.20	-
Exercise price	$0.25	-
Expected volatility (expressed as weighted average volatility used in the modelling under binominal option-pricing model)	80%	-
Option life (expressed as weighted average life used in the modelling under binomial option-pricing model)	3 years	-
Expected dividends	Nil	-
Risk-free interest rate	6.06%	-

The expected volatility is based on the volatility of similar mining and exploration companies, due to limited historical share price data being available as a result of the Company listing on ASX on 27 December 2006.

Share options are granted under service conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

	2007 $	2006 $
Share options granted in 2007 - equity settled	310,115	-
Total expense recognised as personnel expenses	310,115	-

17. Capital and reserves

Reconciliation of movement in capital and reserves attributable to equity holders of the parent

2007	Share capital (a) $	Accumulated losses $	Share based payments reserve $	Total equity $
Balance at 1 July 2006	2	(17,846)	-	(17,844)
Issue of fully paid ordinary shares – tenement acquisition	3,400,000	-	-	3,400,000
Issue of fully paid ordinary shares – initial public offering	7,000,000	-	-	7,000,000
Issue of fully paid ordinary shares – share conversion	5,400,002	-	-	5,400,002
Transaction costs	(822,643)	-	-	(822,643)
Share options vested	-	-	469,098	469,098
Loss for the period	-	(877,204)	-	(877,204)
Balance at 30 June 2007	14,977,361	(895,050)	469,098	14,551,409

2006	**Share capital (a) $**	**Accumulated losses $**	**Share based payments reserve $**	**Total equity $**
Balance at date of incorporation	2	-	-	2
Loss for the period	-	(17,846)	-	(17,846)
Balance at 30 June 2006	2	(17,846)	-	(17,844)

(a) Share capital

	2007 No.	**2006 No.**
On issue at 1 July	2	-
Issue of fully paid ordinary shares – on incorporation	-	2
Issue of fully paid ordinary shares – tenement acquisition	17,000,000	-
Issue of fully paid ordinary shares – initial public offering	35,000,000	-
Issue of fully paid ordinary shares – share conversion	27,000,007	-
On issue at 30 June	79,000,009	2

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, the ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

(b) Share options

	2007 No.	**2006 No.**
On issue at 1 July	-	-
Options issued during the year	7,225,000	-
On issue at 30 June	7,225,000	-

At 30 June the Company had 7,225,000 unlisted options on issue under the following terms and conditions:

Number	**Expiry Date**	**Exercise Price**
5,475,000	18 December 2009	0.25
1,500,000	31 December 2009	0.25
250,000	9 January 2010	0.25

18. Financial instruments

(a) Interest rate risk exposures

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

30 June 2007	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	9	-	-	3,122,503	-	3,122,503	2.6%
Bank guarantee – term deposits	11	25,000	-	-	-	25,000	6.4%
Petty cash	9	-	-	-	200	200	-
Trade and other receivables	10	-	-	-	777,801	777,801	-
Security deposits	11	-	-	-	35,312	35,312	-
Financial liabilities							
Trade payables and accrued expenses	14	-	-	-	656,114	656,114	-

30 June 2006	Note	1 year or less $	Over 1 to 5 years $	Floating interest $	Non-interest bearing $	Total $	Weighted average int. rate
Financial assets							
Bank balances	9	-	-	1,778	-	1,778	0.0%
Financial liabilities							
Loans and borrowings	15	19,622	-	-	-	19,622	8.0%

(b) Credit risk exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

(c) Net fair values of financial assets and liabilities

The carrying amounts of all financial assets and liabilities approximate the net fair values.

19. Capital and other commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The amounts stated are based on the maximum commitments. The Company may in certain situations apply for exemptions under relevant mining legislation. These obligations are not provided for in the financial report and are payable:

	2007 $	2006 $
Within 1 year	997,325	-
Within 2 – 5 years	2,742,343	-
Later than 5 years	382,184	-
	4,121,852	-

Remuneration commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at balance date but not recognised as liabilities, payable:

within 1 year	425,000	-
within 2-5 years	-	-
	425,000	-

Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

within 1 year	67,242	-
within 2-5 years	119,828	-
	187,070	-

20. Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Loss for the period	(877,204)	(17,846)
Adjustments for:		-
Depreciation and amortisation	18,202	-
Exploration costs not capitalised	39,286	-
Interest on finance leases	246	-
Loss on sale of equipment	1,531	-
Loss on sale of interest in mining tenements	1,892	-
Equity-settled share-based payment expenses	310,115	-
Operating loss before changes in working capital and provisions	(505,932)	(17,846)
(Increase) in trade and other receivables	(178,196)	-
Increase in trade creditors and accruals	275,482	-
Increase in provisions	14,553	-
Net cash used in operating activities	(394,093)	(17,846)

21. Key management personnel

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive Directors	
A R Bantock	
J R McIntyre	Resigned 17 July 2007
Non-executive Directors	
T R B Goyder (Chairman)	
A W Kiernan	
C R Williams	Appointed 11 November 2006
Executives	
R K Hacker (Company Secretary)	

The key management personnel compensation included in 'personnel expenses' (see note 4) is as follows:

	2007 $	2006 $
Short-term employee benefits	237,876	-
Post-employment benefits	20,373	-
Equity-settled transactions	279,991	-
	538,240	-

Individual Directors' and executives' compensation disclosures

The Company has transferred the detailed remuneration disclosures to the Directors' Report in accordance with Corporations Amendment Regulations 2006 (No. 4). These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

Loans to key management personnel and their related parties

No loans were made to key management personnel and their related parties.

Other key management personnel transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Key management persons	Transaction	Note	Amounts payable/ (receivable) 2007 $	Amounts payable/ (receivable) 2006 $
A W Kiernan	Legal services	(i)	15,930	-
T G Goyder	Office premises	(ii)	(5,000)	-
Other related parties				
Chalice Gold Mines Limited	Corporate Services	(iii)	96,500	-
Uranium Equities Limited	Office premises	(ii)	(11,000)	-

(i) The Company used the legal services of Mr Kiernan and Christensen Vaughan (a company to which Mr Kiernan is a consultant) during the year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

(ii) Uranium Equities Limited and Mr Goyder contribute to the rental cost of the Company's office premises in West Perth. Messrs Goyder, Bantock and Kiernan were all Directors of Uranium Equities Limited during the year and Mr Hacker was the Company Secretary. Amounts billed are based on the underlying usage of the premises by each party, reflecting its proportionate share of the rate charged by the lessor of the premises and have normal payment terms.

(iii) The Company receives corporate services including accounting and company secretarial services under a Corporate Services Agreement with Chalice Gold Mines Limited. Messrs Goyder, Bantock, Kiernan and McIntyre were all Directors of Chalice Gold Mines Limited during the year, and Mr Hacker was the Company Secretary. Amounts billed are based on a proportionate share of the cost to Chalice Gold Mines Limited of providing the services and have normal payment terms.

Amounts payable to key management personnel at reporting date arising from these transactions were as follows:

Assets and liabilities arising from the above transactions	2007 $	2006 $
Current payables	(27,011)	-
Trade debtors	2,420	-
	(24,591)	**-**

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at date of incorporation	Granted as compensation	Exercised	Other changes	Held at 30 June 2007	Vested during the year	Vested and exercisable at 30 June 2007
Directors							
T R B Goyder	-	750,000	-	-	750,000	-	-
A R Bantock	-	1,250,000	-	-	1,250,000	-	-
J R McIntyre	-	1,250,000	-	-	1,250,000	-	-
A W Kiernan	-	750,000	-	-	750,000	-	-
C R Williams	-	750,000	-	-	750,000	-	-
Executives							
R K Hacker	-	500,000	-	-	500,000	-	-

Movements in ordinary shares

The movement during the reporting period in the number of ordinary shares in Liontown Resources held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2006	Additions	Received on exercise of options	Sales	Held at 30 June 2007
Directors					
T R B Goyder	-	15,721,002	-	-	15,721,002
A R Bantock	-	3,063,544	-	-	3,063,544
J R McIntyre	-	431,379	-	-	431,379
A W Kiernan	-	460,154	-	-	460,154
C R Williams	-	100,000	-	-	100,000
Executives					
R K Hacker	-	173,336	-	173,336	-

No shares were granted to key management personnel during the reporting period as compensation.

22. Related party disclosures

During the financial year and prior to the Company's Initial Public Offering, Uranium Equities Limited provided funding to Liontown Resources under an agreement dated 22 March 2006.

Uranium Equities Limited was the ultimate parent entity of Liontown Resources until 15 December 2006.

Key terms were a loan limit of $300,000 and that interest was charged at 8% per annum. Messrs Goyder, Bantock and Kiernan, as Directors of Liontown Resources, provided personal guarantees to Uranium Equities Limited for any balances not repaid by Liontown Resources.

The loan was fully repaid on 5 February 2007.

23. Subsequent events

On 10 November 2006, the Company entered into an agreement to sell its Strelley River tenements to CBH Resources Ltd. On 9 August 2007 the sale of the Strelley River tenements was satisfied by the issue of 1,037,114 fully paid ordinary shares in CBH Resources Ltd, to the value of $620,000 (see note 10).

During September 2007, the entire investment in CBH Resources was sold on ASX for $533,286 (at an average price of 51.4 cents per share) resulting in a loss on sale of $86,714.

Directors' declaration

1 In the opinion of the Directors of Liontown Resources Limited ('the Company'):

(a) the financial statements and notes including the remuneration disclosures that are contained in sections 7.1, 7.2 and 7.3 of the Remuneration Report in the Directors' Report, set out on pages 5 to 9, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations by the Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) for the period ended 30 June 2007 pursuant to Section 295A of the Corporations Act 2001.

Dated at Perth the 28th day of September 2007

Signed in accordance with a resolution of the Directors:

TIM R B GOYDER
Chairman

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
LIONTOWN RESOURCES LIMITED

We have audited the accompanying financial report of Liontown Resources Limited, which comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year then ended and the directors' declaration.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), the directors state that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

HLB Mann Judd (WA Partnership)
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Partners: Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Liontown Resources Limited and included in the directors' report, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Liontown Resources Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year then ended; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Auditor's Opinion on the AASB 124 Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
28 September 2007

L DI GIALLONARDO
Partner

Corporate Governance is a matter of high importance in the Company and is undertaken with due regard to all of the Company's stakeholders and its role in the community. The key corporate governance practices of the Company are summarised below.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. The Board believes that this focus will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Company is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive, role.

The Board is responsible for evaluating and setting the strategic directions for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The Board has sole responsibility for the following:

- appointing and removing the Managing Director and approving senior executive remuneration;
- determining the strategic direction of the Company and measuring performance of management against approved strategies;
- review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress against them;
- monitoring capital and cash flow requirements;
- approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- determining that satisfactory arrangements are in place for auditing the Company's financial affairs; and
- ensuring that risk management and internal controls, policies and compliance systems consistent with the Company's objectives, external best practice and the Company's size and scope of operations are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Company's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company's Constitution provides that the number of Directors shall not be less than three and not more than seven. There is no requirement for any share holding qualification.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of an independent Non-executive Chairman. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

The composition of the Board is reviewed periodically in view of the underlying scale, scope and complexity of the Company's operations. Changes are made where appropriate.

The membership of the Board and its activities are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1.4 Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of a professional standard of corporate governance practice and ethical conduct by all Directors and employees of the Company.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A Director must act honestly, in good faith and in the best interests of the company as a whole.
- A Director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A Director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A Director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A Director must not make improper use of information acquired as a Director.
- A Director must not take improper advantage of the position of Director.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a Director in the course of the exercise of Directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A Director should not engage in conduct likely to bring discredit upon the Company.
- A Director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Company has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse company information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;

- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;

- perform their duties in ways that minimise environmental impacts and maximise workplace safety;

- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and

- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must notify that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Company's share trading policy imposes basic trading restrictions on all employees of the Company with 'inside information', and additional trading restrictions on the Directors of the Company and employees who possess inside information.

'Inside information' is information that:

- is not generally available; and

- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;

- advise others or procure others to trade in the Company's securities; or

- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information.

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 5 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the Corporations Act and the Listing rules of the ASX, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

2.4 Interests of Other Stakeholders

The Company's objective is to maximise returns to shareholders through the continued exploration and development of current projects and the identification and acquisition of quality mining and/or exploration projects.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. Disclosure of Information

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

a) a reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and

b) the information is confidential; or

one of the following applies:

- It would breach a law or regulation to disclose the information;
- The information concerns an incomplete proposal or negotiation;
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
- The information is generated for internal management purposes;
- The information is a trade secret;
- It would breach a material term of an agreement, to which the company is a party, to disclose the information;
- It would harm the Company's potential application or possible patent application; or
- The information is scientific data that release of which may benefit the Company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company. The strategy provides for the use of systems that ensure a regular and timely release of information about the Company to shareholders.

Mechanisms employed include:

- announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;

- Half Yearly Report;
- presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Company's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. Risk Management

4.1 Identification of Risk

The Board is responsible for overseeing the Company's risk management and control framework.

Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include:

- monthly reporting to the Board in respect of operations and the financial position of the Company;
- Budgetary expenditure controls;
- Monthly reporting to the Board on status of tenure to tenements;
- Review of insurance requirements annually and as needed; and
- Regular reporting on adherence to health and safety guidelines and policies.

4.2 Integrity of Financial Reporting

From the date the Company listed on the ASX, the Company's Managing Director and Chief Financial Officer (or equivalent) will report in writing to the Board that:

- the financial statements of the Company for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

4.3 Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Ongoing review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include annual performance appraisal meetings with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

6. Remuneration Arrangements

The broad remuneration policy of the Company is to ensure that remuneration levels for executive Directors, secretaries and senior managers are set at competitive levels to attract and retain appropriately qualified and experienced personnel. This is a particularly important policy in view of the strong demand for experienced technical and financial personnel currently being experienced in the Australian and international resources industry, driven by increased world demand for commodities, and the significant impact that each individual can make within a small executive team for an exploration and development company such as at Liontown Resources. In short, the labour market is tight and key people make a difference to exploration and growth outcomes.

Remuneration packages offered by Liontown Resources are therefore geared to attracting talented employees through a combination of fixed remuneration and long term incentives, calibrated and individually tailored to be competitive in the external market to offer good incentive to join and remain with the Company.

The remuneration of Non-executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Options may be issued under the Employee Share Option Plan to Directors, employees and consultants of the Company and must be exercised within 3 months of termination. The ability to exercise the options is usually based on the option holder remaining with the Company for at least one year. Other than the vesting period, there is no performance hurdle required to be achieved by the Company to enable the options to be exercised.

The Company believes that the issue of share options in the Company aligns the interests of Directors, employees and shareholders alike.

ASX Corporate Governance Council: Principles of Good Corporate Governance and Best Practice Recommendations

Council Principle 1:
Lay solid foundations for management and oversight

Council Recommendation 1.1:
Formalise and disclose the functions reserved to the board and those delegated to management.

The Company complies with this recommendation. Refer Section 1.1 of Corporate Governance Statement.

Council Principle 2
Structure the board to add value

Council Recommendation 2.1:
A majority of the board should be independent Directors.

The Board considers that Mr Gauci, Mr Williams and Mr Kiernan are independent Directors in accordance with Recommendation 2.1. Whilst the remainder of the Board are not independent, the Board believes that all the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board Meeting before commencement of discussion on the topic.

Refer Section 1.2 of Corporate Governance Statement.

Council Recommendation 2.2:
The chairperson should be an independent Director.

Council Recommendation 2.3:
The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual.

The Company's Chairman, Mr Goyder, acts in a non-executive capacity but is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent Director. However the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Non-executive Chairman.

Refer Section 1.2 of Corporate Governance Statement.

Council Recommendation 2.4:
The board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

The Board acknowledges this does not comply with recommendation 2.4 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a nomination committee will be reviewed by the Board and implemented if appropriate.

Refer Section 1.3 of Corporate Governance Statement.

Council Principle 3:
Promote ethical and responsible decision-making

Council Recommendation 3.1:
Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.

The Company complies with this recommendation. Refer Sections 2.1 and 2.2 of Corporate Governance Statement.

Council Recommendation 3.2:
Disclose the policy concerning trading in company securities by Directors, officers and employees.

The Company complies with this recommendation. Refer Section 2.3 of Corporate Governance Statement.

Council Principle 4:
Safeguard integrity in financial reporting

Council Recommendation 4.1:

Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company complies with this recommendation.

Council Recommendation 4.2:
The board should establish an audit committee.

The Board considers that the Company is not currently of a size to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.

The Board acknowledges this does not comply with recommendation 4.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a audit committee will be reviewed by the Board and implemented if appropriate.

Council Recommendation 4.3:
Structure the audit committee so that it consists of:

- only non-executive Directors;
- a majority of independent Directors;
- an independent chairperson, who is not chairperson of the board;
- at least three members.

Refer Recommendation 4.2.

Council Recommendation 4.4
The audit committee should have a formal operating charter.

Refer Recommendation 4.2.

Council Principle 5:
Make a timely and balanced disclosure

Council Recommendation 5.1:
Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Company complies with this recommendation. Refer Section 3.1 of Corporate Governance Statement.

Council Principle 6:
Respect the rights of shareholders

Council Recommendation 6.1:
Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company complies with this recommendation. Refer Section 3.2 of Corporate Governance Statement.

Council Recommendation 6.2:
Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company complies with this recommendation. Refer Section 4.3 of Corporate Governance Statement.

Council Principle 7:
Recognise and manage risk

Council Recommendation 7.1:

The Board or appropriate board committee should establish policies on risk oversight and management.

The Company complies with this recommendation. Refer Section 4.1 of Corporate Governance Statement.

Council Recommendation 7.2
The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board;

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company complies with this recommendation. Refer Section 4.1 of Corporate Governance Statement.

Council Principle 8:
Encourage enhanced performance

Council Recommendation 8.1:
Disclose the process for performance evaluation of the board, its committees and individual Directors, and key executives.

The Company complies with this recommendation. Refer Section 5 of Corporate Governance Statement.

Council Principle 9:
Remunerate fairly and responsibly

Council Recommendation 9.1:
Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.

The Company complies with this recommendation. Refer Section 6 of Corporate Governance Statement.

Council Recommendation 9.2
The board should establish a remuneration committee.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

The Board acknowledges that this does not comply with recommendation 9.2 of the ASX Corporate Governance Guidelines. If the Company's activities increase in size, scope and nature, the appointment of a remuneration committee will be reviewed by the Board and implemented if appropriate. Refer Section 1.3 of Corporate Governance Statement.

Council Recommendation 9.3
Clearly distinguish the structure of Non-executive Directors' remuneration from that of executives.

The Company complies with this recommendation. Refer Section 6 of Corporate Governance Statement.

Council Recommendation 9.4
Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation. The Company currently has in place an Employee Share Option Plan. Any issue of options made to eligible participants is made in accordance with that plan.

Council Principle 10:
Recognise the legitimate interests of stakeholders

Council Recommendation 10.1:
Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company complies with this recommendation. Refer Section 2.4 of Corporate Governance Statement.

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings

Substantial shareholders

The number of shares held by substantial shareholders and their associated interests as at 18 September 2007 were:

Shareholder	Number of ordinary shares held	Percentage of capital held %
Timothy R B Goyder	15,721,002	19.90
Resolute Limited	12,249,094	15.51

Class of Shares and Voting Rights

At 18 September 2007 there were 1,017 holders of the ordinary shares of the Company.

The voting rights to the ordinary shares set out in the Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or Classes of shares -

a) at meetings of members or classes of members each member entitled to vote in person or by proxy or attorney: and

b) on a show of hands every person who is a member has one vote and on a poll every person in person or by proxy or attorney has one vote for each ordinary share held."

Holders of options do not have voting rights.

Distribution of equity security holders as at 18 September 2007:

	Number of equity security holders	
Category	**Ordinary Shares**	**Unlisted Share Options**
1 – 1,000	66	-
1,001 – 5,000	267	-
5,001 – 10,000	153	-
10,000 – 100,000	469	3
100,001 and over	62	7
Total	**1,017**	**10**

The number of shareholders holding less than a marketable parcel at 18 September 2007 was 137.

Twenty largest Ordinary Fully Paid Shareholders as at 18 September 2007

Name	Number of ordinary shares held	Percentage of capital held %
Plato Prospecting Pty Ltd	14,784,988	18.72
Resolute Limited	12,249,094	15.51
Equinox Resources Limited	9,000,000	11.39
National Nominees Limited	4,156,162	5.00
Define Consulting Pty Ltd	3,063,544	3.88
Tara Management Pty Ltd	1,464,026	1.85
J P Morgan Nominees Australia Limited	1,168,911	1.48
Balfes (QLD) Pty Ltd	1,000,000	1.27
Plato Prospecting Pty Ltd (Super Fund)	936,014	1.18
Cydac Pty Ltd	868,273	1.10
Nefco Nominees Pty Ltd	799,010	1.01
Merrill Lynch (Australia) Nominees Pty Limited	794,314	1.00
Penally Management Limited	762,678	0.97
HSBC Custody Nominees (Australia) Limited	693,336	0.88
All-States Finance Pty Ltd	675,000	0.85
Dr Lynette Hui Ching Wong	617,333	0.78
Mr Brian McCubbing	500,000	0.63
Calm Holdings Pty Ltd	388,002	0.49
Mr David Pullini	300,000	0.38
William Taylor Nominees Pty Ltd	300,000	0.38
Total	**54,520,685**	**68.75**