

ZAMIA RESOURCES PTY LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

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ZAMIA RESOURCES PTY LTD
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$
Revenue from ordinary activities		8
Expenditures		
Administrative expenses		(2,481)
Tenement expense		(47,975)
Depreciation expense		-
Consultants' expense		(263)
Financial and legal advice		(255)
Profit/(loss) from ordinary activities before income tax expense		(50,965)
Income tax expense relating to ordinary activities	2	-
Net Profit/(loss) attributable to members after income tax expense		(50,965)
Total Changes in equity other than those resulting from transactions with owners as owners.		(50,965)

ZAMIA RESOURCES PTY LTD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	2005 \$
Current Assets		
Cash Assets	3	1,983
Receivables	4	6,039
Total Current Assets		<u>8,022</u>
Non-current Assets		
Other	5	82,857
Total Non-current Assets		<u>82,857</u>
Total Assets		<u>90,879</u>
Current Liabilities		
Payables	6	141,842
Total Current Liabilities		<u>141,842</u>
Total Liabilities		<u>141,842</u>
Net Assets		<u>(50,963)</u>
Equity		
Contributed Equity	7	2
Accumulated profits/(losses)	8	(50,965)
Total Equity		<u>(50,963)</u>

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of significant accounting policies

Financial reporting Framework

This financial report is a special purpose financial report prepared for the use of the directors and shareholders of the company. The company has determined that it is not a reporting entity and therefore there is no requirement to apply Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in the preparation and presentation of this report.

This report has been prepared in accordance with the following Accounting Standards and other mandatory professional reporting requirements:

AASB 1001 Accounting Policies	AASB 1025 Application of the Reporting Entity Concept
AASB 1002 Events occurring after balance date	AASB 1031 Materiality
AASB 1018 Statement of Financial Performance	AASB 1040 Statement of Financial Position
AASB 1020 Income Taxes	AASB 1044 Provisions, Contingent Liabilities and
AASB 1022 Accounting for the Extractive Industries	Contingent Assets

Significant accounting policies

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

The consolidated entity has adopted relevant new and revised accounting standards and pronouncements with no material impact.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Going concern basis of accounting

The Directors have prepared the accounts on a going concern basis for the year. The parent entity, International Base Metals Limited, has issued a Letter of support to the company, whereby the parent entity undertakes not to call up its outstanding loan (Note 6) and to continue to provide funding to enable the Company to pay its debts as and when they become due and payable, until 21 October 2006.

(b) Accounts payable

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are normally repayable within 30 days of recognition.

(c) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the fair value of assets given up, shares issued or liabilities undertaken, determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of significant accounting policies (continued)

(d) Depreciation

Depreciation provided on plant and equipment is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

Computer Software & Equipment	2-5 years
Office furniture and equipment	3-10 years
Plant and equipment	4-7 years

(e) 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 gross amounts of GST recoverable from, or payable to, the taxation authority are included as part of receivables or payables.

(f) Income Tax

The liability method of tax effect accounting is used, whereby the income tax expense for the year is matched with the accounting profit after allowing for permanent differences. The income tax effect of significant permanent differences on the income tax expense are set out in Note 5. Income tax set aside on cumulative timing differences is brought to account as either a provision for deferred income tax or an asset described as a deferred tax asset at the rate of income tax applicable to the period in which the liability will become payable, or the benefit will be received.

The deferred tax asset relating to tax losses is not carried forward as an asset unless it is virtually certain that the benefit from the unused tax losses will be received. The deferred tax asset relating to timing differences is not carried forward as an asset unless its realisation is assured beyond a reasonable doubt.

(g) Intangible assets and expenditure carried forward

(i) Exploration and Development Expenditure

Exploration and development expenditure incurred is accumulated in respect of each identifiable area of interest of which the company has tenure to explore. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in or in relation to the area of interest are continuing.

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

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

1. Statement of significant accounting policies (continued)

(h) Investments

Non-current investments in the subsidiary are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(i) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts as they are due for settlement no more than 30 days from recognition.

(j) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amount of non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(k) Revenue recognition

(i) Sale of Goods and Disposal of Assets

Revenue from the sale of goods and disposal of other assets is recognised when the company has passed control of the goods or other assets to the buyer.

(ii) Interest Income

Interest income is recognised on an accrual basis, taking into account the interest rates applicable to financial assets.

(iii) General

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

(l) International financial reporting standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB is issuing Australian equivalents to IFRS, and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Financial Standards Board (IASB). These Australian pronouncements will be known as Australian Equivalents to International Financial Reporting Standards ("AIFRSs"). The adoption of the AIFRSs will be first reflected in the Company's financial statements for the year ending 30 June 2006.

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Statement of significant accounting policies (continued)

The Board of Directors will manage the transition to AIFRSs at the parent entity level. The company is non-reporting, so the effect of the changeover to AIFRS's will be limited to those standards to which it applies.

Changes identified to date that may be required to be applied to the economic entity's existing Generally Accepted Accounting Principles ("GAAP") include the following:

(i) Income Tax

The Company currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which gives rise to 'permanent' and 'timing' differences. Pursuant to the AIFRS's, deferred taxes are measured by reference to the temporary differences determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the Statement of Financial Position.

The Company has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria of current Australian Generally Accepted Accounting Principles (GAAP). Pursuant to the AIFRS's the criterion for the recognition of tax losses recognised as deferred tax assets will be a 'probable' rather than a 'virtually certain' test. The Board of Directors reliably estimates that there would be no material impact on the Company's financial report at 30 June 2005 had it been prepared using the Australian Equivalent to IFRS, other than a Net Provision for Deferred Tax Liabilities of \$9,568 will be charged against accumulated profits/(losses) as of that date.

(ii) Exploration Expenditures

A new standard, "AASB 6: Exploration for and Evaluation of Mineral Resources" has been issued as part of Australia's move to international financial reporting standards. It replaces the existing Australian accounting standard "ASRB 1022 Accounting for Extractive Industries".

In the main the standard allows Australian companies to continue to adopt an "area of interest" approach in deciding whether to defer exploration and evaluation expenditure and to capitalise it in the Statement of Financial Position, rather than to write it off as an expense in the Statement of Financial Performance as incurred.

However AASB 6 only relates to exploration and evaluation activities, and does not include matters covered by the existing Australian standard such as restoration costs, development and construction costs, and valuation of inventory.

Reference may therefore need to be made to other Australian equivalents to International Accounting Standards, including: "AASB 116 Property, Plant and Equipment"; "AASB 136 Impairment of Assets"; "AASB 137 Provisions, Contingent Liabilities and Contingent Assets"; and AASB 138 Intangible Assets; all being either new or amended standards.

At present the Company recognises exploration and evaluation costs as an asset on an "area of interest" basis in respect of which it has tenure, until such time that the area of interest associated with the costs is abandoned or proceeds to development. When the area of interest is abandoned the costs are expensed. As areas of interest reach the development stage, which permits a reasonable assessment of the economically recoverable reserves, these costs are to be amortised over the life of the associated reserves on a unit of production basis. The Board of Directors reliably estimates that there would be no material impact on the Company's financial report at 30 June 2005 had it been prepared using the Australian Equivalent to IFRS.

(a) Accounting Period

The "year" represents the period from 31 August 2004, being the date of incorporation of the Company, to 30 June 2005

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

2. Income Tax

2005

\$

The prima facie income tax on pre-tax operating loss reconciles to the income tax expense/benefit in the financial statements as follows:

(a)

Profit/(loss) from ordinary activities before income tax	(50,965)
Prima facie income tax revenue calculated at 30% (2004: 30%) of operating profit (loss)	(15,290)
Timing Differences and Tax losses not brought to account as deferred tax assets	15,290
Income Tax benefit attributable to operating loss	<u>-</u>

(b) Deferred income tax liability not recognised

The Net Deferred Income Tax Liability not brought to account will only crystallise if the activities conducted by the company result in revenues being generated as the company currently has significant tax losses to offset potential future tax

\$

Timing Differences	(24,857)
Tax Losses	15,290
Net Deferred income Tax Liability not recognised	<u>(9,568)</u>

The taxation consequences of timing differences not brought to account will only be obtained if:

- the Company derives further assessable income of a nature and of an amount sufficient to enable the benefit/liability from the deductions to be realised;
- the Company continue to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company's ability in realising the benefit/liability from the deductions.

3. Cash assets

Cash at bank and on hand	<u>1,983</u>
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4. Current receivables

Sundry debtors	5,478
Amount due from related entities	561
	<u>6,039</u>

5. Non-current assets - other

Capitalised exploration expenses	<u>82,857</u>
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** - After writing off \$17,322, which was written off in the Consolidated Financial Report during the half year to 31 December 2005

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005
	\$
6. Current Payables	
Unsecured:	
Trade Payables	3,368
Loans from parent entity	138,474
	<u>141,842</u>
7. Contributed Equity	
Issues Shares	<u>2</u>
8. Retained Profits/Accumulated losses	
Balance at beginning of financial year	-
Net profit (loss) attributable to members of the company	(50,965)
Accumulated losses at end of financial year	<u>(50,965)</u>

9. Commitments and contingent liabilities

Exploration tenements granted are based on a minimum annual expenditure commitment. The total commitments to date are A\$150,000, although there is some flexibility in expenditure patterns over the life of tenements where shortfalls in any single year can be made good in aggregate terms.

10. Events subsequent to reporting date

No matters have arisen since 30 June 2005 that require disclosure in the financial report.

11. Dividends

No dividends were declared or paid by the company during the financial year.

ZAMIA RESOURCES PTY LTD
DIRECTORS' DECLARATION

The directors have determined that the company is not a reporting entity and therefore there is no requirement to apply all Accounting Standards and other mandatory professional requirements (Urgent Issues Group Consensus Views) in the preparation of this financial report. The directors have determined that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

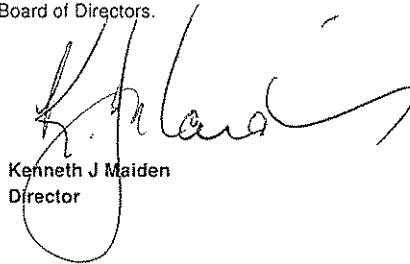
In the opinion of the directors':

- 1 The financial statements and notes, as set out on pages 1 to 8, are in accordance with the Corporations Regulations 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001 set out in Note 1; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and the performance for the financial year ended on that date of the company.
- 2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Stephen E Blackman
Director



Kenneth J Maiden
Director

Signed this 21st day of June 2006

INDEPENDENT AUDIT REPORT TO THE MEMBERS

Scope

We have audited the attached financial report, being a special purpose financial report, of Zamia Resources Pty Limited ("the Company") for the year ended 30 June 2005 as set out on pages 1 to 9. The Company's Directors are responsible for the financial report and for the systems of procedures and controls on which it is based, including the prevention and detection of irregularities, fraud and error. The Directors have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are consistent with the financial reporting requirements of the Company's constitution and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the Directors' financial reporting requirements under the Company's constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Audit Approach

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with accounting policies described in Note 1, so as to present a view, which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

We formed our audit opinion on the basis of these procedures, which included:

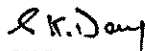
Examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

Whilst we considered the internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Audit Opinion

In our opinion, the financial report presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position of the Company as at 30 June 2005 and the results of its operations for the period then ended.


GK Day

Member of the Firm


Brentnalls Assurance

Date: 21 June 2006.

Address: Sixth Floor, 222 Clarence Street, Sydney NSW 2000.