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Scimitar

RESOURCES LIMITED

ABN 22 102 912 783

ANNUAL REPORT 2007

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CONTENTS

Corporate Directory ____ 1

Project Overview ____ 2

Directors' Report ____ 12

Auditor's Independence Statement ____ 20

Income Statement ____ 21

Balance Sheet ____ 22

Cash Flow Statement ____ 23

Statement of Changes in Equity ____ 24

Notes to the Financial Statements ____ 25

Directors' Declaration ____ 46

Independent Audit Report to the Members of Scimitar Resources Limited ____ 47

Additional Shareholder Information ____ 49

Corporate Governance ____ 51

Schedule of Mining Tenements ____ 58

CORPORATE DIRECTORY

MANAGING DIRECTOR
Terence Topping

NON-EXECUTIVE DIRECTORS
Kent Hunter
Andrew McBain

COMPANY SECRETARY
Kent Hunter

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AUDITORS
Rix Levy Fowler

SHARE REGISTRAR
Advanced Share Registry

STOCK EXCHANGE LISTING
Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: SIM

BANKERS
National Australia Bank
50 St Georges Terrace
PERTH WA 6000

Project Overview

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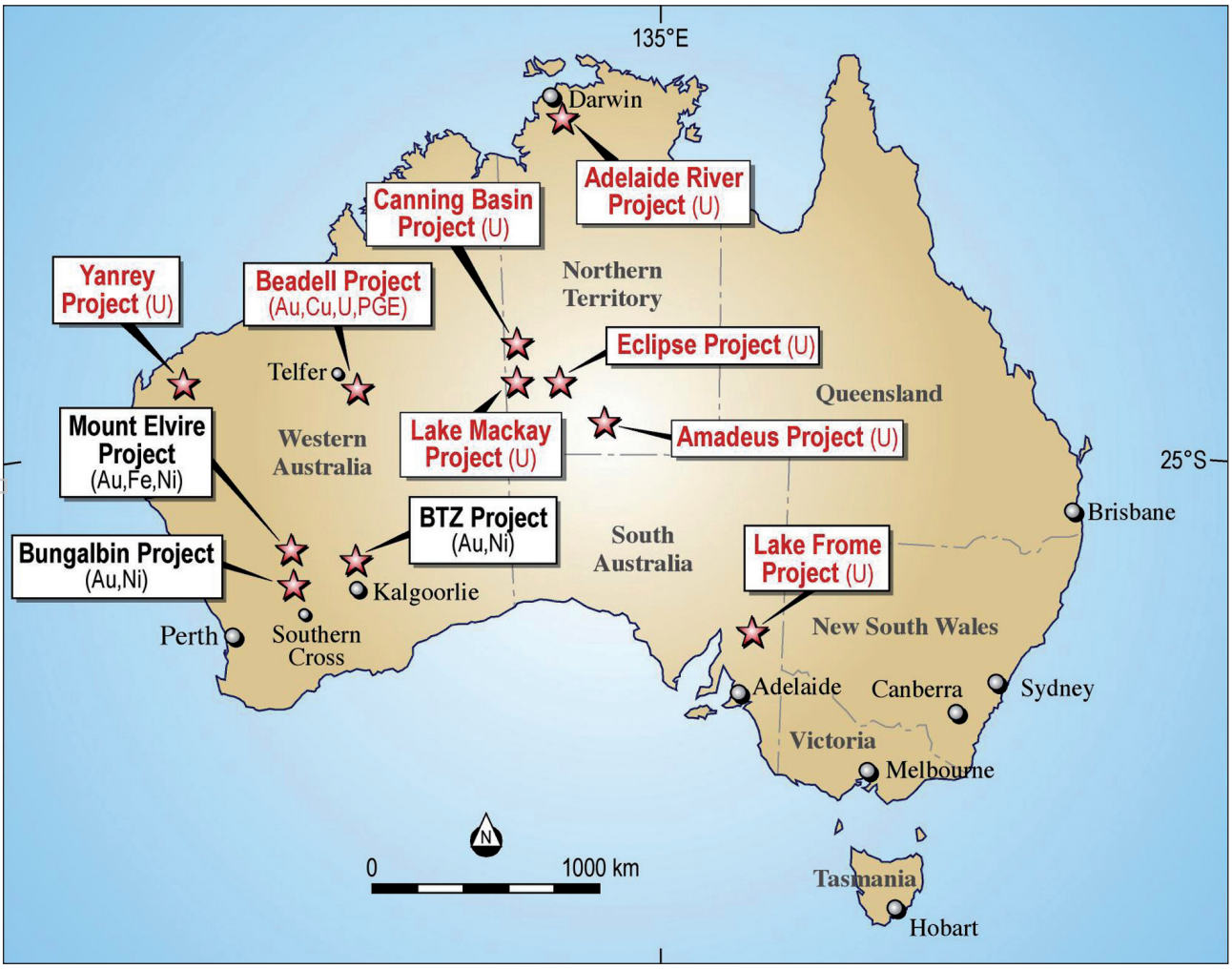
Introduction

Scimitar Resources Limited is a leader in the exploration for uranium in Australia. The Company retains an experienced board of directors and management team, with proven success in the resources sector. In 2005 the Company acquired an extensive portfolio of uranium projects in the Northern Territory, South Australia and Western Australia covering over 20,000 sq km. This portfolio allows for diversification not only geologically but also with regard to differing political sentiment and policy within each state towards uranium exploration and mining. The 100% company owned projects are effectively among the largest uranium portfolios, in historically some of the most uranium prospective areas in Australia.

Exploration for uranium continued in 2007 with over 20,000m of air core and mud rotary drilling now completed on the Yanrey, Eclipse and Glencoe Projects. This work ranks Scimitar as one of the most active exploration companies for uranium in Australia. Drilling has outlined significant mineralisation in the Bennet Channel in the Yanrey Project in WA and also intersected anomalous mineralisation at Eclipse NT and Glencoe SA. It is also the first serious exploration of these project areas for 25 years and marks a resurgence in the search for uranium in Australia. The Company has also continued target generation across all project areas utilising modern geophysical techniques including Tempest EM, REPTEM and Hoist EM surveys.

The board feels the Company is well positioned to take advantage of the continued demand for energy focused explorers. The company intends to continue its aggressive exploration approach through a combination of regional and infill drilling and target generation through extensive geophysical and geochemical programs and detailed evaluation and interpretation.



Project Location Map

Project Overview
(CONTINUED)

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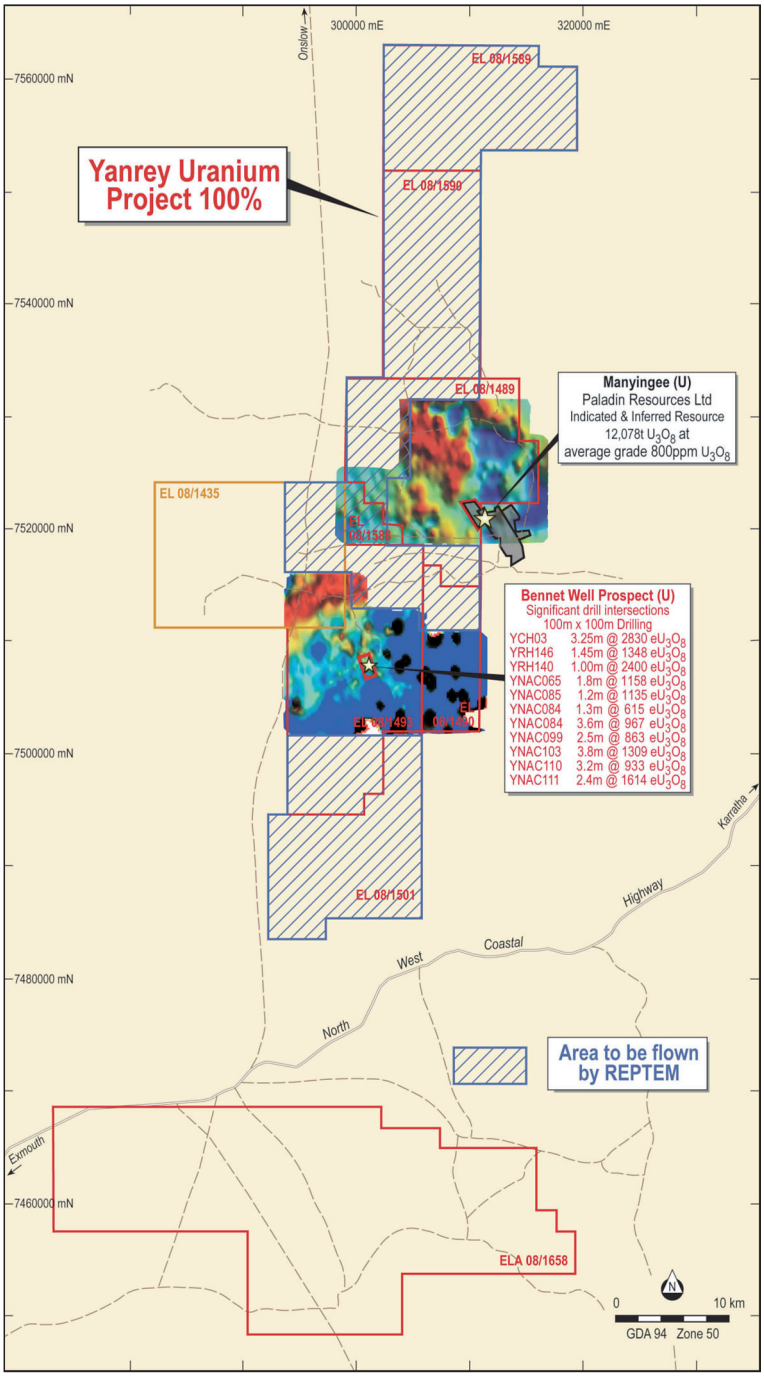
Yanrey Uranium Project, WA.

The Yanrey project is situated 85 kilometres to the south of Onslow and covers sediments that are highly prospective for sandstone hosted roll front uranium mineralisation, similar to that at the adjacent Manyingee Uranium Deposit (Paladin Resources Ltd, 100%, ASX code PDN), with a published indicated and inferred resource of 12,078 tonnes at 0.08% U_3O_8, which was field trialled by Insitu Leach (ISL) mining during the 1980's.

ISL mining involves the extraction of uranium by solution. The method has been used to extract uranium in a number of countries overseas since the 1970's and has been approved for use at two locations in South Australia, namely the Beverley uranium mine, which commenced operation in 2000, and the Honeymoon uranium deposit. ISL mining uses a weak chemically treated water solution injected into the mineralised rock to oxidise the uranium minerals into solution. The mineralized solution is then pumped back to the surface and the uranium is extracted using conventional uranium processing technology, however as there is no crushed rock or slurry involved, large tailings dams, waste dumps and ore stockpiles are not required.

Previous drilling at the Bennet Well prospect, conducted by CRA Exploration in the late 1970's and early 1980's (158 holes for approximately 15,000 metres) identified a palaeochannel system with mineralisation extending for some 4 kilometres.

An initial Aircore drilling program at the Bennet Well prospect, comprising 22 holes for 2,181 metres was undertaken by Scimitar during June 2006, targeting sedimentary roll front uranium mineralisation amenable to Insitu Leach (ISL) mining. The program returned a number of encouraging results, which confirmed the presence of a large uranium mineralised palaeochannel system and extended the boundaries of the previously known mineralisation to the south and northwest.



Yanrey Project, WA

Project Overview
(CONTINUED)

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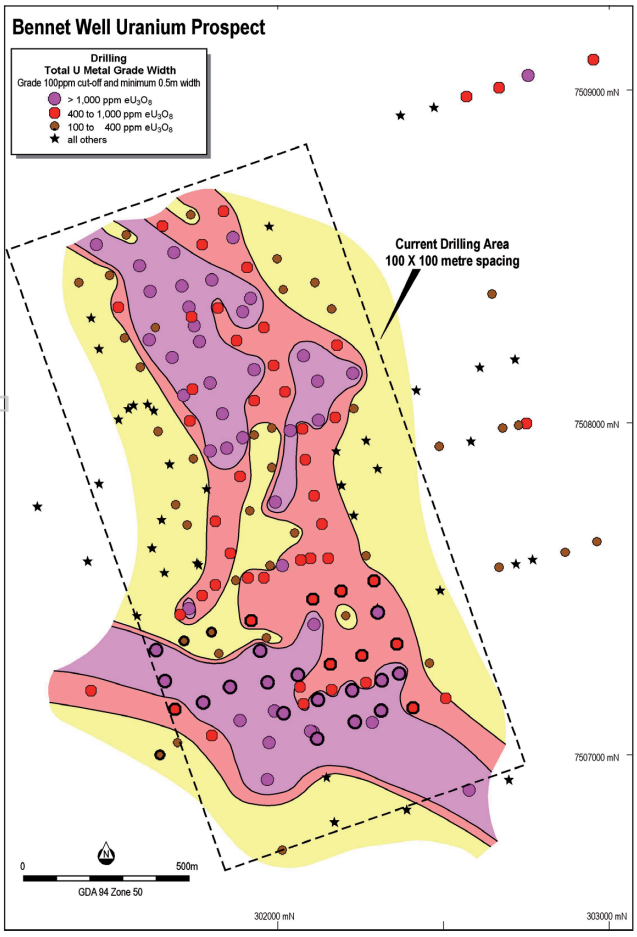
During the year Scimitar has completed a further three successful drilling programs, 54 holes for 5,838 metres and is currently completing a further 12,000 metre infill Aircore drilling program on 100m x 100m spacings at Bennet Well. The current drilling program commenced in August with a total of 103 holes drilled to date for a total of 10,769 metres.

The program is designed to test the continuity of uranium mineralisation and identify zones of higher grade mineralisation within a one by two kilometre area of the Bennet Well palaeochannel. The drilling has outlined two high grade zones of uranium mineralisation, which remain open to the northwest and southeast.

The Company is also currently completing a project wide airborne electromagnetic survey (REPTEM), which will be used to further define drilling targets for uranium mineralisation. This program follows on from the successful Airborne EM Survey on the Yanrey Project conducted last year, which defined the Bennet Well palaeochannel.



Bennet Well, WA – Grade Width Contours

Hole ID	Width(m)		ppm eU_3O_8
YNAC019	1.2m	at	511
YNAC021	1.2m	at	685
YNAC022	3.2m	at	600
includes	1.0m	at	1340
YNAC024	1.8m	at	695
YNAC029	5.2m	at	227
YNAC037	3.0m	at	508
YNAC042	1.1m	at	430
YNAC044	2.9m	at	266
YNAC053	1.1m	at	496
YNAC056	2.5m	at	291
YNAC057	1.3m	at	364
YNAC061	1.3m	at	417
YNAC065	1.8m	at	1158
includes	1.0m	at	1830
YNAC081	1.0m	at	524
YNAC084	1.3m	at	615
YNAC084	3.6m	at	967
includes	1.5m	at	1800
YNAC085	1.2m	at	1135
includes	0.5m	at	2261
YNAC093	1.4m	at	1284
YNAC099	2.5m	at	863
includes	1.1m	at	1576
YNAC103	3.8m	at	1309
YNAC110	3.3m	at	933
includes	1.1m	at	1863
YNAC111	2.4m	at	1614
includes	1.5m	at	2497
YNAC115	3.2m	at	791
YNAC116	3.1m	at	699
includes	1.9m	at	1009
YNAC122	5.5m	at	623
includes	1.1m	at	1547
YNAC126	2.7m	at	1036
YNAC135	3.8m	at	1392
includes	2.4m	at	2072
YNAC138	2.3m	at	789
includes	1.4m	at	1231
YNAC143	3.1m	at	680
includes	1.5m	at	1213
YNAC146	2.2m	at	650
includes	1.1m	at	1126

Project Overview
(CONTINUED)

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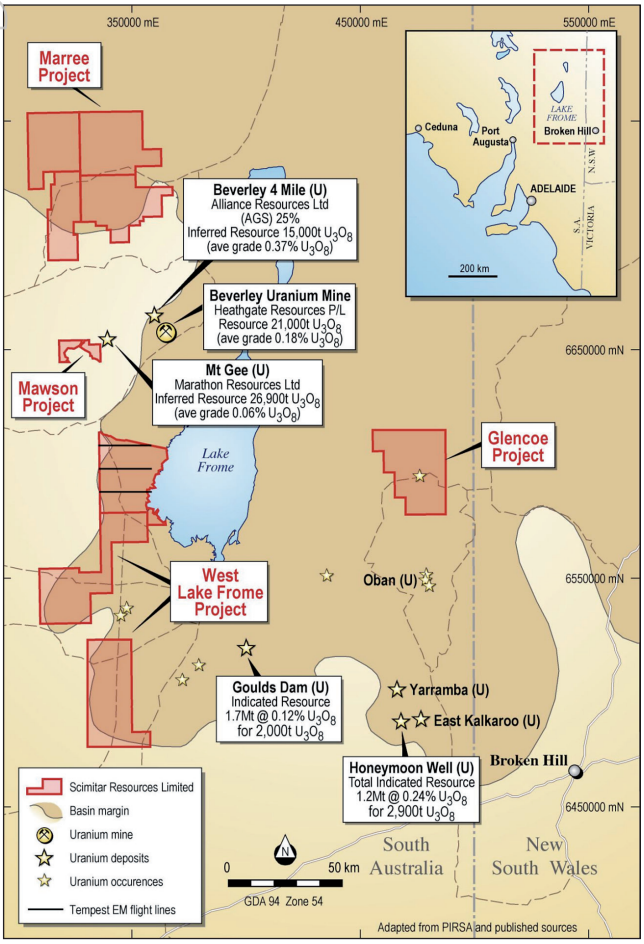

Lake Frome Project, SA

Lake Frome Uranium Project, SA.

The company has nine granted Exploration Licences covering four project areas in the Lake Frome region of South Australia. The Frome Embayment is host to the Beverley Uranium Mine which has a resource of 21,000 t U_3O_8 and the Beverley Four Mile, Honeymoon and Goulds Dam uranium deposits of 15,000 t, 2,900 t and 2,000 t U_3O_8 respectively.

Glencoe Project, SA

The Glencoe Project is located east of Lake Frome and is comprised of one granted Exploration Licence (EL3391). Previous exploration drilling in the area indicates the presence of two major Tertiary palaeochannels up to 6 km wide, the Yalkapo Palaeochannel and Carnanto Palaeochannel. The Carnanto Palaeochannel is believed to be a continuation of the Yarramba Palaeochannel which hosts the Honeymoon Well uranium deposit. Anomalous radioactivity (up to 350 cps) was encountered by previous explorers in sands of the Eyre Formation within the Carnanto Palaeochannel.

In December 2006 Scimitar Resources undertook a rotary mud drilling program. Eighteen vertical mud rotary holes were drilled (for a total of 2,502 metres) with an average depth of 140m, on 800m x 1,200m spacings. The drilling intersected both reduced and oxidised environments within the sand units of the interpreted Namba and Eyre Formations, and has identified a number of partially oxidised sand units of interest within interpreted Eyre Formation sands.

The results of down hole gamma surveying have confirmed previously intersected uranium anomalism and further expanded the known size of the uranium anomaly within the palaeochannel. Average background readings downhole were in the order of 10 – 40 cps with a maximum reading of 790 cps (190 ppm eU_3O_8) over a 5cm composite interval in hole GNC009.

Mawson Project, SA.

The Mawson Project is comprised of one Exploration Licence (EL 3502) of 88km^2 covering part of the prospective Mount Painter Complex, 5km to the south west of the Mt Gee uranium deposit.

The project covers the southern extension of the Mount Painter Complex and the continuation of the Paralana Fault zone. Reactivation of this fault is believed to be an important factor in the localisation of the uranium mineralisation at the Mount Gee and Mount Painter breccia hosted uranium deposits held by Marathon Resources Ltd.

Field work completed during the year returned anomalous rock chip results up to 850 ppm U from granitoid bodies in the Giants Head area, and on granitoids discovered to the northeast at Tourmaline Hill. The Umberatana grantoid complex is believed to belong to the Ordovician Mudnawatana granite and granitic breccia suite, host to uranium mineralisation in the adjacent Mt Gee area.

Field mapping has defined more pegmatitic granitoids in the Tourmaline Hill area, with surface outcrops of up to 100 m thickness and extending over 500m of strike length being mapped. Localised gamma counts of up to 600 cps were observed centering on a large outcropping leucogranite hill. These areas will be the focus of further field exploration through ground radiometric surveys and detailed mapping and sampling in the coming year

Project Overview
(CONTINUED)

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West Lake Frome Project, SA.

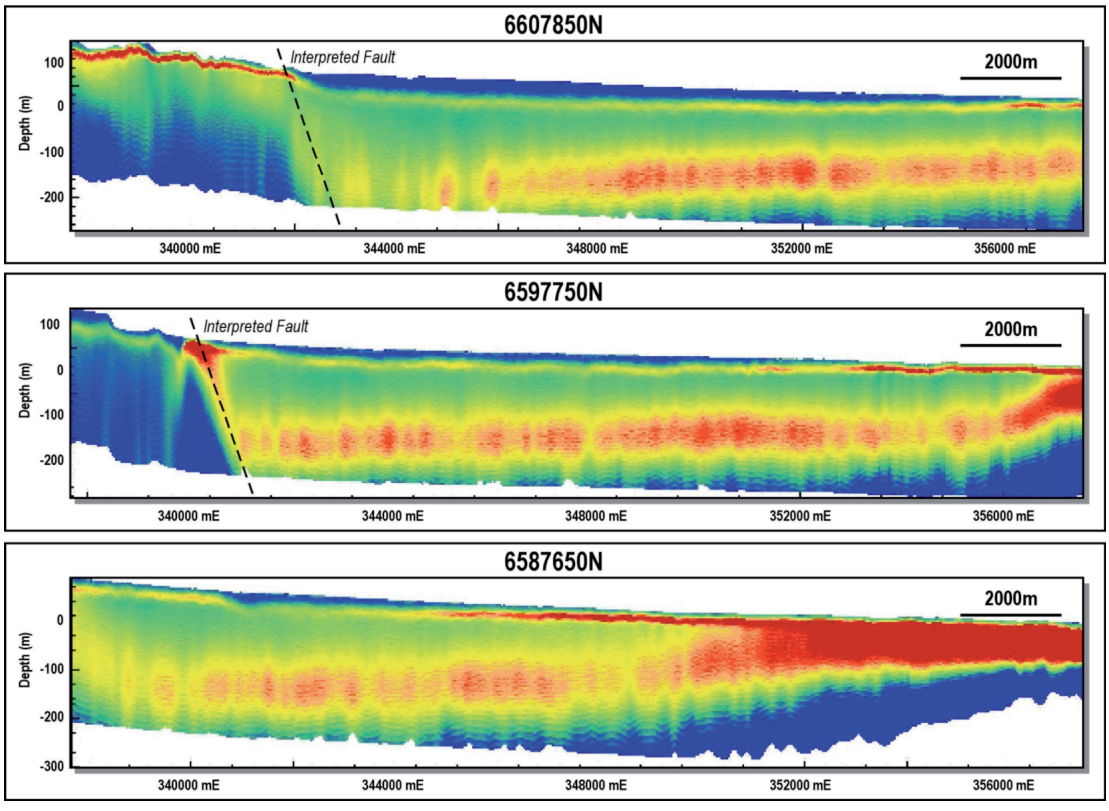
The West Lake Frome Project is located between the eastern escarpment of the Flinders Ranges and the western edge of Lake Frome. Exploration Licences 3388, 3392 and 3410 cover an area of 2,577 km2. A number of target areas containing favourable lithologies in proximity to basin margins remain to be adequately tested by modern techniques and are considered to be prospective for sedimentary roll front uranium mineralisation.

In November 2006 Scimitar completed an airborne electromagnetic survey (Tempest EM), comprising 1,050 line km and covering 1,200 km^2 in two separate areas. The program was flown by Fugro Airborne Surveys on north-south oriented lines, spaced one kilometre apart. A number of east-west tie lines were also flown to provide data control.

Interpretation of the data identified a strongly conductive sediment package intersected by basement fault structures and also indicated the presence of near surface palaeodrainages. This has highlighted target areas for both Beverley and Beverley Four Mile style uranium mineralisation.

Analysis of historical drilling records, including oil exploration hole Moorowie1, indicates that Tertiary sediments of the Namba and Eyre Formations correlate to the areas of higher conductivity observable in the EM sections. These areas are interpreted to indicate porous sand units within the Namba and Eyre Formation. These sand units provide a drilling target for uranium mineralisation and occur at depths between 50 to 230 metres.

Interpretation of the EM sections indicates that the Tertiary sediments shallow to the east over a basement high in the central eastern part of the project area and are truncated to the west by a large fault. The area is also thought to be underlain by granites of the Bimbowrie Suite, part of the Willyama Inlier. These uranium enriched rocks outcrop further to the south around the basin margin and are thought to be the source of uranium for a number uranium deposits within the Lake Frome region.



West Lake Frome, SA – EM Sections

Project Overview
(CONTINUED)

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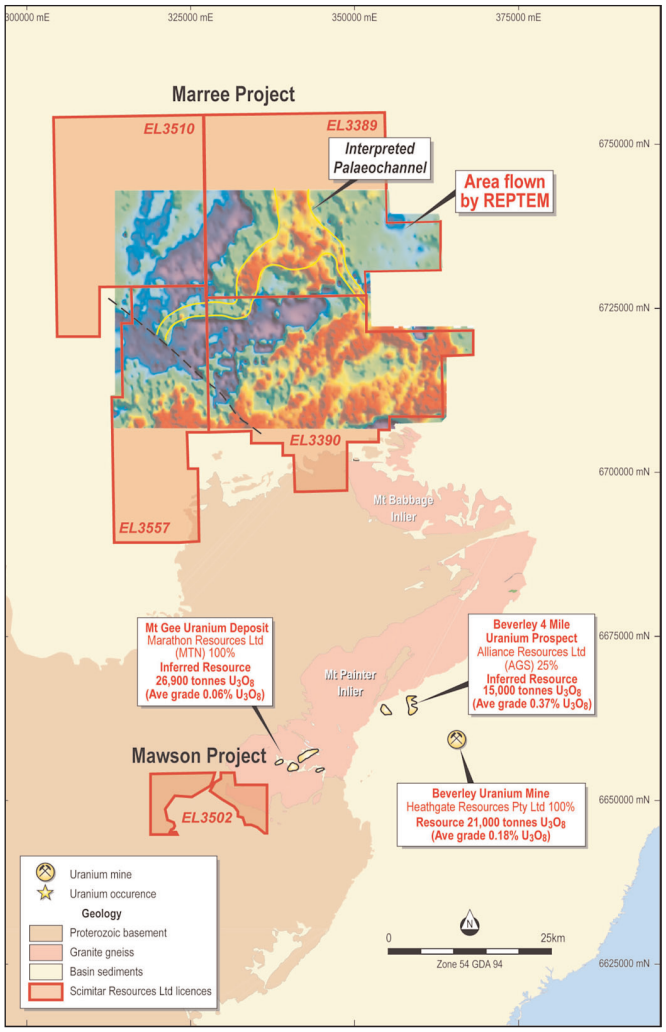

Marree Project, SA – REPTEM Conductivity at 50m Depth

Marree Project, SA.

The Marree Uranium Project, located 550 km north of Adelaide, comprises Exploration Licences 3389, 3390, 3510 and 3557 and covers 2,697 km^2. The Marree Project area is adjacent to the uranium-rich Mount Babbage Inlier and the project area includes the Tertiary Eyre and Namba Formations, host to several sedimentary roll-front uranium occurrences including the Beverley, Beverley Four Mile and Honeymoon Well uranium deposits.

During the past year Scimitar has undertaken ground based field investigations and completed 1,507 line km of airborne electromagnetic surveying (REPTEM) at the Marree Project. The survey was completed by GPX Airborne on one kilometre spaced, east west lines covering the southern and central parts of the Marree Project. Interpretation of the data indicates the presence of an extensive palaeodrainage system to a depth of approximately 75 metres. The interpreted palaeodrainage is up to 2.5 km wide and trends to the northwest for over 20 km, it is joined by a second broad northwest trending palaeodrainage near the centre of the project area.

The results of the EM survey enhances the potential of the Marree Project to contain sandstone hosted roll front uranium targets of a similar nature to those at Beverley and Honeymoon Well. Further reprocessing and detailed interpretation of the EM data will continue, with the aim of refining targets for future drill programs.

Project Overview
(CONTINUED)

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Eclipse Uranium Project, NT

The Eclipse Uranium Project is comprised of four granted Exploration Licences (EL 24625, 24636, 24637 and 24808) and three licence applications (ELA 24623, 24624 and 24627) covering 7,934 km² in the Ngalia Basin, 250 km north-west of Alice Springs. The granted tenements cover an area of 3,909 km², and are located primarily in the southeast of the Company's project area.

The Ngalia basin is a large 300 km long by 70 km wide east west trending intra-cratonic basin of fluvial sediments derived from the surrounding granites and metamorphic rocks of the Arunta Block. The basin was the centre of active uranium exploration during the 1970's and early 1980's, with the focus on roll front uranium mineralisation within the Mount Eclipse Sandstone and carnotite mineralisation within recent surficial and near surface calcrete horizons. A number of significant uranium occurrences and deposits are located within the basin including the Bigrlyi Uranium deposit, 6,500 tonnes at 0.14% U_3O_8 owned by Energy Metals Limited and the New Well deposit, 670 tonnes at 0.036% U_3O_8, where Toro Energy Ltd is currently conducting resource definition drilling within a historically defined mineralised zone.

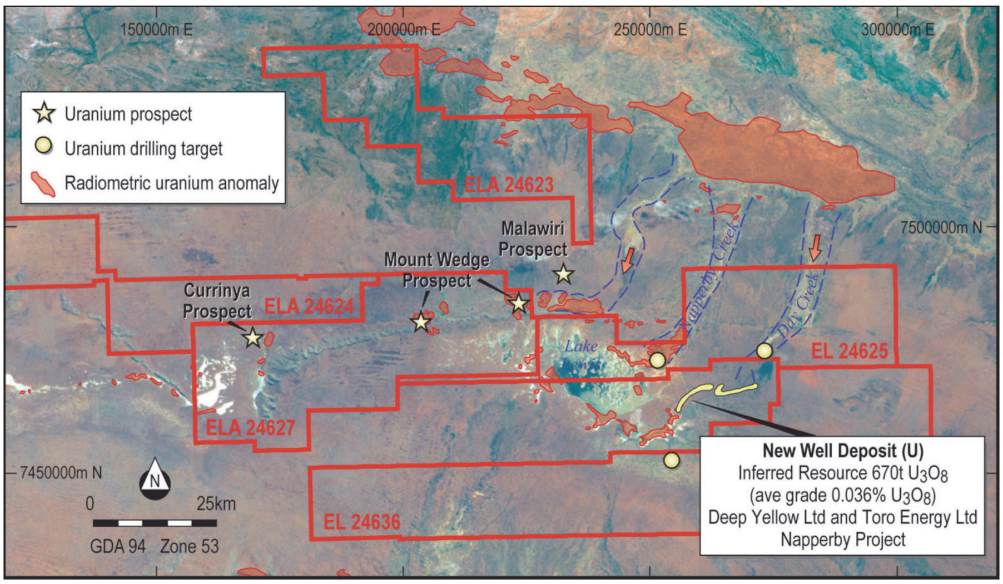
The Eclipse Project covers prospective sediments of the Ngalia basin, including outcropping and near surface extensions of the Mount Eclipse Sandstone and uranium mineralisation associated with recent surficial calcrete outcrops. The Currinya prospect is a north-east trending radioactive anomaly of carnotite bearing calcrete. The uranium mineralisation was outlined by shallow auger drilling, 124 holes for 1000 metres, and returned a number of significant results including 2 metres at 436 ppm U_3O_8, 2 metres at 312 ppm U_3O_8 and 1 metre at 306 ppm U_3O_8.

The Mount Wedge Prospect is located 6 km to the northwest of Lake Lewis. Three major calcreted channels were identified by drilling during the 1970's. These channels, the Wallaby, Rabbit Hole and Mount Wedge drainages, flow through the Stuart Bluff Range and debouch into Lake Lewis, to the south. Surface sampling produced results up to 1,300 ppm U_3O_8 and broad spaced shallow drilling up to 0.5 m at 960 ppm U_3O_8 from the Mount Wedge prospect.

Scimitar's southern licences cover the northern half of Lake Lewis and associated internal drainages. Airborne radiometric data indicates that uranium enriched material is present in these drainages and is depositing around the margins of Lake Lewis and at trap sites along the drainage system.

During December 2006 a first pass air core drilling program, comprising sixty-four holes for 1,365 metres, was conducted within EL24625, EL24636 and EL24637. The drilling targeted near surface calcrete hosted uranium mineralisation (similar to the adjacent New Well uranium deposit) within two large regional drainage systems. The initial phase of the program returned some encouraging uranium values in the south of the project area from three metre composite sampling. Further drilling is expected to commence in November 2007 and will target uranium mineralisation closer to the margins of Lake Lewis and extend to the north along the Day Creek drainage.

In July 2007, Fugro Airborne Surveys Pty Ltd undertook a trial airborne TEMPEST electromagnetic survey covering EL24625, EL24636 and EL24637. The broadly spaced survey, comprising 402 line kilometres, was completed on 10 km line spacings covering the Ngalia basin and more recently deposited sediments to the south. Interpretation of the TEMPEST data has identified additional buried channels and potential targets which will be the focus of drilling during 2008.



Eclipse Project, NT

Project Overview
(CONTINUED)

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Amadeus Project, NT.

The Amadeus Project comprises three exploration licences (EL 24704, EL 24876 and the recently granted EL 24870) covering 2,798 sq km of the Amadeus Basin, 50km south of Alice Springs. A number of significant uranium deposits occur within the basin, including the Angela uranium deposit 10 km to the north of Scimitar's licences. The Angela Deposit, including satellite ore bodies, has a maximum total resource of 12,650 t of U_3O_8 with an average grade of 0.1% U_3O_8. Scimitar's Orange Creek uranium prospect is located 20 km to the south of the Angela Deposit at the eastern end of the Orange Creek Syncline.

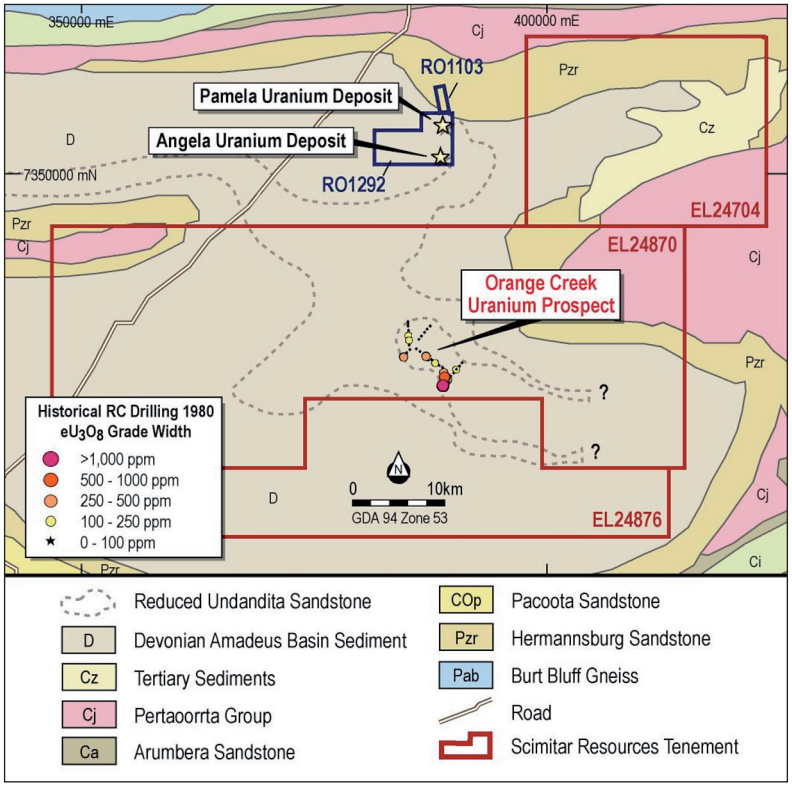
Exploration carried out by Uranerz Australia Pty Ltd (Uranerz) during the 1970's identified a wedge of reduced sediments within the Undandita Sandstone Member. This reduced wedge is extensive throughout the Amadeus Basin and is found both in the Missionary Syncline, where it is associated with uranium mineralisation at Pamela and Angela, and in the Orange Creek Syncline, where it is associated with mineralisation at the Orange Creek Prospect.

Broadly spaced percussion drilling (64 holes for 3,873 metres) conducted during 1979 and 1980 at the Orange Creek prospect intersected uranium mineralisation associated with a regional redox front between depths of 13 to 72 metres over a strike length of five kilometres. A number of significant intersections were recorded including 3.40m @ 413ppm eU_3O_8, 1.25m @ 421ppm eU_3O_8 and 0.45m @ 864ppm eU_3O_8.

Data sourced from an extensive vacuum drilling program conducted by Uranerz has been re-interpreted to accurately define the boundary between oxidised and reduced sediments within the project area. The review of historical data indicates that in a number of areas, packages of alternating reduced and oxidised sediments exist, which may provide a better locus for the formation of uranium mineralisation.

Interpretation of assay results from bottom of hole samples, taken during Uranerz's vacuum drilling program, has highlighted areas of anomalous uranium along the redox boundary. These target areas will be the focus of field exploration programs during 2008.

Field based exploration and drilling programs are currently being planned to further test the Orange Creek Prospect and extensions of the regional redox front within EL 24876. On ground works are anticipated to commence in early 2008, once all approvals and heritage surveys have been completed.



Amadeus Project, NT

Project Overview
(CONTINUED)

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Adelaide River Project, NT.

The project is located 100 km south of Darwin and covers 184 km² within the Pine Creek Orogen. The project area is prospective for vein hosted uranium mineralisation associated with a large north east trending regional fault structure.

Canning Basin Project, NT.

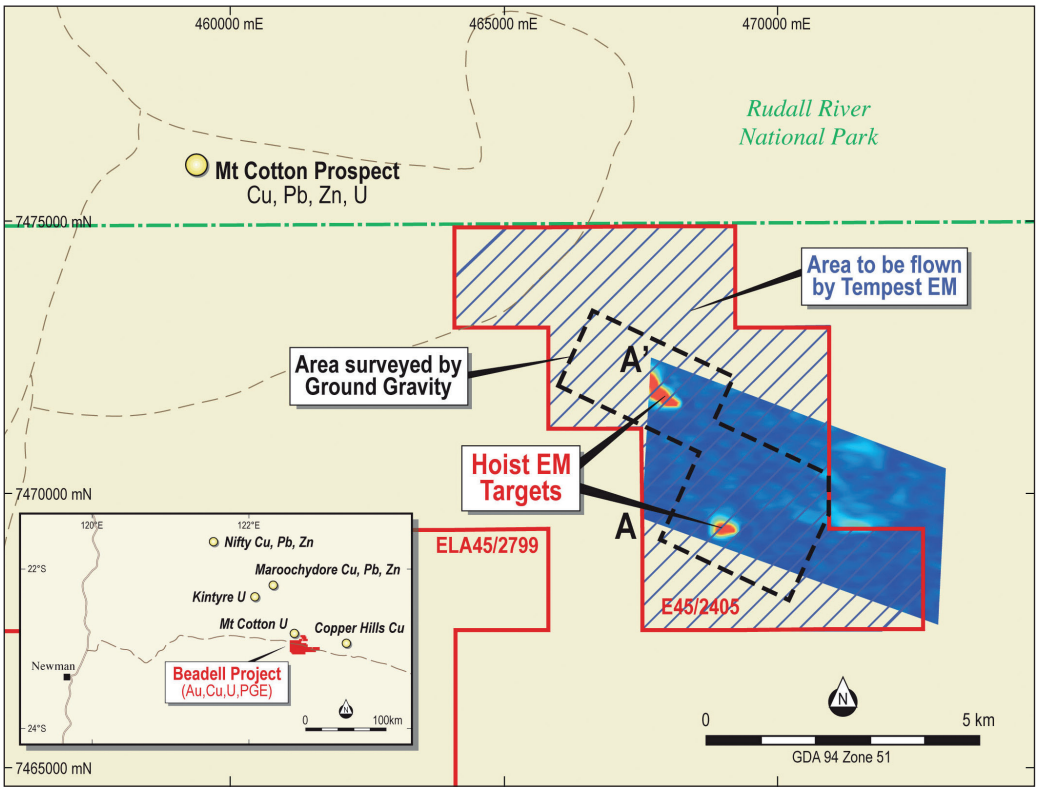
The project covers 516 km², and is located 560 km north west of Alice Springs on the Western Australia - Northern Territory border. This project contains a 10 km x 1 km airborne radiometric uranium anomaly associated with lake edge sediments. A review of historical exploration shows that no exploration for calcrete hosted uranium mineralisation has been undertaken in this area.

Lake Mackay Project, NT.

The project covers 159 km² along the Western Australia - Northern Territory border, 500 km west north-west of Alice Springs. This project area contains a 10 km x 1 km airborne radiometric uranium anomaly associated with lake edge sediments which has the potential to host surficial calcrete uranium mineralisation. This licence area covers the eastern edge of Lake MacKay.

Beadell Project, WA. (Scimitar 80%)

The Beadell Project covers 468 km² in the south-east of the Rudall Complex, some 450 km east of Newman in Western Australia. The project comprises two granted exploration licences and two exploration licence applications. The Rudall Complex is a belt of metamorphic and igneous rocks that are comprised of various types of gneiss, metasedimentary and mafic-metavolcanic rocks, plus ultramafic, mafic and felsic intrusive rocks. Several significant deposits are hosted by the Rudall Complex, including the Kintyre uranium-gold deposit (Resource of 36,000 tonnes eU_3O_8). Following regional mapping and sampling, three areas were selected for an EM survey in late 2005. This survey has produced two significant EM anomalies in the northwest area of the survey. Both anomalies are of significant size and are present to a depth of 200m below the ground surface. Follow up field programs conducted during 2007 have targeted these anomalies. The programs, including ground based gravity surveys and an airborne TEMPEST EM survey will improve the Company's understanding of the targets and assist in targeting future drilling programs.



Beadell Project, WA – Airborne EM Targets

Project Overview
(CONTINUED)

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Bardoc Tectonic Zone (BTZ) Project, WA. (Scimitar 65%)

The BTZ Project is located 70 km north of Kalgoorlie in Western Australia and is composed of three tenement groups at Goongarrie, Bardoc and Grafters. The project area, situated along the highly productive Bardoc Tectonic Zone, is easily accessed via the Kalgoorlie-Meekatharra Highway. The project is highly prospective for economic gold and nickel mineralisation.

Bungalbin Project, WA. (Scimitar 100%, excluding iron ore)

The Bungalbin Project, located 110 km north of Southern Cross in Western Australia, covers 625 km^2 of the Diemals-Marda Greenstone Belt. This large regional project is prospective for gold and nickel mineralisation. Scimitar Resources retains the right to explore for all minerals, excluding iron ore, for the majority of the project area and retains the rights to all minerals including iron ore on E77/1106 which covers 60 square kilometres.

Mount Elvire Project, WA.

The Mt Elvire Project, 210 km north of Southern Cross, comprises one exploration licence application covering 120 km^2. The project covers part of a narrow greenstone belt adjacent to the Evanston Shear Zone, which is host to a number of gold deposits. Preliminary investigations by Scimitar indicate that the Mt Elvire project has the potential to host iron ore mineralisation associated with strongly deformed Banded Iron Formations. Scimitar intends to conduct detailed ground based field investigations, targeting iron ore once the licence has been granted and the necessary approvals and clearances are in place.

DIRECTORS' REPORT

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The directors of Scimitar Resources Limited submit herewith the financial report of the company and its controlled entities for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial year are:

Terence Topping	Managing Director
Kent Hunter	Non-Executive Director
Andrew McBain	Non-Executive Director
Matthew Gauci	Non-Executive Director (resigned 21 July 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 junior gold and mineral exploration companies on ASX in the past 8 years with capital raisings exceeding $85 million. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently a non-executive director of Cazaly Resources Limited, Gryphon Minerals Limited, Venture Minerals Limited and Elixir Petroleum Limited and is company secretary of three other ASX listed entities.

2. PRINCIPAL ACTIVITIES

The principal activity of the Consolidated Entity during the financial period was mineral exploration.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial period.

3. OPERATING RESULTS

The loss of the Consolidated Entity after providing for income tax amounted to $1,157,872 (2006: $983,694).

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. REVIEW OF OPERATIONS

Yanrey Uranium Project, WA.

The Yanrey project is situated 85 kilometres to the south of Onslow and covers sediments that are highly prospective for sandstone hosted roll front uranium mineralisation, similar to that at the adjacent Manyingee Uranium Deposit (Paladin Resources Ltd, 100%, ASX code PDN), with a published indicated and inferred resource of 12,078 tonnes at 0.08% U_3O_8, which was successfully field trialled by Insitu Leach (ISL) mining during the 1980's.

During the year three air core drill programs were competed for 5,838m with the focus on the Bennet Well palaeochannel targeting sedimentary roll front uranium mineralisation amenable to Insitu Leach (ISL) mining. Encouraging results were intersected including 1.2m at 1,135 ppm e U_3O_8, 3.6m at 967 ppm e U_3O_8 and 1.8m at 1,158 ppm e U_3O_8. The drilling to date has confirmed the presence of a large, uranium mineralised palaeochannel system and extended the boundaries of the known mineralisation to the south and northwest. A further 10,000m drilling program commenced in

DIRECTORS' REPORT
(CONTINUED)

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5. REVIEW OF OPERATIONS (continued)

August 2007. This drilling program is targeting higher grade zones within the channel over a 2km by 1km area with drill spacing of 100m by 100m. The Company has also planned a significant airborne EM program aimed at generating further drill targets.

Lake Frome Uranium Project, SA.

The company has nine granted Exploration Licences covering four project areas in the Lake Frome region of South Australia. The Frome Embayment is host to the Beverley Uranium Mine which has a resource of 21,000t U_3O_8 and the Honeymoon and Goulds Dam uranium deposits of 2,900t and 2,000t U_3O_8 respectively. The area is also the host of the recently discovered high grade uranium deposit at Beverley Four Mile held by Heathgate Resources and Alliance Resources Ltd. Exploration by the company during the year focused on target generation with a Reptem EM survey at the Marree Project and a large Tempest EM survey at West Lake Frome. This work was aimed at identifying sand sequences that have the potential to host uranium mineralization within the Lake Frome Project area. Exploration drilling of these targets will commence in 2008.

Eclipse Uranium Project, NT.

The Eclipse Uranium Project is comprised of four granted exploration licences and three licence applications covering 7,934 km^2 in the Ngalia Basin, 250 km north-west of Alice Springs. The Ngalia basin is a large 300 km long by 70 km wide east west trending intra-cratonic basin of fluvial sediments derived from the surrounding granites and metamorphic rocks of the Arunta Block. The basin was the centre of active uranium exploration during the 1970's and early 1980's, with the focus on roll front uranium mineralisation within the Mount Eclipse Sandstone and carnotite mineralisation within recent surficial and near surface calcrete horizons. A number of significant uranium occurrences and deposits are located within the basin including the Bigrlyi Uranium deposit, 6,500t U_3O_8 owned by Energy Metals Limited and the New Well deposit owned by Deep Yellow Ltd and Toro Resources Ltd. The Company completed 1,365m of air core drilling, targeting near surface calcrete hosted uranium mineralization adjacent to the New Well prospect. The Project is prospective for sandstone hosted and near surface calcrete uranium mineralisation with shallow drilling expected to commence in late 2007.

Amadeus Uranium Project, NT.

The Amadeus Project comprises three granted exploration licences (EL 24704, EL 24876 and EL 24870) covering a 2,798 km^2 area of the Amadeus Basin, 50km south of Alice Springs. The Project is adjacent to the Pamela and Angela Uranium Deposits which have a resource of 12,650t of U_3O_8 grading 1000 ppm U_3O_8.

Scimitars Orange Creek Uranium Prospect is located 30 km to the south of Alice Springs Exploration carried out by Uranerz during the 1970's identified a redox boundary within the Undandita Sandstone Member within Scimitar's licence EL 24870. Follow up broadly spaced percussion drilling by Uranerz (64 holes for 3,873 metres) during 1979 and 1980 intersected uranium mineralisation associated with this regional redox front between depths of 13 to 72 metres over a five km strike length. A number of significant intersections were recorded including 3.40m @ 413ppm eU_3O_8, 1.25m @ 421ppm eU_3O_8 and 0.45m @ 864ppm eU_3O_8. Exploration drilling is expected to commence at the Orange Creek prospect in late 2007 or early 2008.

6. FINANCIAL POSITION

The Consolidated Entity currently has $1.35 million in cash assets which the Directors believe puts the Consolidated Entity in a sound financial position with sufficient capital to effectively explore its current landholdings.

7. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR

The Consolidated Entity intends to continue its focus on the uranium sector, and to provide shareholders exposure to the sector through exploration, and project generation.

As exploration progresses the Consolidated Entity may decide to add projects to or divest projects from its current portfolio.

DIRECTORS' REPORT
(CONTINUED)

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8. SIGNFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the financial period:

- On 8 November 2006 the Company issued 900,000 employee options at $0.61 exercisable on or before 31 October 2011.
- On 6 December 2006 the Company issued 5,000,000 ordinary shares at $0.50 each to raise working capital for continued exploration of the Company's portfolio of uranium assets.
- On 11 December 2006 the Company issued 3,000,000 director options at $0.75 exercisable on or before 30 November 2008.
- On 26 March 2007 the Company issued 100,000 employee options at $0.85 exercisable on or before 26 March 2012.

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

9. SUBSEQUENT EVENTS

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

10. FUTURE DEVELOPMENTS

The Consolidated Entity will continue its mineral exploration and development activity at and around its exploration projects with the object of commercialising its resources.

11. ENVIRONMENTAL ISSUES

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

12. INFORMATION ON DIRECTORS

TERENCE TOPPING	Managing Director	
Qualifications	BAppSc, B Sc (Hons), Finsia	
Experience	Mr Topping has over 13 years' experience in the management of listed public companies. Mr Topping was a founder of Taipan Resources NL which listed as a gold exploration company in 1993 and remained a director until June 2002. He was integral in the discovery of the Paulsens gold deposit (650,000 oz) which was the first significant gold deposit located in the western Ashburton Mineral Field. Mr Topping has an honours degree in Geology from the Queensland University of Technology, is a member of AusIMM and is an Associate of the Securities Institute of Australia. He is currently a non-executive director of Goldminco Corporation a Toronto Stock Exchange – VE listed gold and base metals exploration company. Mr Topping has not been a Director of any other ASX Listed company in the last 3 years.	
Interest in Shares	Fully Paid Ordinary Shares	4,471,001
Interest in Options	75 cent Options expiring 30 November 2008	1,500,000

DIRECTORS' REPORT
(CONTINUED)

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12. INFORMATION ON DIRECTORS (continued)

KENT HUNTER	Non-Executive Director	
Qualifications	B.Bus CA	
Experience	Mr Hunter is a Chartered Accountant with over 17 years' corporate and company secretarial experience. He has been involved in the listing of over 20 junior gold and mineral exploration companies on ASX in the past 8 years with capital raisings exceeding $85 million. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently the Managing Director of Red Emperor Resources NL, a non-executive director of Cazaly Resources Limited (since 15 August 2003), Gryphon Minerals Limited (since 20 January 2004), Elixir Petroleum Limited (since 3 March 2004 and Venture Minerals Ltd (since 12 May 2006) and is company secretary of three other ASX listed entities. Mr Hunter has not been a Director of any other ASX Listed company in the last 3 years.	
Interest in Shares	Fully Paid Ordinary Shares	3,364,523
Interest in Options	75 cent Options expiring 30 November 2008	750,000
ANDREW MCBAIN	Non-Executive Director	
Experience	Mr McBain is the Managing Director of Australian Agricultural Contracts Ltd an unlisted public company involved in the development of a Managed Investments Scheme for the production of wheat and other grains. He is also a director of a number of other private companies involved in various industries. Mr McBain has not been a Director of any other ASX Listed company in the last 3 years.	
Interest in Shares	Fully Paid Ordinary Shares	750,001
Interest in Options	75 cent Options expiring 30 June 2008	750,000

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Name	*Company*	*Period of directorship*
Kent Hunter	Red Emperor Resources NL	(2 Apr 2007 – present)
	Venture Minerals Limited	(12 May 2006 – present)
	Elixir Petroleum Limited	(3 March 2004 – present)
	Cazaly Resources Limited	(15 Aug 2003 – present)
	Hamill Resources Limited	(10 Nov 2000 – 16 Sep 2004)
	International Goldfields Limited	(5 Jun 2002 – 16 Sep 2004)

DIRECTORS' REPORT
(CONTINUED)

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13. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Scimitar Resources Limited.

Remuneration Policy

The remuneration policy of Scimitar Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Scimitar Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing director and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

The executive receives a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry.

Options have been issued to the Directors to provide a mechanism to participate in the future development of the Company and an incentive for their future involvement with and commitment to the Company.

Further options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

DIRECTORS' REPORT
(CONTINUED)

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Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. This has been achieved by the issue of shares to the majority of the directors and executives to encourage the alignment of personal and shareholder interest.

	Short-Term Benefits			Post Employment		Share-Based Payments		Total
	Salary, Fees & Super-annuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Terence Topping – Managing Director (i)								
2007	170,000	–	–	–	–	–	91,050	261,050
2006	142,992	–	–	–	–	–	–	142,992
Kent Hunter – Non Executive Director (ii)								
2007	50,000	48,000	–	4,500	–	–	45,525	148,025
2006	24,000	48,000	–	2,160	–	–	–	74,160
Andrew McBain – Non Executive Director								
2007	40,000	–	–	3,600	–	–	45,525	89,125
2006	15,000	–	–	1,350	–	–	–	16,350
Mathew Gauci – Non Executive Director								
2007	2,500	–	–	225	–	–	–	2,725
2006	15,000	–	–	1,350	–	–	–	16,350
Total Remuneration Directors								
2007	262,500	48,000	–	8,325	–	–	182,100	500,925
2006	196,992	48,000	–	4,860	–	–	–	249,852

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each director of the Consolidated Entity during the year was as follows:

i) An aggregate amount of $170,000 (2006:$142,992) was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Company.

ii) An aggregate amount of $48,000 (2006:$48,000) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services and corporate compliance to the Company.

Performance income as a proportion of total income

No bonuses were paid to executive or non-executive directors during the year.

DIRECTORS' REPORT
(CONTINUED)

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Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Terence Topping is formalised in a contract of employment. Other than the Managing Director, there are no other executives to the Company. Mr Terence Topping's executive agreement with the Company is contracted at $170,000 per annum for services provided as a managing director. The contract duration is one year commencing January 2007 with no provision for renewal. Renewal / extension of the contract is at the Board's discretion. Termination payments due are three months lieu of notice if the termination period is not worked out.

The employment contracts stipulate a range of one to three-month resignation periods. The Company may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

14. MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year each director held office during the financial year and the number of meetings attended by each director are:

	Directors Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Terence Topping	6	6
Kent Hunter	6	6
Andrew McBain	6	6
Mathew Gauci	1	–

The Company does not have a formally constituted audit committee and remuneration committee as the board considers that the company's size and type of operation do not warrant such a committee.

15. INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

16. OPTIONS

Options Granted to Executives and Directors

Options have been issued to the Directors as part of their remuneration. The options are not issued based upon performance criteria, but are issued to increase goal congruence between executives and shareholders.

Value of options issued to directors and executives

The following table details the value of options granted, exercised or lapsed during the year:

		Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year
	Granted	Value at grant date	Value at exercise date	Value at time of lapse		
	No.	$	$	$	$	$
Terry Topping	1,500,000	91,050	-	-	-	91,050
Kent Hunter	750,000	45,525	-	-	-	45,525
Andrew McBain	750,000	45,525	-	-	-	45,525
Matthew Gauci	-	-	-	-	-	-
	3,000,000	**182,100**	**-**	**-**	**-**	**182,100**

DIRECTORS' REPORT
(CONTINUED)

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Unissued Shares Under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
31 March 2008	$0.40	1,098,334
26 April 2008	$0.23	400,000
30 November 2008	$0.75	3,000,000
22 December 2010	$0.305	300,000
31 October 2011	$0.61	900,000
26 March 2012	$0.85	100,000

During the year ended 30 June 2007 there have been 12,777 issues of ordinary shares as a result of the exercise of the 40 cent options expiring 31 March 2008.

17. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

18. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 20 of annual report.

19. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No other fees were paid or payable to the auditors for non-audit services performed during the year ended 30 June 2007.

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

Terence Topping
Managing Director

Perth, 26 September 2007

RIX LEVY FOWLER
AUDIT & CORPORATE PTY LTD

Directors
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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Scimitar Resources Limited and controlled entities for the year ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

RANKO MATIC
Director

DATED at PERTH this 26th day of September 2007

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

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	NOTE	Consolidated		Company	
		30 June 2007 $	30 June 2006 $	30 June 2007 $	30 June 2006 $
Revenues	2	380,982	107,805	380,982	107,805
Administration expenses		(162,319)	(192,524)	(162,319)	(191,440)
Employee benefits expenses		(411,104)	(92,929)	(411,104)	(92,929)
Depreciation expenses		(23,575)	(8,054)	(23,575)	(8,054)
Financial costs		(8,016)	(1,829)	(8,016)	(1,829)
Consultancy expenses		(81,199)	(184,383)	(81,199)	(184,382)
Compliance and regulatory expenses		(102,497)	(34,599)	(102,497)	(34,599)
Occupancy expenses		(65,415)	(54,614)	(65,415)	(54,614)
Directors fees		(336,203)	(89,000)	(336,203)	(89,000)
Promotional & Marketing		(93,653)	–	(93,653)	–
Travel expenses		(55,782)	–	(55,782)	–
Write-up of loan		41,889	–	41,889	–
Write off investments		(25,555)	(16,880)	(25,555)	(16,880)
Exploration expenditure written off		(215,425)	(416,687)	(215,425)	(416,687)
Other expenses from ordinary activities		–	–	–	–
Loss before income tax expense	3	(1,157,872)	(983,694)	(1,157,872)	(982,609)
Income tax expense	4	–	–	–	–
Net Loss		**(1,157,872)**	**(983,694)**	**(1,157,872)**	**(982,609)**
Basic earnings /(loss) per share (cents per share)	7	(3.15)	(3.12)	(3.15)	(3.11)
Diluted earnings /(loss) per share (cents per share)	7	(2.61)	(2.78)	(2.61)	(2.78)

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2007

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	NOTE	Consolidated		Company	
		30 June 2007 $	30 June 2006 $	30 June 2007 $	30 June 2006 $
CURRENT ASSETS					
Cash and cash equivalents	8	1,356,763	1,440,752	1,356,763	1,440,752
Trade and other receivables	9	224,989	197,229	224,989	198,309
TOTAL CURRENT ASSETS		1,581,752	1,637,981	1,581,752	1,639,061
NON CURRENT ASSETS					
Trade and other receivables	9	27,000	–	28,080	–
Property, plant and equipment	13	46,778	53,136	46,778	53,136
Financial assets	10	229,430	201,415	229,435	201,420
Exploration and evaluation expenditure	11	3,963,214	2,100,291	3,963,214	2,100,291
TOTAL NON CURRENT ASSETS		4,266,422	2,354,842	4,267,507	2,354,847
TOTAL ASSETS		**5,848,174**	**3,992,823**	**5,849,259**	**3,993,908**
CURRENT LIABILITIES					
Trade and other payables	14	543,721	318,527	543,721	318,527
Financial liabilities	15	2,955	4,097	2,955	4,097
Short-term provisions	16	37,345	17,233	37,345	17,233
TOTAL CURRENT LIABILITIES		584,021	339,857	584,021	339,857
NON CURRENT LIABILITIES					
Financial liabilities	15	12,008	14,620	12,008	14,620
TOTAL NON CURRENT LIABILITIES		12,008	14,620	12,008	14,620
TOTAL LIABILITIES		596,029	**354,477**	596,029	**354,477**
NET ASSETS		**5,252,145**	**3,638,346**	**5,253,230**	**3,639,431**
EQUITY					
Issued capital	17	7,149,461	4,801,600	7,149,461	4,801,600
Option reserve	18	511,587	87,777	511,587	87,777
Accumulated losses		(2,408,903)	(1,251,031)	(2,407,818)	(1,249,946)
TOTAL EQUITY		**5,252,145**	**3,638,346**	**5,253,230**	**3,639,431**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

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	NOTE	Consolidated		Company	
		30 June 2007 $	30 June 2006 $	30 June 2007 $	30 June 2006 $
Cash Flows from Operating Activities					
– Payments to suppliers and employees		(880,029)	(441,516)	(880,029)	(441,516)
– Interest received		95,889	86,458	95,889	86,458
– Borrowing costs		–	–	–	–
– Payments for exploration and evaluation		(1,835,359)	(894,754)	(1,835,359)	(894,754)
Net cash used in operating activities	20	(2,619,499)	(1,249,812)	(2,619,499)	(1,249,812)
Cash Flows from Investing Activities					
– Payment of deposit		(27,000)	–	(27,000)	–
– Purchase of plant and equipment		(20,690)	(52,046)	(20,690)	(52,046)
– Purchase of exploration assets		–	(54,326)	–	(54,326)
– Purchase of equity investments		(134,053)	(108,125)	(134,053)	(108,120)
– Proceeds from sales of investments		339,392	34,777	339,392	34,777
– Payment for subsidiary		–	–	–	(5)
Net cash used in investing activities		157,649	(179,720)	157,649	(179,720)
Cash Flows from Financing Activities					
– Proceeds from issue of shares		2,535,111	970,000	2,535,111	970,000
– Payment for cost of issue of securities		(157,250)	(60,001)	(157,250)	(60,001)
Net cash provided by financing activities		2,377,861	909,999	2,377,861	909,999
Net decrease in cash held		(83,989)	(519,533)	(83,989)	(519,533)
Cash and cash equivalents at beginning of financial year		1,440,752	1,960,285	1,440,752	1,960,285
Cash and cash equivalents at end of financial year	8	**1,356,763**	**1,440,752**	**1,356,763**	**1,440,752**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR YEAR ENDED 30 JUNE 2007

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Consolidated

	Issued Capital Losses $	Accumulated Reserve $	Option $	Total $
Balance at 1 July 2005	3,861,601	(267,337)	–	3,594,264
Shares issued during the year	1,000,000	–	–	1,000,000
Options issued during the year	–	–	87,777	87,777
Transaction costs	(60,001)	–	–	(60,001)
Profit / (loss) attributable to members	–	(983,694)	–	(983,694)
Balance at 30 June 2006	**4,801,600**	**(1,251,031)**	**87,777**	**3,638,346**
Balance at 1 July 2006	4,801,600	(1,251,031)	87,777	3,638,346
Shares issued during the year	2,505,111	–	–	2,505,111
Options issued during the year	–	–	423,810	423,810
Transaction costs	(157,250)	–	–	(157,250)
Profit / (loss) attributable to members	–	(1,157,872)	–	(1,157,872)
Balance at 30 June 2007	**7,149,461**	**(2,408,903)**	**511,587**	**5,252,145**

Company

	Issued Capital Losses $	Accumulated Reserve $	Option $	Total $
Balance at 1 July 2005	3,861,601	(267,337)	–	3,594,264
Shares issued during the year	1,000,000	–	–	1,000,000
Options issued during the year	–	–	87,777	87,777
Transaction costs	(60,001)	–	–	(60,001)
Profit / (loss) attributable to members	–	(982,609)	–	(982,609)
Balance at 30 June 2006	**4,801,600**	**(1,249,946)**	**87,777**	**3,639,431**
Balance at 1 July 2006	4,801,600	(1,249,946)	87,777	3,639,431
Shares issued during the year	2,505,111	–	–	2,505,111
Options issued during the year	–	–	423,810	423,810
Transaction costs	(157,250)	–	–	(157,250)
Profit / (loss) attributable to members	–	(1,157,872)	–	(1,157,872)
Balance at 30 June 2007	**7,149,461**	**(2,407,818)**	**511,587**	**5,253,230**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007

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1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Scimitar Resources Limited and controlled entities, and Scimitar Resources Limited as an individual parent entity. Scimitar Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Scimitar Resources Limited and controlled entities, and Scimitar Resources Limited as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity Scimitar Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	40%
Office furniture	40%
Exploration equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits.

Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
2. REVENUE				
Operating activities				
– interest received	94,192	83,177	94,192	83,177
– interest received on loan to other entities	14,453	–	14,453	–
– profit on sale of shares	272,337	24,628	272,337	24,628
Total Revenue	380,982	107,805	380,982	107,805
3. LOSS FOR THE YEAR				
Expenses				
Borrowing costs				
– other persons	4,252	1,829	4,252	1,829
Depreciation of non-current assets				
– plant and equipment	23,575	8,054	23,575	8,054
Rental expense on operating leases				
– minimum lease payments	35,666	37,131	35,666	37,131
Write-off of capitalised exploration expenses	215,425	416,686	215,425	416,686
Impairment of non-current investments	25,555	16,880	25,555	16,880
4. INCOME TAX EXPENSE				
The components of the tax expense comprise:				
Current tax	–	–	–	–
Deferred tax	–	–	–	–
	–	–	–	–
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2006: 30%)	(336,058)	(295,108)	(336,058)	(294,783)
Add:				
Tax effect of:				
Other non-allowable items	117,761	2,682	117,761	2,682
Tax benefit of revenue losses not recognised	266,137	374,059	266,137	373,993
Effect of deferred tax assets not recognised	–	259	–	–
Less:				
Tax effect of:				
Tax benefit of equity raising costs not recognised	–	(19,573)	–	(19,573)
Under/Over to prior year unrecognised deferred tax balances	(665)	–	(665)	–
Tax effect of timing difference not brought to account	(47,175)	(62,319)	(47,175)	(62,319)
Income tax attributable to entity	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
The following deferred tax balances at 30% (2006: 30%) have not been recognised				
Deferred Tax Assets:				
Carry forward revenue losses	1,078,191	535,178	1,078,191	535,178
Capital raising costs	80,486	62,319	80,486	62,319
Provisions and accruals	18,650	11,316	18,650	11,316
Other	12,987	23,130	12,987	23,130
	1,190,314	631,943	1,190,314	631,943

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;

(b) the company continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities:				
Exploration expenditure	1,188,965	630,084	1,188,965	630,084
Other	1,349	1,859	1,349	1,859
	1,190,314	631,943	1,190,314	631,943

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

5. KEY MANAGEMENT PERSONNEL COMPENSATION

a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Mr Terence Topping	Managing Director	
Mr Kent Hunter	Non-Executive Director	
Mr Andrew McBain	Non-Executive Director	
Mr Matthew Gauci	Non-Executive Director	(resigned 21 July 2006)

b) Name and Details of the nature and amount of emoluments of each director are as follows:

	Short-Term Benefits			Post Employment		Share-Based Payments		Total
	Salary, Fees & Super-annuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Terence Topping – Managing Director (i)								
2007	170,000	–	–	–	–	–	91,050	261,050
2006	142,992	–	–	–	–	–	–	142,992
Kent Hunter – Non Executive Director (ii)								
2007	50,000	48,000	–	4,500	–	–	45,525	148,025
2006	24,000	48,000	–	2,160	–	–	–	74,160
Andrew McBain – Non Executive Director								
2007	40,000	–	–	3,600	–	–	45,525	89,125
2006	15,000	–	–	1,350	–	–	–	16,350
Mathew Gauci – Non Executive Director								
2007	2,500	–	–	225	–	–	–	2,725
2006	15,000	–	–	1,350	–	–	–	16,350
Total Remuneration Directors								
2007	262,500	48,000	–	8,325	–	–	182,100	500,925
2006	196,992	48,000	–	4,860	–	–	–	249,852

i) An aggregate amount of $170,000 (2006:$142,992) was paid, or was due and payable to Kingswave Nominees Pty Ltd, a company controlled by Mr Terence Topping, for the provision of directorship and geological services to the Company.

ii) An aggregate amount of $48,000 (2006:$48,000) was paid, or was due and payable to Mining Corporate Pty Ltd, a company controlled by Mr Kent Hunter, for the provision of company secretarial services and corporate compliance to the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

c) Options and Rights Holdings

Number of Options Held by Key Management Personnel					
	Balance 1 July 06	Granted as remuneration	Options Exercised	Net Change - Other	Balance 30 June 07
Terence Topping	1,500,000	1,500,000	–	–	3,000,000
Kent Hunter	1,000,000	750,000	–	–	1,750,000
Andrew McBain	–	750,000	–	–	750,000
	2,500,000	3,000,000	–	–	5,500,000

*Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

d) Shareholdings

Number of Shares Held by Key Management Personnel					
	Balance 1 July 06	Granted as remuneration	Received on Exercised	Net Change - Other	Balance 30 June 07
Terence Topping	3,020,001	–	–	20,000	3,040,001
Kent Hunter	2,050,001	–	–	351,642	2,401,643
Andrew McBain	750,001	–	–	–	750,001
	5,820,003	–	–	371,642	6,191,645

*Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Economic Entity. The contracts for service between the Economic Entity and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Economic Entity may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

6. AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:				
– Auditing or reviewing the financial report	17,150	10,000	17,150	10,000
– Other services	–	–	–	–
	17,150	10,000	17,150	10,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated 2007 $	Consolidated 2006 $
7. EARNINGS PER SHARE		
(a) Earnings / (Loss) used in the calculation of basic EPS	(1,157,872)	(983,694)
	Number of Shares	***Number of Shares***
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	36,815,021	31,574,112
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted earnings per share:	44,375,062	35,375,482

	Consolidated 2007 $	Consolidated 2006 $	Company 2007 $	Company 2006 $
8. CASH AND CASH EQUIVALENTS				
Cash at bank	262,385	97,413	262,385	97,413
Short term deposits	1,094,378	1,343,339	1,094,378	1,343,339
	1,356,763	1,440,752	1,356,763	1,440,752

The bank deposits are short term deposits maturing within 30 days, and pay interest at a rate of 5.32% per annum.

9. TRADE AND OTHER RECEIVABLES				
Current				
Trade receivables	100,536	122,742	100,536	122,742
Amounts receivable from other parties (i)	124,453	55,000	124,453	55,000
Prepayments	–	19,487	–	19,487
	224,989	197,229	224,989	197,229
Non-Current				
Loan to subsidiary	–	–	1,080	1,080
Environmental Bonds	27,000	–	27,000	–
	27,000	–	28,080	1,080

(i) This amount receivable from other parties has now been subsequently received.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

10. FINANCIAL ASSETS

Non-Current

Shares in listed corporations, at cost	229,430	201,415	229,435	201,420

11. EXPLORATION AND EVALUATION EXPENDITURE

Non-Current

Exploration Expenditure capitalised – Exploration and evaluation phases	3,963,214	2,100,291	3,963,214	2,100,291

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated Entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Consolidated Entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

12. CONTROLLED ENTITIES

Number of Options Held by Key Management Personnel							
Name	**Principal Activities**	**Date/Country of Incorporation**	**Shares**	**Ownership Interest**		**Carry amount of investment**	
				2007 %	**2006 %**	**2007 $**	**2006 $**
Unlisted: Ronin Energy Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	5	5

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
13. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment - office				
At cost	59,282	49,734	59,282	49,734
Accumulated depreciation	(25,232)	(5,852)	(25,232)	(5,852)
	34,050	43,882	34,050	43,882
Office furniture and equipment				
At cost	4,738	4,738	4,738	4,738
Accumulated depreciation	(3,180)	(2,146)	(3,180)	(2,146)
	1,558	2,592	1,558	2,592
Plant and equipment - field				
At cost	15,169	7,500	15,169	7,500
Accumulated depreciation	(3,999)	(838)	(3,999)	(838)
	11,170	6,662	11,170	6,662
Total plant and equipment	46,778	53,136	46,778	53,136

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

2007	Plant & Equipment Office $	Office Furniture & Equip $	Plant & Equipment - Field $	Total $
Balance at beginning of the year	43,882	2,592	6,662	53,136
Additions	9,548	-	7,669	17,217
Depreciation expense	(19,380)	(1,034)	(3,161)	(23,575)
Carrying amount at 30 June 2007	34,050	1,558	11,170	46,778

2006	Plant & Equipment Office $	Office Furniture & Equip $	Plant & Equipment - Field $	Total $
Balance at beginning of the year	4,830	4,313	–	9,143
Additions	44,547	-	7,500	52,047
Depreciation expense	(5,495)	(1,721)	(838)	(8,054)
Carrying amount at 30 June 2006	43,882	2,592	6,662	53,136

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	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

14. TRADE AND OTHER PAYABLES

Current

Trade payables	297,858	162,338	297,858	162,338
Other payables and accruals	245,863	156,189	245,863	156,189
	543,721	318,527	543,721	318,527

Trade payables are non interest bearing and are normally settled on 28 day terms. Other payables are non interest bearing and have an average term of 60 days.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a quarterly basis.

15. FINANCIAL LIABILITIES

Current

Lease liability	2,956	4,097	2,956	4,097

Non-Current

Lease liability	12,008	14,620	12,008	14,620

16. SHORT-TERM PROVISIONS

Employee benefits	37,345	17,233	37,345	17,233

17. ISSUED CAPITAL

	Consolidated		Company	
	2007 No	2006 No	2007 No	2006 No

ISSUED AND FULLY PAID UP CAPITAL

Ordinary Shares

Opening balance	34,003,336	30,670,003	34,003,336	30,670,003
Issue- Placement 23 Mar 2006	–	3,333,333	–	3,333,333
Issue – Placement 6 Dec 2006	5,000,000	–	5,000,000	–
Exercise of options	12,777	–	12,777	–
Closing balance	39,016,113	34,003,336	39,016,113	34,003,336

	$	$	$	$
Ordinary Shares				
Opening balance	4,801,600	3,861,601	4,801,600	3,861,601
Issue- Placement 23 Mar 2006	–	1,000,000	–	1,000,000
Issue – Placement 6 Dec 2006	2,500,000	–	2,500,000	–
Exercise of options	5,111	–	5,111	–
Capital raising costs	(157,250)	(60,001)	(157,250)	(60,001)
Closing balance	7,149,461	4,801,600	7,149,461	4,801,600

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17. ISSUED CAPITAL (continued)

Terms of Ordinary Shares
Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $

18. OPTION RESERVE

Reserves at the beginning of the reporting year	87,777	–	87,777	–
Director incentive options issued during the year	182,100	87,777	182,100	87,777
Employee incentive options issued during the year	241,710	–	241,710	–
Reserves at the end of the reporting year	511,587	87,777	511,587	87,777

Option Reserve
The option reserve records items recognised as expenses on valuation of options issues.

19. FINANCIAL INSTRUMENTS

The Consolidated Entity's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the company. The Consolidated Entity also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the year under review, it has been the Consolidated Entity's policy not to trade in financial instruments.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk
The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities comprises:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

19. FINANCIAL INSTRUMENTS (continued)

2007

	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2007 total $
Financial assets					
Cash	–	1,094,378	–	262,385	1,356,763
Receivables	–	–	–	251,989	251,989
Financial assets	–	–	–	229,430	229,430
	–	1,094,378	–	743,804	1,838,182
Weighted average interest rate		6.25%			
Financial Liabilities					
Payables	–	–	–	543,721	543,721
Borrowing	–	14,964	–	–	14,964
	–	14,964	–	543,721	558,685
Weighted average interest rate	–	10.57%			

2006

	Floating Interest Rate $	Fixed Interest maturing in 1 year or less $	Fixed Interest maturing over 1 to 5 years $	Non-interest bearing $	2006 total $
Financial assets					
Cash	97,413	1,343,339	–	–	1,440,752
Receivables	–	–	–	177,742	177,742
Financial assets	–	–	–	201,415	201,415
	97,413	1,343,339	–	379,157	1,819,909
Weighted average interest rate	3.20%	5.45%			
Financial Liabilities					
Payables	–	–	–	318,527	318,527
Borrowings	–	18,717	–	–	18,717
	–	18,717	–	318,527	337,244
Weighted average interest rate	–	10.57%			

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

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19. FINANCIAL INSTRUMENTS (continued)

b) Net Fair Value

The carrying value and net fair values of financial assets and liabilities at balance date are:

	2007		2006	
	Carrying Amount $	Net fair Value $	Carrying Amount $	Net fair Value $
On-balance sheet financial instruments				
Financial assets				
Cash and deposits	1,356,763	1,356,763	1,440,752	1,440,752
Receivables	251,989	251,989	177,742	177,742
Other financial assets	229,430	229,430	201,415	201,415
	1,838,182	1,838,182	1,819,909	1,819,909
Financial liabilities				
Payables	543,721	543,721	318,527	318,527
Interest bearing liabilities	14,964	14,964	18,717	18,717
	558,685	558,685	337,244	337,244

(c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated Entity maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

For personal use only

	Consolidated		Company	
	2007 $	2006 $	2007 $	2006 $
20. CASH FLOW INFORMATION				
Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax				
– (Loss) from ordinary activities after income tax	(1,157,872)	(983,694)	(1,157,872)	(982,609)
Non-cash flows in operating loss				
– Depreciation	23,575	8,054	23,575	8,054
– Share option expensed	423,810	87,777	423,810	87,777
– Provision for diminution of investment value	29,631	–	29,631	–
– Hire purchase interest on capital equipment	1,479	–	1,479	–
– Profit on sale of investments	(272,337)	–	(272,337)	–
– Write-up of loan	(56,342)	–	(56,342)	–
Cash flows not in operating loss				
– Payments for exploration and evaluation	(1,862,923)	(894,754)	(1,862,923)	(894,754)
Changes in assets and liabilities				
– Decrease/(Increase) in operating receivables & prepayments	(1,417)	(73,953)	(1,417)	(73,953)
– Increase/(Decrease) in trade and other creditors, and accruals. and employee entitlements	232,785	589,525	232,785	588,440
– Increase/(Decrease) in provisions and other employee entitlements	20,112	17,233	20,112	17,233
Net cash inflows (outflows) from Operating Activities	(2,619,499)	(1,249,812)	(2,619,499)	(1,249,812)

21. COMMITMENTS

In order to maintain rights of tenure to mining tenements subject to these agreements, the Company would have the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2007 $	2006 $
Not longer than one year	2,667,360	2,460,720
Longer than one year, but not longer than five years	4,390,600	4,710,640
Longer than five years	67,000	161,200
	7,124,960	7,332,560

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

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22. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one geographical segment, being Australia, and in one industry, mineral mining and exploration.

23. EVENTS SUBSEQUENT TO REPORTING DATE

- On 27 July 2007 the Company issued 6,000,000 ordinary shares at $0.85 each to raise working capital for the primary purpose of ongoing exploration of the Yanrey Uranium Project in Western Australia and the Lake Frome Project in South Australia. Any surplus will be used as working capital for the continued exploration of the Company's portfolio of other uranium assets.
- On 1 August 2007 the Company issued 3,500,000 ordinary shares at an issue price of $0.30 due to the conversion of options.
- On 1 August 2007 the Company issued 1,000,000 options at $0.75 to participating brokers as remuneration for the December 2006 Placement, exercisable on or before 30 November 2008.
- On 1 August 2007 the Company issued 100,000 ordinary shares at $0.85 each in lieu of consulting fees.

Apart from the above named events, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

24. RELATED PARTY INFORMATION

Transactions with related entities:

i) Director related entities
Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Consolidated Entity and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 5 to the accounts.

These transactions were made on commercial terms and conditions and at market rates.

25. EMPLOYEE BENEFITS

The Employee Incentive Scheme ("EIS") was approved by shareholders at 25 September 2004.

The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Company an opportunity, in the form of options, to subscribe for ordinary shares in the Company. The Directors consider the Scheme will enable the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Company more successful.

Terms of Options

The Employee Incentive Scheme ("EIS") was approved by shareholders at 30 November 2006.

The purpose of the Scheme is to give employees, directors, executive officers and consultants of the Company an opportunity, in the form of options, to subscribe for ordinary shares in the Company. The Directors consider the Scheme will enable the Company to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Company more successful.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

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25. EMPLOYEE BENEFITS (continued)

Terms of Options

There is no issue price for the options. The exercise price for the options will be:

125% of the market value of the Company's shares on the date on which the options are issued or 20 cents; or any greater price determined by the Board, whichever is the greatest.

Shares issued on exercise of options will rank equally with other ordinary shares of the Company.

Options may not be transferred without the approval of the Board. Quotation of options on the Australian Stock Exchange ("ASX") will not be sought. However, in the event that the Company is listed on ASX, it will apply to ASX for official quotation of shares issued on the exercise of options.

On 8 November 2006 the Company issued 900,000 employee options at $0.61 exercisable on or before 31 October 2011.

On 26 March 2007 the Company issued 100,000 employee options at $0.85 exercisable on or before 26 March 2012.

26. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2007:

On 31 October 2006, 900,000 share options were granted to employees under the Scimitar Resources Limited employee option plan to take up ordinary shares at an exercise price of $0.61 each. The options can be exercised on or before 31 October 2011. The options hold no voting or dividend rights and are not transferable. When a employee ceases employment the options are deemed to have lapsed. Since balance date, no employee granted the options have ceased their employment. At balance date, no share option has been exercised.

On 11 December 2006, 3,000,000 share options were granted to directors to accept ordinary shares at an exercise price of $0.75. The options are exercisable after before 30 October 2011. The options hold no voting or dividend rights and are not transferable. When a director ceases employment the options are deemed to have lapsed. Since balance date, no director has ceased their employment. At balance date, no share option has been exercised.

On 29 March 2007, 100,000 share options were granted to employees under the Scimitar Resources Limited employee option plan to take up ordinary shares at an exercise price of $0.85 each. The options can be exercised on or before 26 March 2012. The options hold no voting or dividend rights and are not transferable. When a employee ceases employment the options are deemed to have lapsed. Since balance date, no employee granted the options have ceased their employment. At balance date, no share option has been exercised.

All options granted to key management personnel are ordinary shares in Scimitar Resources Limited, which confer a right of one ordinary share for every option held.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

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26. SHARE-BASED PAYMENTS (continued)

		Consolidated Group				Parent Entity			
		2007		2006		2007		2006	
		Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year		–	–	–	–	–	–	–	–
Granted	(i)	900,000	0.61	–	–	900,000	0.61	–	–
	(ii)	3,000,000	0.75	–	–	3,000,000	0.75	–	–
	(iii)	100,000	0.85	–	–	100,000	0.85	–	–
Forfeited		–	–	–	–	–	–	–	–
Exercised		–	–	–	–	–	–	–	–
Expired		–	–	–	–	–	–	–	–
Outstanding at year-end		4,000,000	0.72	–	–	4,000,000	0.72	–	–
Exercisable at year-end		4,000,000	0.72	–	–	4,000,000	0.72	–	–

(i) These options outstanding at 30 June 2007 had a weighted average exercise price of $0.61 and a weighted average remaining contractual life of 4 years.

The weighted average fair value of the options granted during the year was $0.48.

(ii) These options outstanding at 30 June 2007 had a weighted average exercise price of $0.75 and a weighted average remaining contractual life of 1 years.

The weighted average fair value of the options granted during the year was $0.47.

(iii) These options outstanding at 30 June 2007 had a weighted average exercise price of $0.85 and a weighted average remaining contractual life of 4 years.

The weighted average fair value of the options granted during the year was $0.71.

The option prices were calculated by using a Black-Scholes option pricing model applying the following inputs:

		(i)	(ii)	(iii)
Weighted average exercise price		$0.61	$0.75	$0.85
Weighted average life of the option		5 years	2 years	5 years
Underlying share price at 12 October 2006	(i)	$0.48	–	–
Underlying share price at 11 December 2006	(ii)	–	$0.47	–
Underlying share price at 29 March 2007	(iii)	–	–	$0.71
Expected share price volatility		55%	55%	60%
Risk free interest rate		5.60%	5.60%	6.23%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is $423,810 (2006: $0), and relates, in full, to equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2007

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27. CONTINGENT LIABILITIES

There are no contingent liabilities outstanding at the end of the year.

28. COMPANY DETAILS

The registered office and principal place of business of Scimitar Resources Limited is:

Level 2, 679 Murray Street
WEST PERTH WA 6005
Australia

DIRECTORS' DECLARATION

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 45, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and Consolidated Group; and

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Terence Topping
Managing Director

Perth, 27 September 2007

RIX LEVY FOWLER
AUDIT & CORPORATE PTY LTD

Directors
Phillip Rix FCA
Ranko Matic CA
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Independent Audit Report

To the Members of Scimitar Resources Limited

We have audited the accompanying financial report of Scimitar Resources Limited (the company) and Scimitar Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

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

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.

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

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

When in place, liability will be limited by a scheme approved under Professional Standards Legislation.

Chartered Accountants

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. the financial report of Scimitar Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

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

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

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

RANKO MATIC
Director

DATED at PERTH this 26th day of September 2007

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ADDITIONAL SHAREHOLDER INFORMATION

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Shareholding

The distribution of members and their holdings of equity securities in the holding Company as at 25 September 2007 were as follows:

Number Held as at 25 September 2007	Class of Equity Securities Fully Paid Ordinary Shares
1 – 1,000	40,233
1,001 – 5,000	920,270
5,001 – 10,000	2,477,017
10,001 – 100,000	15,427,194
100,001 and over	29,752,278
TOTALS	48,616,992

Holders of less than a marketable parcel – nil

Substantial Shareholders

There are no substantial shareholders listed on the Company's register as at 25 September 2007:

Voting Rights

Ordinary Shares

In accordance with the holding company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration.

Restricted Securities

The Company has issued no restricted securities.

ADDITIONAL SHAREHOLDER INFORMATION

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Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 25 September 2007 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Kouta Bay Pty Ltd <The Houndy Family Trust>	2,900,000	5.965
Terence Topping <The TKT A/C>	2,500,000	5.142
Mega Uranium Ltd	2,250,000	4.628
National Nominees Ltd	2,000,000	4.114
Kingswave Nominees Pty Ltd	1,800,000	3.702
ANZ Nominees Limited <Cash Income Ac>	1,733,551	3.566
Mr Michael Lim	1,105,219	2.273
Mr Erwin John Clayton	855,200	1.759
Est Mr Donald George Maloney	850,000	1.748
GW International Pty Ltd	850,000	1.748
Citicorp Nominees Pty Ltd	790,530	1.626
Mac 110 Nominees Pty Ltd <The Rule 303 Ac>	750,000	1.543
A22 Pty Ltd	590,000	1.214
Etrade Australia Nominees Pty Ltd	375,000	0.771
Pearl Bliss Pty Ltd <Pearl Bliss Ac>	375,000	0.771
Investwise Enterprises Pty Ltd	365,000	0.751
Wellington Industries Pty Ltd	358,768	0.738
Mr Peter Pinto	353,000	0.726
Public Covenant Custodians Limited	330,000	0.679
Newton 6 Pty Ltd <The Newton Super Fund Ac>	320,000	0.658
	21,451,268	**44.123**

CORPORATE GOVERNANCE

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The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/supervision/governance/index.htm

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1
Recommendation 2.1	Independent Directors	1.2
Recommendation 2.2	Independent Chairman	1.2
Recommendation 2.3	Role of the Chairman and CEO	1.2
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1	Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2	Company Security Trading Policy	1.4.9
Recommendation 3.3	Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1	Attestations by CEO and CFO	1.4.11
Recommendation 4.2	Establishment of Audit Committee	2.1
Recommendation 4.3	Structure of Audit Committee	2.1.2
Recommendation 4.4	Audit Committee Charter	2.1
Recommendation 4.5	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2	Attestations by CEO and CFO	1.4.11
Recommendation 7.3	Reporting on Principle 7	2.1.3
Recommendation 8.1	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1	Remuneration Policies	2.2.4
Recommendation 9.2	Establishment of Remuneration Committee	2.2
Recommendation 9.3	Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4	Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5	Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1	Company Code of Conduct	3

CORPORATE GOVERNANCE
(CONTINUED)

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1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry our its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr A McBain is a Non-Executive Director of the Company and meet the Company's criteria for independence. His experience and knowledge of the Company makes their contribution to the Board such that it is appropriate for them to remain on the Board.

Mr T Topping is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr K Hunter is an Non-Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

CORPORATE GOVERNANCE
(CONTINUED)

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1. Board of Directors (continued)

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

CORPORATE GOVERNANCE
(CONTINUED)

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1. Board of Directors (continued)

1.4 Board Policies (continued)

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- • communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting 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 also makes available a telephone number and email address for shareholders to make enquiries of the Company.

CORPORATE GOVERNANCE
(CONTINUED)

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1. Board of Directors (continued)

1.4 Board Policies (continued)

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 June 2004 and will be implemented for the financial year ended 30 June 2007. The objective of this evaluation will be to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or is also responsible for establishing policies on risk oversight and management.

2.1.3 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 26 September 2007 Mr Terence Topping (Managing Director) and Mr Kent Hunter (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

CORPORATE GOVERNANCE
(CONTINUED)

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2. Board Committees (continued)

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 25 September 2004.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

CORPORATE GOVERNANCE
(CONTINUED)

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2. Board Committees (continued)

2.2 Remuneration Committee (continued)

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Company Code Of Conduct

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

SCHEDULE OF MINERAL TENEMENTS

AS AT 25 SEPTEMBER 2007

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PROJECT	TENEMENT	INTEREST %
Yanrey WA	EL08/1489	100
	EL08/1490	100
	EL08/1493	100
	EL08/1501	100
	EL08/1588	100
	EL08/1589	100
	EL08/1590	100
West Lake Frome SA	EL3388	100
	EL3392	100
	EL3410	100
Marree SA	EL3389	100
	EL3390	100
	EL3510	100
	EL3557	100
Mawson SA	EL3502	100
Glencoe SA	EL3391	100
Adelaide River NT	EL24880	100
Bungalbin	EL77/946	100
	EL77/1071	100
	EL77/1076	100
	EL77/1077	100
	EL77/1097	100
	EL77/1099	100
	EL77/1106	90
	EL77/1115	100
	EL77/1130	100
	PL77/3298	80
	PL77/3299	80
	PL77/3371	100
	PL77/3372	100

PROJECT	TENEMENT	INTEREST %
Grafters	PL24/3054	100
Mt Elvire	EL29/580	100
Beadell	EL45/2405	80
	EL45/2406	80
Vettersburg	ML24/400	65
	ML24/429	65
	PL24/3801	65
	PL24/3802	65
	PL24/3803	65
Bardoc	ML24/380	65
	PL24/3757	65
	PL24/3829	65
	PL24/3846	65
	PL24/3847	65
	PL24/3861	65
	PL24/3862	65
	PL24/3863	65
	PL24/3864	65
	PL24/3865	65
	PL24/3866	65
	PL24/3868	65
	PL24/3870	65
	PL24/3871	65
	PL24/3951	100
Eclipse NT	EL24625	100
	EL24636	100
	EL24637	100
	EL24808	100
Amadeus NT	EL24704	100
	EL24870	100
	EL24876	100

Notes: L = Granted Exploration Licence
ELA = Exploration Licence Application
L = Miscellaneous Licence
MLA = Mining Lease Application
P = Granted Prospecting Licence
M = Granted Mining Lease
PLA =Prospecting Licence Application

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