

ZAMIA RESOURCES PTY LTD
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

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ZAMIA RESOURCES PTY LTD
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenue		19	8
Expenditures			
Administrative expenses		(14,417)	(2,481)
Tenement expense		(58,356)	(47,975)
Consultants' expense		(3,415)	(263)
Financial and legal advice		(1,336)	(255)
Profit/(loss) before tax		<u>(77,505)</u>	<u>(50,965)</u>
Income Tax Expense	3	-	-
Profit/(loss) from continuing operations		<u>(77,505)</u>	<u>(50,965)</u>
Profit/(loss) attributable to members of parent entity		<u>(77,505)</u>	<u>(50,965)</u>

ZAMIA RESOURCES PTY LTD
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	2006	2005
		\$	\$
Current Assets			
Cash Assets	4	614	1,983
Receivables	5	9,073	6,039
Total Current Assets		<u>9,687</u>	<u>8,022</u>
Non-current Assets			
Other	6	329,033	82,857
Total Non-current Assets		<u>329,033</u>	<u>82,857</u>
Total Assets		<u>338,721</u>	<u>90,879</u>
Current Liabilities			
Payables	7	22,289	141,842
Total Current Liabilities		<u>22,289</u>	<u>141,842</u>
Non-current Liabilities			
Payables	8	444,900	-
Total Non-current Liabilities		<u>444,900</u>	<u>-</u>
Total Liabilities		<u>467,188</u>	<u>141,842</u>
Net Assets		<u>(128,468)</u>	<u>(50,963)</u>
Equity			
Contributed Equity	9	2	2
Accumulated profits/(losses)	10	(128,470)	(50,965)
Total Equity		<u>(128,468)</u>	<u>(50,963)</u>

ZAMIA RESOURCES PTY LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Share Capital	Retained Profits	Asset Revaluation	Minority Interests	Total
Balance at 1 July 2004		-	-	-	-	-
Shares issued during the year	9	2		-	-	2
Profit/(loss) attributable to members of parent entity	10		(50,965)	-	-	(50,965)
Dividends paid or provided for		-	-	-	-	-
Return of capital to shareholders		-	-	-	-	-
Balance at 30 June 2005		<u>2</u>	<u>(50,965)</u>	<u>-</u>	<u>-</u>	<u>(50,963)</u>
Balance at 1 July 2005		2	(50,965)	-	-	(50,963)
Shares issued during the year		-	-	-	-	-
Profit/(loss) attributable to members of parent entity	10	-	(77,505)	-	-	(77,505)
Gain /(Loss) on Investment revaluation		-	-	-	-	-
Dividends paid or provided for		-	-	-	-	-
Balance at 30 June 2006		<u>2</u>	<u>(128,470)</u>	<u>-</u>	<u>-</u>	<u>(128,468)</u>

The accompanying notes form part of the financial report

ZAMIA RESOURCES PTY LTD
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Cash flow from operating activities			
Receipt from customers		22,089	6,823
Payments to suppliers and employees		(38,788)	(39,491)
Interest received		19	8
Interest paid		(0)	-
Payments for exploration activity		(251,131)	(85,048)
Net cash outflow from operating activities	11	<u>(267,812)</u>	<u>(117,708)</u>
Cash flows from investing activities			
Loans to controlled entities		-	(561)
Net cash inflow from investing activities		<u>-</u>	<u>(561)</u>
Cash flows from financing activities			
Proceeds from borrowings - Related parties		266,443	120,250
Net cash inflow from financing activities		<u>266,443</u>	<u>120,250</u>
Net increase in cash held		(1,369)	1,981
Cash at beginning of the period		1,981	-
Cash at end of the period	11	<u>612</u>	<u>1,981</u>

The accompanying notes form part of the financial report

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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 Australian 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 Australian Accounting Standards and other mandatory professional reporting requirements:

AASB 1	First-time Adoption of Australian Equivalents to International Financial Reporting Standards.
AASB 6	Exploration for and Evaluation of Mineral Resources
AASB 101	Presentation of Financial Statements.
AASB 108	Accounting Policies, Changes in Accounting Estimates & Errors.
AASB 110	Events After the Balance Sheet date
AASB 112	Income Taxes
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 1031	Materiality

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 7) and to continue to provide funding to enable the Company to pay its debts as and when they become due and payable, until 30 June 2007.

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. Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

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

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Computer Software & Equipment	20 - 40%
Office Furniture & Fittings	10 - 30%
Plant and equipment	10 - 25%

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

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

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

d. Impairment of Assets

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

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

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

e. Exploration and Development Expenditure

Exploration, evaluation 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 and/or exploitation of the area, or by sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in respect of the area continuing.

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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

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

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

Restoration, rehabilitation, and environmental expenditure to be incurred during the production phase of operations will be accrued when the need for such expenditure is established, and then written off as part of the cost of production of the mine property concerned. Significant restoration, rehabilitation and environmental expenditure to be incurred subsequent to the cessation of production at each mine property will be accrued, in proportion to production, when its extent can be reasonably estimated.

Mineral exploration is a high - risk undertaking and there is no assurance that economic deposits will be discovered and that Deferred Exploration and Development costs will be recovered.

f. Goods and Services Tax

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

g. Income Tax

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

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

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

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

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

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.

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

j. Revenue

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

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

Revenue from investment properties is recognised on an accruals basis or straight-line basis in accordance with lease agreements.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

k. Comparative Figures

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

2. First Time Adoption of Australian Equivalents to International Financial Reporting Standards

i) General

The directors have determined that upon adoption of Australian Equivalents to International Financial Reporting Standards from 1 January 2005 the information contained in the financial statements from 1 July 2004 comply with the requirements of the new standards, so that no adjustment to the company's balance sheet or income statement are necessary.

3. Income Tax Expense

	2006	2005
	\$	\$
(a) The components of tax expense comprise		
Current Tax	-	-
Deferred Tax	-	-
(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 30%	(23,252)	(15,289)
Add tax effect of:		
- Non Deductible expenditure	-	240
Less Tax Effect of:		
- Deductible capital costs	(48)	(48)
- Exploration Expenditure	(62,538)	(24,857)
	(85,838)	(39,954)
- Timing Differences	98,566	24,665
- Tax losses used to offset taxable temporary differences	(12,728)	15,289
Income Tax benefit attributable to operating loss	-	-

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(b) Deferred Tax asset not recognised

The deferred tax asset that has not been recognised as it is not probable that there will be future taxable income to offset the deductible temporary differences are:

	2006 \$	2005 \$
Net Deferred Tax Asset not recognised	<u>38,487</u>	<u>15,290</u>

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

- i) 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;
- ii) the Company continue to comply with the conditions for deductibility imposed by the law; and
- iii) no changes in tax legislation adversely affect the Company's ability in realising the benefit/liability from the deductions.

4. Cash assets

Cash at bank and on hand	<u>614</u>	<u>1,983</u>
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5. Current receivables

Sundry debtors	9,073	5,478
Amount due from related entities	-	561
	<u>9,073</u>	<u>6,039</u>

6. Non-current assets - other

Capitalised exploration expenses	<u>329,033</u>	<u>82,857</u>
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7. Current Payables

Unsecured:		
Trade Payables	22,289	3,368
Loans from parent entity	-	138,474
	<u>22,289</u>	<u>141,842</u>

8. Non-current Payables

Unsecured:		
Loans from parent entity	370,694	-
Loans from other related entities	74,206	-
	<u>444,900</u>	<u>-</u>

9. Contributed Equity

Issues Shares	<u>2</u>	<u>2</u>
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10. Retained Profits/Accumulated losses

Balance at beginning of financial year	(50,965)	-
Net profit (loss) attributable to members of the company	(77,505)	(50,965)
Accumulated losses at end of financial year	<u>(128,470)</u>	<u>(50,965)</u>

ZAMIA RESOURCES PTY LTD
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

11. Cash Flow Information

a. Reconciliation of cash

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

	2006	2005
	\$	\$
Cash	614	1,983

b. Reconciliation of Cash Flow from Operations with Profit from Continuing Operations

Profit / (loss) after income tax	(77,505)	(50,965)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/Decrease in receivables	(3,595)	(2,462)
(Increase)/Decrease in exploration costs	(208,462)	(67,649)
Increase/(Decrease) in creditors	<u>21,749</u>	<u>3,368</u>
	<u>(267,812)</u>	<u>(117,708)</u>

b. Credit Stand-by Arrangement and Loan Facilities

The company has no formal stand by arrangements with unrelated parties.

12. 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.

13. Events subsequent to reporting date

(i) Sale to Zamia Gold Mines Limited

On 11 October 2006, International Base Metals Limited (IBML), the sole owner of the company disposed of their 100% interest to Zamia Gold Mines Limited. Zamia Gold Mines has issued a prospectus to raise 4 million in capital to enable the company to list in December 2006.

14. 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 2006 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 Malden
Director

Signed this 10th day of December 2006

Zamia Resources Pty Ltd
ABN 80 110 759 503
Compilation Report to Zamia Resources Pty Ltd

On the basis of the information provided by the directors of Zamia Resources Pty Ltd, we have compiled, in accordance with APS 9: Statement on Compilation of Financial Reports the special purpose financial report of Zamia Resources Pty Ltd for the period ended 30 June 2006, comprising the attached Profit and Loss Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes to these financial statements.

The specific purpose for which the special purpose financial report has been prepared is set out in Note 1. The extent to which Australian Accounting Standards and other mandatory professional reporting requirements have or have not been adopted in the preparation of the special purpose financial report is set out in Note 1.

The Directors are solely responsible for the information contained in the special purpose financial report and have determined that the accounting policies used are consistent with the financial reporting requirements of Zamia Resources Pty Ltd's constitution and are appropriate to meet the needs of the Directors and Members of the company.

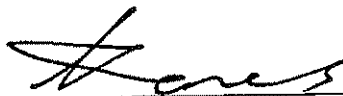
Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided into a financial report. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than the Company, may suffer arising from any negligence on our part. No person should rely on the special purpose financial report without having an audit or review conducted.

The special purpose financial report was prepared for the benefit of the Directors and Members of Zamia Resources Pty Ltd and the purpose identified above. We do not accept responsibility to any other person for the contents of the special purpose financial report.

Level 9, 117 York Street
SYDNEY NSW

EMERSON RANDELL YOUNG



10 December, 2006
