Scimitar Resources Limited

(ABN 22 102 912 783)

AND CONTROLLED ENTITIES

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

CONTENTS

CORPORATE DIRECTORY

MANAGING DIRECTOR
Terence Topping

NON-EXECUTIVE DIRECTORS
Kent Hunter
Andrew McBain
Nadaisan Logaraj

COMPANY SECRETARY
Kent Hunter

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

BANKERS
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50 St Georges Terrace
PERTH WA 6000

DIRECTORS' REPORT

The directors of Scimitar Resources Limited submit herewith the annual financial report of the "Consolidated Entity" for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

1. INFORMATION ON DIRECTORS

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

Terence Topping	Managing Director
Qualifications	BAppSc, B Sc (Hons), Finsia
Experience	Mr Topping has over 15 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 & Options	Fully Paid Ordinary Shares 4,519,364 75 cent Options expiring 30 November 2008 1,500,000 80 Cent Options expiring 30 November 2010 1,000,000
Date appointed	21 November 2002
Kent Hunter	Non-Executive Director
Qualifications	B.Bus CA
Experience	Mr Hunter is a Chartered Accountant with over 18 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. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently the managing director of Red Emperor Resources NL and holds non-executive directorships in Cazaly Resources Limited, Gryphon Minerals Limited, and Venture Minerals Limited and is company secretary of three other ASX listed entities.
Directorships of listed companies held within the last 3 years	Cazaly Resources Limited August 2003 to present Gryphon Minerals Limited January 2004 to present Elixir Petroleum Limited March 2004 to November 2007 Venture Minerals Limited May 2006 to 18 July 2008 Red Emperor Resources NL August 2007 to present
Interest in Shares & Options	Fully Paid Ordinary Shares 3,983,361 75 cent Options expiring 30 November 2008 750,000 80 cent Options expiring 30 November 2010 500,000

Date appointed	21 November 2002	
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 & options	Fully Paid Ordinary Shares	750,001
	80 cent Options expiring 30 November 2010	500,000
	75 cent Options expiring 30 November 2008	750,000
Date appointed	21 November 2002	
Nadaisan Logaraj	Non-Executive Director	
Qualifications	Masters of Law (International Tax and Public Company Finance)	
Experience	Mr Logaraj has previously had roles of Director of Vickers Ballas Stockbrokers heading up the Financial Solutions Group of the firm as President. Mr Logaraj is also Executive Director at Turnbull & Partners Ltd responsible for the development of the firm's Asean Practice. Mr Logaraj currently advises several Asian & Australasian corporations on their international investments and is a Member of NSW Govt Asia Business Council. He is the National President of the Australia-Singapore Chamber of Commerce (Since 1993). Mr Logaraj is also a Director of Carbon Conscious Ltd, Karmelsonix Ltd, and several other private companies.	
Directorships of listed companies held within the last 3 years	Karmelsonix Limited	April 2008 to present
	Carbon Conscious Limited	May 2008 to present
Interest in shares	Fully paid ordinary shares	83,500
Date appointed	13 December 2007	

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

Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this director's report, on pages 11 to 12.

Share options granted to directors and senior management

During and since the end of the financial year and aggregate 2,000,000 share options were granted to the following directors of the Parent Entity as part of their remuneration:

Directors	**Number of options granted**	**Number of ordinary shares under option**
Terry Topping	1,000,0000	1,000,000
Kent Hunter	500,000	500,000
Andrew McBain	500,000	500,000
Nadaisan Logaraj	-	-

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 18 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. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently the managing director of Red Emperor Resources NL and holds non-executive directorships in Cazaly Resources Limited, Gryphon Minerals Limited, and Venture Minerals 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 $1,516,030 (2007: $1,157,872).

4. REVIEW OF OPERATIONS

The Company has acquired an extensive portfolio of uranium projects in the Western Australia, Northern Territory and South Australia since listing in early 2005. Exploration of these projects 100% owned continued the financial year with drilling completed in all three states. This exploration culminated in the company's first resource outlined at Bennett Well in Western Australia. The Company is well placed to take advantage of renewed interest in the uranium sector and also an anticipated change in Policy by the new Liberal government in Western Australia to allow uranium mining.

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, ASX code PDN), which was successfully field trialled by Insitu Leach (ISL) mining during the 1980's. The company continued exploration drilling through 2007 and 2008 and in July the company outlined an Inferred Resource of 2,200 tonnes (4.8 million lb) at 300 ppm eU_3O_8 at the Bennett Well prospect.

In August 2008 the company commenced an 8,000 m Aircore drilling program at the Bennett Well prospect targeting extensions of the deposits and also additional sedimentary roll front uranium mineralisation in regional target areas.

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 3,300t and 2,000t U_3O_8 respectively. High grade uranium mineralisation has also been discovered Beverley Four Mile prospect held by Heathgate Resources and Alliance Resources. Exploration by the company continued with field exploration of targets identified by previous EM surveys and exploration drilling of these targets commenced in late August 2008.

Eclipse Uranium Project, NT.
The Eclipse Uranium Project is comprised of four granted exploration licences and three licence applications covering 7,934 km2 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, 3,763t U_3O_8 owned by Energy Metals Limited and the New Well deposit owned by Deep Yellow Ltd. The Project is prospective for sandstone hosted and near surface calcrete uranium mineralisation with shallow drilling completed through the year intersecting anomalous uranium mineralization.

Amadeus Project, NT
This project has three granted exploration licenses covering 2,780 sq km of the Amadeus Basin, adjacent to the Pamela and Angela uranium deposits. The company commenced a first pass 3,000m drilling program of the Orange Creek prospect in July 2008.

Mount Elvire Project, WA
The Mount Elvire Project, 210 km north of Sothern Cross, comprises one granted exploration license covering 120 sq km. The project has the potential to host iron ore within strongly deformed Banded Iron Formations with field mapping and sampling indicating iron values up to 60%.

5. FINANCIAL POSITION

The Consolidated Entity currently has $2.61 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.

6. 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.

7. 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 27 July 2007 the Parent Entity issued 6,000,882 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 Parent Entity's portfolio of other uranium assets.

On 1 August 2007 the Parent Entity issued 1,000,000 options with an exercisable price of $0.75, exercisable on or before 30 November 2008, to participating brokers as remuneration for the December 2006 Placement.

On 1 August 2007 the Parent Entity issued 100,000 ordinary shares at $0.85 each in lieu of consulting fees.

On 1 August 2007 the Parent Entity issued 3,500,000 ordinary shares as a result of the exercise of the $0.30 options expiring 30 July 2007.

On 21 December 2007 the Parent Entity issued 2,000,000 options with an exercisable price of $0.80, exercisable on or before 30 November 2010, to participating brokers as remuneration for the July 2007 Placement.

On 21 December 2007 the Parent Entity issued 2,000,000 director options with an exercisable price of $0.80, exercisable on or before 30 November 2010, as approved at the Annual General Meeting of Shareholders held 27 November 2007.

On 31 March 2008 the Parent Entity issued 1,095,001 ordinary shares as a result of the exercise of $0.40 options.

On 26 April 2008 the Parent Entity issued 400,000 ordinary shares as a result of the exercise of $0.23 options.

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.

8. SUBSEQUENT EVENTS

Scimitar Resources Limited has entered into a Joint Venture Agreement with Atomic Resources Limited on 15 September 2008, to explore Atomic Resources Limited's Uaroo Uranium project. The agreement requires Scimitar to explore the project with a commitment to spend $500,000 over three years to earn a 70% interest in the project. Scimitar is also required to spend a minimum of $100,000 before it may withdraw from the joint venture agreement.

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. 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.

10. 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.

11. 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.

12. SHARES UNDER OPTION

Details of unissued shares or interest under option as at the date of this report are:

Expiry Date	Exercise Price	Number of Shares
30 November 2008	$0.75	4,000,000
30 November 2010	$0.80	4,000,000
22 December 2010	$0.305	300,000
31 October 2011	$0.61	900,000
26 March 2012	$0.85	100,000

The holders of such options do not have the right, by virtue of the option, to participate in any share issue of interest issue of the Parent Entity or on any other body corporate or registered scheme.

During the year ended 30 June 2008 there have been 4,995,001 issues of ordinary shares as a result of the exercise of the following options:

- 3,500,000 30 cent options expiring 31 July 2007
- 1,095,001 40 cent options expiring 31 March 2008
- 400,000 23 cent options expiring 26 April 2008

13. INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

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

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	3	3
Kent Hunter	3	3
Andrew McBain	3	3
Nadaisan Logaraj	1	1

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

15. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 14 of the annual report.

16. FINANCIAL POSITION

The net assets of the Consolidated Entity have increased by $5,269,788 from $5,252,145 at 30 June 2007 to $10,521,933 at 30 June 2008 largely as a result of:

- Capitalised exploration expenditure of $3,739,634 (net of impairments of $349,686) largely relating to the following projects:
  - Yanrey Uranium Project, WA: $2,175,144
  - Eclipse Uranium Project, NT: $943,398
  - Amadeus Uranium Project, NT: $434,817
  - Lake Frome Uranium Project, WA: $316,182

- The 27 July 2007 placement whereby the Parent Entity issued 6,000,882 ordinary shares at $0.85 each to raise working capital of $5,100,000.

Cash assets held at the end of the year totalled $2,610,715, which the Directors believe puts the Consolidated Entity in a sound financial position with sufficient capital to effectively explore its current landholdings.

The Parent Entity maintains a strategy of adding value through exploration and acquisition of mineral properties, with a view to finding a sound financially attractive development opportunity as soon as possible.

Future funding sources will depend on both exploration success for each project as well as divestment and acquisition decisions. Where possible the Parent Entity will restrict the issue of new shares for fund raising.

17. REMUNERATION REPORT

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Scimitar Resources Limited's directors for the financial year ended 30 June 2008. The prescribed details for each person covered by this report are detailed below under the following headings:

- Director details
- Remuneration policy
- Company Performance, shareholder wealth and directors' and executives' remuneration
- Remuneration of directors
- Employment contracts of directors and executives

DIRECTOR DETAILS

The following persons acted as directors of the Parent Entity during or since the end of the financial year:

Terence Topping	*Managing Director*
Kent Hunter	*Non-Executive Director*
Andrew McBain	*Non-Executive Director*
Nadaisan Logaraj	*Non-Executive Director (appointed) 13 December 2007*

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 Consolidated Entity, 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 Consolidated Entity 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 Consolidated Entity and an incentive for their future involvement with and commitment to the Consolidated Entity.

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 Consolidated Entity 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 option pricing model.
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 Consolidated Entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Consolidated Entity.

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.

The table below shows the gross revenue, losses and earnings per share for the last five years for the Consolidated Entity.

	2004	**2005**	**2006**	**2007**	**2008**
Revenue	-	67,330	107,805	380,982	291,010
Net (Loss)	(4,008)	(263,329)	(983,694)	(1,157,872)	(1,516,030)
(Loss) Per Share - cents	N/A	(1.49)	(3.12)	(3.15)	(3.16)

REMUNERATION OF DIRECTORS

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 & Superannuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Terence Topping – Managing Director (i)								
2008	214,038	-	-	-	-	-	202,440	416,478
2007	170,000	-	-	-	-	-	91,050	261,050
Kent Hunter – Non Executive Director (ii)								
2008	60,000	48,000	-	5,400	-	-	101,220	214,620
2007	50,000	48,000	-	4,500	-	-	45,525	148,025
Andrew McBain – Non Executive Director								
2008	52,000	-	-	4,500	-	-	101,220	157,720
2007	40,000	-	-	3,600	-	-	45,525	89,125
Mathew Gauci – Non Executive Director								
2008	-	-	-	-	-	-	-	-
2007	2,500	-	-	225	-	-	-	2,725
Nadaisan Logaraj – Non Executive Director								
2008	29,167	-	-	2,625	-	-	-	31,792
Total Remuneration Directors								
2008	355,205	48,000	-	12,525	-	-	404,880	820,610
2007	262,500	48,000	-	8,325	-	-	182,100	500,925

i) An aggregate amount of $214,038 (2007:$170,000) 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 Consolidated Entity.

ii) An aggregate amount of $48,000 (2007:$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 Consolidated Entity.

Share-based payments granted as part of remuneration for the current financial year

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Scimitar Resources Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

During and since the financial year ended 30 June 2008, the Parent Entity granted 2,000,000 options (expiring 30 November 2010 exercisable at $0.80 each) to Directors.

The options were issued free of charge, and were valued at grant date using the Black-Scholes option pricing model. The calculation of all option valuations included the share price on 21 December 2007 of $0.70, a volatility factor of approximately 60% and an annual risk-free rate of 6.75%. These options vested immediately upon issue.

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

Value of options issued to directors and executives

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

	Granted	Options Granted Value at grant date	Options Exercised Value at exercise date	Options Lapsed Value at time of lapse	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year
	No.	$	$	$	$	$
Terry Topping	1,000,000	202,440	-	-	-	202,440
Kent Hunter	500,000	101,220	-	-	-	101,220
Andrew McBain	500,000	101,220	-	-	-	101,220
Nadaisan Logaraj	-	-	-	-	-	-
	2,000,000	**404,880**	**-**	**-**	**-**	**404,880**

EMPLOYMENT CONTRACTS OF DIRECTORS AND 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 Parent Entity. Mr Terence Topping's executive agreement with the Parent Entity is contracted at $210,000 per annum for services provided as a managing director. The contract duration is one year commencing January 2008 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 Parent Entity 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.

18. PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

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

19. NON AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Consolidated Entity'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 2008.

20. LEAD AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration for the financial year ended 30 June 2008 is set out on page 14.

This report is signed in accordance with a resolution of the Board of Directors, made pursuant to section 306(3) of the Corporation Act 2001.

Terry Topping
Managing Director

PERTH
Dated this 26 day of September 2008

Bentleys
Thinking ahead

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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 2008 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

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 26rd day of September 2008

RLF Bentleys
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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 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies 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.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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.

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 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 2008 and of their performance for the year ended on that date; and

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

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

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC
Director

DATED at PERTH this 26th day of September 2008

CORPORATE GOVERNANCE

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.

The Company acknowledges the requirements to report against the Revised Principles released 2 August 2007 in the annual report for the financial year ended 30 June 2009 and has elected not to make an early transition to the Revised Principles for this 2008 annual report.

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

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 Consolidated Entity 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 Consolidated Entity member. Or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another Consolidated Entity 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 Consolidated Entity 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.

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.

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.

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 2008. 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 2008 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.

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-Scholes option pricing model.

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.

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.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Revenues	3	291,010	380,982	291,010	380,982
Net fair value loss on financial assets		138,737	(25,555)	138,737	(25,555)
Administration expenses		(160,240)	(162,319)	(160,240)	(162,319)
Employee benefits expenses		(150,100)	(411,104)	(150,100)	(411,104)
Depreciation expenses		(26,458)	(23,575)	(26,458)	(23,575)
Finance costs		(4,454)	(8,016)	(4,454)	(8,016)
Consultancy expenses		(31,379)	(81,199)	(31,379)	(81,199)
Compliance and regulatory expenses		(137,955)	(102,497)	(136,355)	(102,497)
Occupancy expenses		(63,524)	(65,415)	(63,524)	(65,415)
Directors fees		(221,872)	(154,103)	(221,872)	(154,103)
Promotional & Marketing		(99,796)	(93,653)	(99,796)	(93,653)
Share based payments		(404,880)	(182,100)	(404,880)	(182,100)
Travel expenses		(115,399)	(55,782)	(115,399)	(55,782)
Provision on loan to unrelated entity		-	41,889	-	41,889
Exploration expenditure written off		(529,720)	(215,425)	(529,720)	(215,425)
Loss before income tax expense	3	(1,516,030)	(1,157,872)	(1,514,430)	(1,157,872)
Income tax expense	4	-	-	-	-
Net Loss		**(1,516,030)**	**(1,157,872)**	**(1,514,430)**	**(1,157,872)**
Basic loss per share (cents per share)	14	(3.16)	(3.15)	(3.15)	(3.15)
Diluted loss per share (cents per share)	14	(3.16)	(3.15)	(3.15)	(3.15)

The accompanying notes form part of these financial statements.

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	18	2,610,715	1,356,763	2,610,715	1,356,763
Financial assets	6	666,633	229,430	661,633	229,430
Trade and other receivables	5	157,714	224,989	157,714	224,989
TOTAL CURRENT ASSETS		3,435,062	1,811,182	3,430,062	1,811,182
NON CURRENT ASSETS					
Trade and other receivables	5	120,000	27,000	127,680	28,080
Property, plant and equipment	8	40,193	46,778	40,193	46,778
Financial assets	6	-	-	5	5
Exploration and evaluation expenditure	7	7,702,848	3,963,214	7,702,848	3,963,214
TOTAL NON CURRENT ASSETS		7,863,041	4,036,992	7,870,726	4,038,077
TOTAL ASSETS		**11,298,103**	**5,848,174**	**11,300,788**	**5,849,259**
CURRENT LIABILITIES					
Trade and other payables	9	734,434	543,721	734,434	543,721
Financial liabilities	9	4,855	2,955	4,855	2,955
Short-term provisions	9	31,487	37,345	31,487	37,345
TOTAL CURRENT LIABILITIES		770,776	584,021	770,776	584,021
NON CURRENT LIABILITIES					
Financial liabilities	10	5,394	12,008	5,394	12,008
TOTAL NON CURRENT LIABILITIES		5,394	12,008	5,394	12,008
TOTAL LIABILITIES		776,170	596,029	776,170	596,029
NET ASSETS		**10,521,933**	**5,252,145**	**10,524,618**	**5,253,230**
EQUITY					
Issued capital	11	13,025,416	7,149,461	13,025,416	7,149,461
Option reserve	12	1,421,450	511,587	1,421,450	511,587
Retained losses	13	(3,924,933)	(2,408,903)	(3,922,248)	(2,407,818)
TOTAL EQUITY		**10,521,933**	**5,252,145**	**10,524,618**	**5,253,230**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash Flows from Operating Activities					
- Payments to suppliers and employees		(973,552)	(880,029)	(971,952)	(880,029)
- Interest received		270,130	95,889	270,130	95,889
- Borrowing costs		-	-	-	-
- Payments for exploration and evaluation		(4,078,987)	(1,835,359)	(4,078,987)	(1,835,359)
Net cash used in operating activities	18	(4,782,409)	(2,619,499)	(4,780,809)	(2,619,499)
Cash Flows from Investing Activities					
- Payment of environmental bonds		(93,000)	(27,000)	(93,000)	(27,000)
- Purchase of plant and equipment		(26,056)	(20,690)	(26,056)	(20,690)
- Purchase of exploration assets		-	-	-	-
- Purchase of equity investments		(335,965)	(134,053)	(330,965)	(134,053)
- Proceeds from sales of investments		51,150	339,392	51,150	339,392
Net cash used in investing activities		(403,871)	157,649	(398,871)	157,649
Cash Flows from Financing Activities					
- Option fee		9,091	-	9,091	-
- Payment of loans to unrelated parties		(500,000)	-	(500,000)	-
- Repayment of loans by unrelated parties		625,898	-	625,898	-
- Payment of loans to related parties		(9,820)	-	(16,420)	-
- Proceeds from issue of shares		6,638,250	2,535,111	6,638,250	2,535,111
- Payment for cost of issue of securities		(323,187)	(157,250)	(323,187)	(157,250)
Net cash provided by financing activities		6,440,232	2,377,861	6,434,632	2,377,861
Net increase/ (decrease) in cash held		1,253,952	(83,989)	1,253,952	(83,989)
Cash and cash equivalents at beginning of financial year		1,356,763	1,440,752	1,356,763	1,440,752
Cash and cash equivalents at end of financial year	18	**2,610,715**	**1,356,763**	**2,610,715**	**1,356,763**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2008

Consolidated Entity	**Issued Capital**	**Retained Losses**	**Option Reserve**	**Total**
	$	**$**	**$**	**$**
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**
Balance at 1 July 2007	7,149,461	(2,408,903)	511,587	5,252,145
Shares issued during the year	6,765,750	-	-	6,765,750
Options issued during the year	-	-	997,640	997,640
Transfer of value of exercised options	87,777	-	(87,777)	-
Transaction costs	(977,572)	-	-	(977,572)
Profit / (loss) attributable to members	-	(1,516,030)	-	(1,516,029)
Balance at 30 June 2008	**13,025,416**	**(3,924,933)**	**1,421,450**	**10,521,933**

Parent Entity	**Issued Capital**	**Retained Losses**	**Option Reserve**	**Total**
	$	**$**	**$**	**$**
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**
Balance at 1 July 2007	7,149,461	(2,407,818)	511,587	5,253,230
Shares issued during the year	6,765,750	-	-	6,765,750
Options issued during the year	-	-	997,640	997,640
Transfer of value of exercised options	87,777		(87,777)	-
Transaction costs	(977,572)	-	-	(977,572)
Profit / (loss) attributable to members	-	(1,514,430)	-	(1,514,430)
Balance at 30 June 2008	**13,025,416**	**(3,922,248)**	**1,421,450**	**10,524,618**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

CONTENTS

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 Entity 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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

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

The financial statements were authorised for issue by the directors on 26 September 2008.

Basis of Preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Adoption of New and Revised Accounting Standards

In the current year, the Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Consolidated Entity has also adopted the following Standards as listed below which only impacted on the Consolidated Entity's financial statements with respect to disclosure.

- AASB 101 'Presentation of Financial Statements (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

a. Principles of Consolidation

A controlled entity is any entity over which S Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in Note 17 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered the Consolidated Entity during the year, their operating results have been included from the date control was obtained.

All inter-group balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Consolidated Entity, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

b. Foreign Currency

The individual financial statements of each Consolidated Entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Scimitar Resources Limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transaction in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet dates, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit and loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in the foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Consolidated Entity's foreign operations are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are classified as equity and transferred to the Consolidated Entity's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

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

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

d. Share Based Payments

The Parent Entity provides benefits to employees of the Parent Entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model, further details of which are given in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Parent Entity's estimate of shares that will eventually vest. Vesting conditions are time conditions and are disclosed in Note 20.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Scimitar Resources Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

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

(i) the extent to which the vesting period has expired; and
(ii) the Parent Entity's best estimate of the number of equity instruments that will ultimately vest.

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

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

Equity-settled share-based payment transaction with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the dated the entity obtains the goods or the counterparty renders the service. For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

e. Income Tax

<u>Current Tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred Tax</u>

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Parent Entity/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

<u>Tax consolidation</u>

The Parent Entity and all its wholly-owned Australian resident entities are part of a tax-Consolidated Entity under Australian taxation law. Scimitar Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within Consolidated Entity' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Parent Entity (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Parent Entity and each member of the Consolidated Entity in relation to the tax contribution amounts paid or payable between the Parent Entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 4 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

f. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

g. Financial Instruments

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Parent Entity financial statements. Further information regarding equity accounted investments is detailed in note 6.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Financial Assets at Fair Value through Profit or Loss</u>

The Consolidated Entity has classified certain shares and options as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

<u>Held-to-Maturity Investments</u>

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

<u>Available-for-Sale Financial Assets</u>

Certain shares and convertible notes held by the Consolidated Entity are classified as being available-for-sale and are stated at fair value less impairment. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

<u>Loans and Receivables</u>

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Impairment of Financials Assets

Financial assets, other than those at fair value through profit of loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised , the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Consolidated Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Consolidated Entity neither transfers nor retains substantially all the risks or rewards of ownership and continues to control the transferred asset, the Consolidated Entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Consolidated Entity retains substantially all the risk and rewards to ownership of a transferred financial asset, the Consolidated Entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

h. Investment in Subsidiaries

Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Parent Entity financial statements.

i. Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

j. Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

Class of Fixed Asset	**Depreciation Rate**	
	2008	**2007**
Plant and equipment	40.0%	40.0%
Office furniture and equipment	40.0%	40.0%
Motor vehicle	40.0%	40.0%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount.

k. Exploration, Evaluation and Development Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i) the rights to the tenure of the area of interest are current; and
ii) at least one of the following conditions is also met:
  a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimated of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

l. Intangible Assets

<u>Intangible assets acquired in a business combination</u>

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

m. Impairment of assets

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

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

n. Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

o. Revenue Recognition

Sale of Goods
Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties
Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest Revenue
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

p. Employee Benefits

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

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

Equity-settled compensation
The Consolidated Entity operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

q. Provisions

Provisions are recognised when the Consolidated Entity 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.

Provision for restoration and rehabilitation
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligation includes the costs of removing facilities, abandoning sites and restoring the affected areas.

r. Financial instruments issued by the Consolidated Entity

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

s. Standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

- AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* - AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.
- Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] - The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated Entity, as the Consolidated Entity already capitalises borrowing costs relating to qualifying assets.
- Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* - A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated Entity intends to apply the revised standard from 1 July 2009.
- *AASB 127 – Consolidated and Separate Financial Statements* is applicable for annual reporting periods beginning on or after 1 January 2009. The revisions alter the accounting treatment to be used for business combinations entered into after the standard is first applied, including the measurement of fair value, identification of acquired assets and recognition of goodwill attributable to minority interest. The Consolidated Entity is currently assessing the impact and expected timing of adoption of this standard on the Consolidated Entity's results and financial position.
- *AASB 2008 – 1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* is applicable for annual reporting periods beginning on or after 1 January 2009. These amendments clarify that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. They also specify that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment . The Consolidated Entity is currently assessing the impact and expected timing of adoption of this standard on the Consolidated Entity's results and financial position.
- *AASB 3 – Business Combinations* is applicable for annual reporting periods beginning on or after 1 January 2009. The revisions alter the accounting treatment to be used for business combinations entered into after the standard is first applied, including the measurement of fair value, identification of acquired assets and recognition of goodwill attributable to minority interest. The Consolidated Entity is currently assessing the impact and expected timing of adoption of this standard on the Consolidated Entity's results and financial position.
- *AASB 2008 – 3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* is applicable for annual reporting periods beginning on or after 1 January 2009. The revisions alter the accounting treatment to be used for business

combinations entered into after the standard is first applied, including the measurement of fair value, identification of acquired assets and recognition of goodwill attributable to minority interest. The Consolidated Entity is currently assessing the impact and expected timing of adoption of this standard on the Consolidated Entity's results and financial position.

- *AASB 2008 – 5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is applicable for annual reporting periods beginning on or after 1 January 2009. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.

t. Critical accounting judgements, estimates and assumptions

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

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

u. Comparative Figures

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

2. SEGMENT INFORMATION

The Consolidated Entity operates predominantly in one business segment being mineral exploration and one geographical segment being Australia.

3. LOSS FROM OPERATIONS

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
(a) Revenue and other income				
Operating activities				
- interest received	266,734	94,192	266,734	94,192
- interest received on loan to other entities	1,445	14,453	1,445	14,453
- profit on sale of shares	13,650	272,337	13,650	272,337
- Other	9,181	-	9,181	-
Total Revenue	291,010	380,982	291,010	380,982

4. INCOME TAX EXPENSE	**Consolidated 2008**	**Consolidated 2007**	**Parent Entity 2008**	**Parent Entity 2007**
(a) The components of tax expense comprise				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Total income tax expense/(income) attributable to entity	**-**	**-**	**-**	**-**

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	Consolidated 2008	**Consolidated 2007**	**Parent Entity 2008**	**Parent Entity 2007**
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2007: 30%):	(454,808)	(336,059)	(454,328)	(336,059)
Add:				
Tax effect of:				
Other non-allowable items	124,204	117,762	124,204	117,762
Tax benefit of current year revenue losses not recognised	377,684	266,137	377,204	266,137
Effect of deferred tax assets not recognised	-	-	-	-
Less:				
Tax effect of				
Tax benefit of equity raising costs not recognised	(46,997)	-	(46,997)	-
Under/Over to prior year unrecognised deferred tax balances	(83)	(665)	(83)	(665)
Tax effect of temporary difference not brought to account	-	(47,175)	-	(47,175)
Total income tax expense/(income) attributable to entity	**-**	**-**	**-**	**-**

(c) Deferred tax balances have not been recognised in respect of the following:

Deferred tax assets	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
Carry forward revenue losses	2,194,334	1,078,191	2,194,334	1,078,190
Capital raising costs	123,681	80,486	123,681	80,486
Provisions & accruals	22,060	18,650	22,060	18,650
Other	-	12,987	-	12,987
	2,340,075	**1,190,313**	**2,340,075**	**1,190,313**

Deferred tax liabilities	Consolidated 2008	Consolidated 2007	Parent Entity 2008	Parent Entity 2007
Exploration	2,310,854	1,188,965	2,310,854	1,188,965
Other	29,221	1,349	29,221	1,349
	2,340,075	**1,190,314**	**2,340,075**	**1,190,314**

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.

5. TRADE AND OTHER RECEIVABLES

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current				
Trade receivables	147,894	100,536	147,894	100,536
Amounts receivable from other parties	9,820	124,453	9,820	124,453
Prepayments	-	-	-	-
	157,714	224,989	157,714	224,989
Non-Current				
Loan to subsidiary	-	-	7,680	1,080
Environmental Bonds	120,000	27,000	120,000	27,000
	120,000	27,000	127,680	28,080

6. FINANCIAL ASSETS

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Current				
Listed shares at fair value	666,633	229,430	661,633	229,430
	666,633	229,430	661,633	229,430
Non-Current				
Shares in controlled entities at cost (i)	-	-	5	5
	-	-	5	5

(i) Further details on controlled entities disclosed in Note 17.
(ii) Current financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

7. EXPLORATION AND EVALUATION EXPENDITURE

Non-Current				
Brought forward	3,963,214	2,100,291	3,963,214	2,100,291
Exploration expenditure during the year	4,269,354	2,078,348	4,269,354	2,078,348
Impairment of exploration expenditure	(529,720)	(215,425)	(529,720)	(215,425)
Carrying Amount at the end of year	7,702,848	3,963,214	7,702,848	3,963,214

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.

8. PLANT AND EQUIPMENT

	Consolidated Entity		**Parent Entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Plant and equipment - office				
At cost	79,155	59,282	79,155	59,282
Accumulated depreciation	(44,999)	(25,232)	(44,999)	(25,232)
	34,156	34,050	34,156	34,050
Office furniture and equipment				
At cost	4,738	4,738	4,738	4,738
Accumulated depreciation	(3,803)	(3,180)	(3,803)	(3,180)
	935	1,558	935	1,558
Plant and equipment - field				
At cost	15,169	15,169	15,169	15,169
Accumulated depreciation	(10,067)	(3,999)	(10,067)	(3,999)
	5,102	11,170	5,102	11,170
Total plant and equipment	40,193	46,778	40,193	46,778

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:

2008	**Plant & Equipment Office**	**Office Furniture & Equip**	**Plant & Equipment - Field**	**Total**
	$	**$**		**$**
Balance at beginning of the year	34,050	1,558	11,170	46,778
Additions	19,873	-	-	19,873
Depreciation expense	(19,767)	(623)	(6,068)	(26,458)
Carrying amount at 30 June 2008	34,156	935	5,102	40,193

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

9. TRADE AND OTHER PAYABLES

Current				
Trade payables	509,302	297,858	509,302	297,858
Other payables and accruals	229,987	208,518	229,987	208,518
Provision for employee benefits	31,487	37,345	31,487	37,345
	770,776	543,721	770,776	543,721

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.

10. NON CURRENT PAYABLES

Financial liabilities	5,394	12,008	5,394	12,008

11. ISSUED CAPITAL

	Consolidated Entity & Parent Entity		Consolidated Entity & Parent Entity	
	2008 No	2007 No	2008 $	2007 $
ISSUED AND FULLY PAID UP CAPITAL				
Ordinary Shares				
Opening balance	39,016,113	34,003,336	7,149,461	4,801,600
Shares issued during the year				
- Placement 6 Dec 2006	-	5,000,000	-	2,500,000
- Placement 27 Jul 2007 (i)	6,000,882	-	5,100,750	-
- Consultant shares 1 Aug 2007 (ii)	100,000	-	85,000	-
Exercise of options (iii)	4,995,001	12,777	1,580,000	5,111
Transfer of value of exercised options from option reserve	-	-	87,777	-
Transaction costs relating to share issues	-	-	(977,572)	(157,250)
Closing balance	50,111,996	39,016,113	13,025,416	7,149,461

(i) On 27 July 2007 the Parent Entity issued 6,000,882 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.

(ii) On 1 August 2007 the Parent Entity issued 100,000 ordinary shares at $0.85 each in lieu of consulting fees.

(iii) On 1 August 2007 the Parent Entity issued 3,500,000 ordinary shares as a result of the exercise of the $0.30 options expiring 30 July 2007.

On 31 March 2008 the Parent Entity issued 1,095,001 ordinary shares as a result of the exercise of $0.40 options.

On 26 April 2008 the Parent Entity issued 400,000 ordinary shares as a result of the exercise of $0.23 options.

Terms and Conditions

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

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, it does not have ready access to credit facilities, with the primary source of funding being equity raisings. Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

12. RESERVES

	Consolidated Entity & Parent Entity	
	2008	**2008**
	$	**$**
Share-based payment reserve		
Reserve at the beginning of the reporting year	511,587	87,777
Director incentive options issued during the year (i)	404,880	182,100
Employee incentive options issued during the year	-	241,710
Consultant options issued during the year (ii)	592,760	-
Transfer of value of exercised options to issued capital (iii)	(87,777)	-
Reserves at the end of the reporting year	1,421,450	511,587

(i) On 21 December 2007 the Parent Entity issued 2,000,000 director options with an exercisable price of $0.80, exercisable on or before 30 November 2010, as approved at the Annual General Meeting of Shareholders held 27 November 2007.

(ii) On 1 August 2007 the Parent Entity issued 1,000,000 options with an exercisable price of $0.75, exercisable on or before 30 November 2008, to participating brokers as remuneration for the December 2006 Placement.

On 21 December 2007 the Parent Entity issued 2,000,000 options with an exercisable price of $0.80, exercisable on or before 30 November 2010, to participating brokers as remuneration for the July 2007 Placement.

(iii) On 1 August 2007 the Parent Entity issued 3,500,000 ordinary shares as a result of the exercise of the $0.30 options expiring 30 July 2007.

The equity based payments reserve arises on the grant of share options to employees and consultants. Amounts are transferred out of the reserve and into retained earnings when options are exercised. Refer note 20 for further details.

Movement in the number of Options

Grant Date	Expiry Date	Exercise Price	N° of Options at Beginning of Period	Options Granted During the period	Number Exercised During the period	Number Lapsed/ Cancelled During the period	N° Options at End of Year on Issue	N° Vested Options at end of period
5 May 2005	26 Apr 2008	$0.23	400,000	-	400,000	-	-	-
22 Dec 2005	22 Dec 2010	$0.305	300,000	-	-	-	300,000	300,000
23 Mar 2006	21 Nov 2008	$0.40	1,098,334	-	1,095,001	3,333	-	-
25 Jan 2005	30 Jul 2007	$0.30	3,500,000	-	3,500,000	-	-	-
8 Nov 2006	31 Oct 2011	$0.61	900,000	-	-	-	900,000	900,000
11 Dec 2006	20 Nov 2008	$0.75	3,000,000	-	-	-	3,000,000	3,000,000
26 Mar 2007	26 Mar 2012	$0.85	-	100,000	-	-	100,000	100,000
1 Aug 2007	20 Nov 2008	$0.75	-	1,000,000	-	-	1,000,000	1,000,000
12 Dec 2007	30 Nov 2010	$0.80	-	2,000,000	-	-	2,000,000	2,000,000
12 Dec/2007	30 Nov 2010	$0.80	-	2,000,000	-	-	2,000,000	2,000,000
			9,198,334	**5,100,000**	**4,995,001**	**3,333**	**9,300,000**	**9,300,000**

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
13. RETAINED EARNINGS (LOSSES)				
Retained losses at the beginning of the financial year	2,408,903	1,251,031	2,407,818	1,249,946
Loss for the year	1,516,030	1,157,872	1,514,430	1,157,872
Retained losses at the end of the financial year	3,924,933	2,408,903	3,922,248	2,407,818

14. LOSS PER SHARE

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
(a) Loss used in the calculation of basic loss per share	1,516,030	1,157,872	1,514,430	1,157,872
	Number of shares	*Number of shares*	*Number of shares*	*Number of shares*
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of *basic loss per share*:	48,044,026	36,815,021	48,044,026	36,815,021
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of *diluted losses* per share:	48,044,026	36,815,021	48,044,026	36,815,021

15. COMMITMENTS FOR EXPENDITURE

Exploration Expenditure Commitments

In order to maintain rights of tenure to mining tenements subject to these agreements, the Parent Entity 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:

	2008 $	2007 $
Not longer than one year	2,296,780	2,667,360
Longer than one year, but not longer than five years	3,420,540	4,390,600
Longer than five years	38,000	67,000
	5,755,320	7,124,960

If the Parent Entity 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.

16. CONTINGENT LIABILITIES / ASSETS

The Consolidated Entity has no contingent liabilities or assets at the year end.

17. CONTROLLED ENTITIES

Details of Scimitar Resources Limited's subsidiary is as follows:

Name	Principal Activities	Date/Country of Incorporation	Shares	Ownership Interest		Carry amount of investment	
				2008 %	2007 %	2008 $	2007 $
Unlisted:							
Ronin Energy Ltd	Mining exploration	24 April 2006 Australia	Ord	100	100	5	5

18. CASH FLOW INFORMATION

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax				
- (Loss) from ordinary activities after income tax	(1,516,030)	(1,157,872)	(1,514,430)	(1,157,872)
Non-cash flows in operating loss				
- Depreciation	26,458	23,575	26,458	23,575
- Equity settled share based payments	404,880	423,810	404,880	423,810
- Provision for diminution of investment value	(138,737)	29,631	(138,737)	29,631
- Hire purchase interest on capital equipment	1,469	1,479	1,469	1,479
- Profit on sale of investments	(13,650)	(272,337)	(13,650)	(272,337)
- Write-up of loan	-	(56,342)	-	(56,342)
- Interest charged on loan	(1,445)	-	(1,445)	-
Cash flows not in operating loss				
- Payments for exploration and evaluation	(3,739,637)	(1,862,923)	(3,739,637)	(1,862,923)
- Option fee	(9,091)		(9,091)	
Changes in assets and liabilities				
- Decrease/(Increase) in operating receivables & prepayments	(4,857)	(1,417)	(4,857)	(1,417)
- Increase/(Decrease) in trade and other creditors, and accruals. and employee entitlements	214,089	232,785	214,089	232,785
- Increase/(Decrease) in provisions and other employee entitlements	(5,858)	20,112	(5,858)	20,112
Net cash inflows (outflows) from Operating Activities	(4,782,409)	(2,619,499)	(4,780,809)	(2,619,499)

Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated Entity 2008 $	Consolidated Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash at bank	2,610,715	262,385	2,610,715	262,385
Deposits at call	-	1,094,378	-	1,094,378
Cash and cash equivalents	2,610,715	1,356,763	2,610,715	1,356,763

19. FINANCIAL INSTRUMENTS

Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed companies.

The Group does not speculate in the trading of derivative instruments.

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit rate risk and liquidity risk.

The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board and they provide written principles for overall risk management.

Financial risk exposures and management

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and market risk.

(a) Market Risk

(i) Foreign Currency Risk

The Consolidated Entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Given the few transactions the Board does not consider there to be a need for policies to hedge against foreign currency risk. The Consolidated Entity's has no exposure to foreign currency risk as at the reporting date.

(ii) Cash Flow Interest Rate Risk

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. Cash and cash equivalents on deposit at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Consolidated Entity does not have short or long term debt, and therefore this risk is minimal.

The effect on loss and equity as a result of changes in the interest rate.

CHANGE IN LOSS	**Consolidated 2008**		**Consolidated 2007**	
	Change	**$**	**Change**	**$**
Increase in interest rate by 2%	+ 52,214	(1,463,815)	+ 27,135	(1,329,628)
Decrease in interest rate by 2%	- 52,214	(1,568,244)	- 27,135	(1,383,898)

CHANGE IN EQUITY	**Consolidated 2008**		**Consolidated 2007**	
	Change	**$**	**Change**	**$**
Increase in interest rate by 2%	+ 52,214	10,574,147	+ 27,135	5,279,280
Decrease in interest rate by 2%	- 52,214	10,469,718	- 27,135	5,225,628

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

(iii) Price Risk

The Consolidated Entity and Parent Entity are exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the balance sheet either as available-for-sale or at fair value through profit or loss. Neither the Consolidated Entity nor the Parent Entity are exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio which is done in accordance with the limits set by the consolidated entity.

The majority of the Consolidated Entity's and Parent Entity's equity investments are publicly traded and are included on the ASX 200 Index.

The table below summarises the impact of increases/decreases of the index on the Consolidated Entity and Parent Entity's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2007 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

	Impact on Post-Tax Profit/(Loss)		**Impact on Equity**	
	2008	**2007**	**2008**	**2007**
Index	**$**	**$**	**$**	**$**
ASX 200	63,664	22,998	63,664	22,998

(b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and credit exposures to wholesale and retail customers and suppliers. 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 credit risk on financial assets, excluding investments, of the Parent Entity, which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The Parent Entity is not materially exposed to any individual overseas country or individual customer.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	Consolidated Entity		**Parent Entity**	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Financial assets:				
Cash and cash equivalents				
AAA	2,610,715	1,356,763	2,610,715	1,356,763

(c) Liquidity Risk

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At the reporting date, there are no financing arrangements in place.

Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the balance sheet.

2008	**Floating Interest Rate**	**Fixed Interest maturing in 1 year or less**	**Fixed Interest maturing over 1 to 5 years**	**Non-interest bearing**	**2008 total**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash	-	2,610,715	-	-	2,610,715
Receivables	-	-		666,633	666,633
Financial assets	-	-	120,000	157,714	277,714
	-	2,610,715	120,000	824,347	3,555,062
Weighted average Interest rate		4.65%	1.57%		
Financial Liabilities					
Trade Payables and accruals	-	-	-	765,921	765,921
Other	-	10,249	-	-	10,249
	-	10,249	-	765,921	776,170
Weighted average interest rate	-	10.57%			

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
Other	-	14,964	-	-	14,964
	-	14,964	-	543,721	558,685
Weighted average interest rate	-	10.57%			

(d) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

20. SHARE BASED PAYMENTS

a) Employee Share Incentive Scheme

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 Parent Entity an opportunity, in the form of options, to subscribe for ordinary shares in the Parent Entity. The Directors consider the Scheme will enable the Parent Entity to retain and attract skilled and experienced employees, board members and executive officers and provide them with the motivation to make the Parent Entity more successful. During the financial year there were no issues of options under this scheme.

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 Parent Entity'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 Parent Entity.

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 Parent Entity is listed on ASX, it will apply to ASX for official quotation of shares issued on the exercise of options.

A summary of the movements of options granted under this scheme is as follows:

Grant Date	Expiry Date	Exercise Price	N^o of Options at Beginning of Period	Options Granted During the period	Number Exercised During the period	Number Lapsed/ Cancelled During the period	N^o Options at End of Year on Issue	N^o Vested Options at end of period
5 May 2005	26 Apr 2008	$0.23	400,000	-	400,000	-	-	-
22 Dec 2005	22 Dec 2010	$0.305	300,000	-	-	-	300,000	300,000
8 Nov 2006	31 Oct 2011	$0.61	900,000	-	-	-	900,000	900,000
26 Mar 2007	26 Mar 2012	$0.85	100,000		-	-	100,000	100,000
			1,700,000	**-**	**400,000**	**-**	**1,300,000**	**1,300,000**

b) Director share-based payments

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Scimitar Resources Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

During and since the financial year ended 30 June 2008, the Parent Entity granted 2,000,000 options to Directors as disclosed below:-

The options were issued free of charge, and were valued at grant date using the Black-Scholes option pricing model. The calculation of all option valuations included the share price on 21 December 2007 of $0.70, a volatility factor of approximately 60% and an annual risk-free rate of 6.75%. These options vested immediately upon issue.

A summary of options granted to directors is as follows:

Grant Date	**Expiry Date**	**Exercise Price**	**N^o of Options at Beginning of Period**	**Options Granted During the period**	**Number Exercised During the period**	**Number Lapsed/ Cancelled During the period**	**N^o Options at End of Year on Issue**	**N^o Vested Options at end of period**	**Fair value at the end of the year (per share)**
25 Jan 2005	30 Jul 2007	$0.30	3,500,000	-	3,500,000	-	-	-	
11 Dec 2006	20 Nov 2008	$0.75	3,000,000	-	-	-	3,000,000	3,000,000	$0.061
12 Dec/2007	30 Nov 2010	$0.80	-	2,000,000	-	-	2,000,000	2,000,000	$0.202
			6,500,000	**2,000,000**	**3,500,000**	**-**	**5,000,000**	**5,000,000**	**N/A**

c) Consultant Options

During and since the financial year ended 30 June 2008, the Parent Entity granted 3,000,000 options to Consultants:

- 1,000,000 options exercisable at $0.75 on or before 30 November 2008
- 2,000,000 options exercisable at $0.80 on or before 30 November 2010

A summary of options granted to consultants is as follows:

Grant Date	**Expiry Date**	**Exercise Price**	**N^o of Options at Beginning of Period**	**Options Granted During the period**	**Number Exercised During the period**	**Number Lapsed/ Cancelled During the period**	**N^o Options at End of Year on Issue**	**N^o Vested Options at end of period**	**Fair value at the end of the year (per share)**
23 Mar 2006	21 Nov 2008	$0.40	1,098,334	-	1,095,001	3,333	-		-
1 Aug 2007 (i)	20 Nov 2008	$0.75	-	1,000,000	-	-	1,000,000	1,000,000	$0.169
12 Dec 2007 (ii)	30 Nov 2010	$0.80	-	2,000,000	-	-	2,000,000	2,000,000	$0.212
			1,098,334	**3,000,000**	**1,095,001**	**3,333**	**3,000,000**	**3,000,000**	**N/A**

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

		(ii)	(iii)
Weighted average exercise price		$0.75	$0.85
Weighted average life of the option		487 days	1066 days
Underlying share price at 1 August 2007	(i)	$0.77	-
Underlying share price at 12 December 2007	(ii)	-	$0.72
Expected share price volatility		60%	60%
Risk free interest rate		6.75%	6.75%

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.

21. 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 Nadaisan Logaraj	Non-Executive Director	Appointed 13 December 2007

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 & Superannuation	Other	Non-Monetary	Super-annuation	Retirement Benefits	Equity	Options	$
Directors								
Terence Topping – Managing Director (i)								
2008	214,038	-	-	-	-	-	202,440	416,478
2007	170,000	-	-	-	-	-	91,050	261,050
Kent Hunter – Non Executive Director (ii)								
2008	60,000	48,000	-	5,400	-	-	101,220	214,620
2007	50,000	48,000	-	4,500	-	-	45,525	148,025
Andrew McBain – Non Executive Director								
2008	52,000	-	-	4,500	-	-	101,220	157,720
2007	40,000	-	-	3,600	-	-	45,525	89,125
Mathew Gauci – Non Executive Director								
2008	-	-	-	-	-	-	-	-
2007	2,500	-	-	225	-	-	-	2,725
Nadaisan Logaraj – Non-Executive Director								
2008	29,167			2,625				31,792
Total Remuneration Directors								
2008	355,205	48,000		12,525			404,880	820,610
2007	262,500	48,000	-	8,325	-	-	182,100	500,925

i) An aggregate amount of $214,038 (2007:$ 170,000) 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 Parent Entity.

ii) An aggregate amount of $48,000 (2007:$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 Parent Entity.

The Parent Entity's policy for determining the nature and amount of emoluments of board members and senior executives of the Parent Entity 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.

22. RELATED PARTY INFORMATION

Transactions with Directors, Director Related Entities and other Related Entities

i) Payments to Director Related Entities

- An aggregate amount of $214,038 (2007:$170,000) 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 Parent Entity.
- An aggregate amount of $48,000 (2007:$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 Parent Entity.

ii) Loans to Controlled Entities

Loans are provided by the Parent Entity to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties.

iii) Equity interests in subsidiaries

Details of percentage of ordinary shares held in subsidiaries are disclosed in note 17 to the financial statements.

iv) Key management personnel equity

Options and Rights Holdings

Number of Options Held by Key Management Personnel							
	Balance 1 July 07	**Granted as remuneration**	**Options Exercised**	**Net Change - Other**	**Balance 30 June 2008**	**Exercisable 30 June 2008**	**Unexercisable 30 June 2008**
Terence Topping	3,000,000	1,000,000	(1,500,000)	-	2,500,000	2,500,000	-
Kent Hunter	1,750,000	500,000	(1,000,000)	-	1,250,000	1,250,000	-
Andrew McBain	1,750,000	500,000		(1,000,000)	1,250,000	1,250,000	-
Nadaisan Logaraj	-	-	-	-	-	-	-
	6,500,000	**2,000,000**	**(2,500,000)**	**(1,000,000)**	**5,000,000**	**5,000,000**	**-**

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

Shareholdings

Number of Shares held by Key Management Personnel					
	Balance 1 July 07	**Granted as remuneration**	**Received on exercise**	**Net Change - Other**	**Balance 30 June 08**
Terence Topping	3,040,001	-	1,400,000	79,364	4,519,365
Kent Hunter	2,401,643	-	1,000,000	581,718	3,983,361
Andrew McBain	750,001	-	-	-	750,001
Nadaisan Logaraj	-	-	-	83,500	83,500
	6,191,645	**-**	**2,400,000**	**744,582**	**9,336,227**

* Net Change Other refers to shares purchased or sold during the financial year.

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$

23. REMUNERATION OF AUDITORS

Remuneration of the auditor of the Parent Entity for:				
- Auditing or reviewing the financial report	21,170	17,150	20,570	17,150
- Other services	-	-	-	-
	21,170	17,150	20,570	17,150

24. EVENTS SUBSEQUENT TO REPORTING DATE

Since the reporting date, the Australian stock market has been extremely volatile resulting in the Company's financial assets undergoing a significant change in value. Subsequently the fair value of Company's financial assets as at 19th September 2008 has reduced by approximately $213,000.

Scimitar Resources Limited has entered into a Joint Venture Agreement with Atomic Resources Limited on 15 September 2008, to explore Atomic Resources Limited's Uaroo Uranium project. The agreement requires Scimitar to explore the project with a commitment to spend $500,000 over three years to earn a 70% interest in the project. Scimitar is also required to spend a minimum of $100,000 before it may withdraw from the joint venture agreement.

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.

DIRECTOR'S DECLARATION

The directors of the Consolidated Entity declare that:

1. the financial statements and notes, as set out on pages 24 to 56, 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 2008 and of the performance for the year ended on that date of the Parent Entity and Consolidated Entity; and

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

    (a) the financial records of the Consolidated Entity 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 Consolidated Entity 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, 26 September 2008

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the holding Parent Entity as at 19 September 2008 were as follows:

	Class of Equity Securities
Number Held	**Fully Paid Ordinary Shares**
1-1,000	34,575
1,001 - 5,000	741,216
5,001 – 10,000	2,025,760
10,001 – 100,000	14,264,830
100,001 and over	33,045,612
TOTALS	50,111,993

Holders of less than a marketable parcel - nil

Substantial Shareholders

The names of the substantial shareholders listed in the Consolidated Entity's register as at 19 September 2008:

Shareholder	Number
Kouta Bay Pty Ltd	3,823,361

Voting Rights

<u>Ordinary Shares</u>

In accordance with the holding Consolidated Entity'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 Consolidated Entity 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 Consolidated Entity has issued no restricted securities.

Twenty Largest Shareholders

The names of the twenty largest ordinary fully paid shareholders as at 19 September 2008 are as follows:

Shareholder	Number	% Held of Issued Ordinary Capital
Kouta Bay Pty Ltd	3,823,361	7.63%
Terence Topping	2,500,000	4.99%
Mega Uranium Ltd	2,250,000	4.49%
Kingswave Nominees Pty Ltd	1,800,000	3.59%
Mr Michael Lim	1,715,000	3.42%
National Nominees Limited	1,669,998	3.33%
Anz Nominees Limited	1,574,647	3.14%
Australian Capital Markets Pty	1,512,501	3.02%
Gw International Pty Ltd	950,000	1.90%
Mr Erwin John Clayton	855,200	1.71%
Mac 110 Nominees Pty Ltd	750,000	1.50%
A22 Pty Limited	634,387	1.27%
Merrill Lynch (Australia)	592,016	1.18%
Mr Ian Barnden-Brown	580,000	1.16%
Mr Peter Pinto	490,000	0.98%
Investwise Enterprises Pty	450,000	0.90%
Mr Weng Chew Lim +	383,224	0.76%
Wellington Industries Pty Ltd	358,768	0.72%
Mr Terry James Gardiner	350,000	0.70%
Canifare Pty Ltd	348,000	0.69%
	23,587,102	**47.07%**

SCHEDULE OF MINERAL TENEMENTS
AS AT 19 SEPTEMBER 2008

PROJECT	TENEMENT	INTEREST	PROJECT	TENEMENT	INTEREST
Yanrey Uranium	EL 08/1489	100%	Beadell	E45/2406	80%
Yanrey Uranium	EL 08/1490	100%	Beadell	E45/2405	80%
Yanrey Uranium	EL 08/1493	100%			
Yanrey Uranium	EL 08/1501	100%			
Yanrey Uranium	EL 08/1588	100%	Bungalbin	EL 77/946	100%
Yanrey Uranium	EL 08/1589	100%	Bungalbin	EL 77/1418	100%
Yanrey Uranium	EL 08/1590	100%	Bungalbin	EL 77/1071	100%
Yanrey Uranium	EL 08/1435	0%**	Bungalbin	EL 77/1076	100%
			Bungalbin	EL 77/1077	100%
			Bungalbin	EL 77/1099	100%
Mawson SA	EL 3502	100%	Bungalbin	EL 77/1097	100%
Marree SA	EL 3389	100%	Bungalbin	EL 77/1129	100%
Marree SA	EL 3390	100%	Bungalbin	EL 77/1130	100%
Marree SA	EL 3510	100%	Bungalbin	EL 77/1115	100%
Marree SA	EL 3557	100%	Bungalbin	PL 77/3371	100%
West Lake Frome SA	EL 3388	100%	Bungalbin	PL 77/3372	100%
West Lake Frome SA	EL 3392	100%			
West Lake Frome SA	EL 3410	100%	Mt Elvire	EL 77/1269	100%
Glencoe SA	EL 3391	100%	Grafters	PL 24/4162	100%
			Grafters	PL 24/4163	100%
			Vettersburg	ML 24/400	65%
Eclipse NT	EL 24625	100%	Vettersburg	ML 24/429	65%
			Vettersburg_	PL 24/4159	65%
Eclipse NT	EL 24636	100%	Vettersburg	PL 24/4160	65%
Eclipse NT	EL 24637	100%	Vettersburg	PL 24/4161	65%
Eclipse NT	EL 24808	100%	Bardoc	ML 24/380	65%
Amadeus NT	EL 24704	100%	Bardoc	PL 24/3829	65%
Amadeus NT	EL 24870	100%	Bardoc	PL 24/3861	65%
Amadeus NT	EL 24876	100%	Bardoc	PL 24/3862	65%
Adelaide River NT	EL 24880	100%	Bardoc	PL 24/3863	65%
			Bardoc	PL 24/3864	65%
			Bardoc	PL 24/3865	65%
			Bardoc	PL 24/3866	65%
			Bardoc	PL 24/3951	65%

Notes:
EL = Granted Exploration Licence
M = Granted Mining Lease
P = Granted Prospecting Licence
L = Miscellaneous Licence

**** Scimitar earning 70%**