



**Sundance Resources Ltd**

**ABN 19 055719394  
and Controlled Entities**

Annual Financial Report 2005



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## Corporate Directory

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**DIRECTORS:** John Corr (Chairman)  
Stephen Dobson  
Michael Frayne

**COMPANY SECRETARY:** Jack Hugh Toby FCA, AACS

**ABN:** 19 055 719 394

**REGISTERED OFFICE:** 45 Ventnor Ave  
West Perth  
Western Australia 6005

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Western Australia 6005  
  
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Email: [info@sundancerresources.com.au](mailto:info@sundancerresources.com.au)  
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**AUDITORS:** **Bentleys MRI Perth Partnership**  
Level 40, BankWest Tower  
108 St Georges Terrace  
Perth, Western Australia 6000  
  
GPO Box W2106  
Perth, Western Australia 6846  
  
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**SHARE REGISTRY:** **Computershare Investor Services Pty Ltd**  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
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## DIRECTORS' REPORT

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The directors of Sundance Resources Ltd A.C.N. 055 719 394 ("Parent Entity") present their financial report including the consolidated financial report of the Parent Entity and its controlled entities ("Consolidated Entity") for the year ended 30th June 2005. The Parent Entity is a listed public company limited by shares, incorporated and domiciled in Australia.

### DIRECTORS

The names of the directors of the Parent Entity in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

John Francis Corr (app 10-Feb-2005)  
Stephen John Dobson (app 12-May-2005)  
Michael Julian Frayne (app 29-Nov-04)  
Eduardo Javier Valenzuela (res 18-Aug-05)  
Kim R Gardner (res 30-Nov-2004)  
Ian R Sandover (res 22-Feb-2005)  
Patrick J D Elliott (res 22-Feb-2005)

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were Copper, gold, nickel and other base metal exploration in Bolivia.

There were no significant changes in the nature of the principal activities during the financial year:

### OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$1,550,301.

### DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Parent Entity.

The directors have recommended that no dividend be paid by the Parent Entity in respect of the year ended 30th June 2005.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

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

On 20 August 2004, the Parent Entity announced encouraging results from a recently completed geological and structural interpretation of the Anaconda prospect area. Copper mineralization identified to date consists predominantly of malaquite, cuprite, azurite, and chalcocite, with minor amounts of native copper in some areas. Furthermore, assay results from a small number of grab samples collected by the Directors during a site visit last May to the Anaconda Prospect have returned some highly encouraging copper grades.



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## DIRECTORS' REPORT

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On 21 September 2004, the Parent Entity announced a 3 year option agreement for the acquisition of 100% of the Mantos Grandes project for a total price of US\$4.0 million. The agreement consists of a 12 month option for an initial payment of US\$250,000. Should The Parent Entity decide to withdraw at the end of 12 months, it will retain a 6.25% interest in the company holding the project at no additional cost. The Parent Entity may extend the option for a further 24 months by paying US\$1.25 million. If thereafter The Parent Entity decides not to exercise the purchase option, then the project will be offered for sale and The Parent Entity will receive 25% of the proceeds. The Parent Entity may exercise the option on or before the end of the 3 year period by paying the remaining US\$2.5 million of the total sale price in two installments over a period of 12 months, with the second payment being deferrable for up to 12 months subject to interest.

On 18 October 2004, the Parent Entity announced an agreement to acquire the 50% in the Chacarilla Copper Project that it did not already own for US\$1 million.

On 25 October 2004, the Parent Entity allotted and issued 43,500,000 fully paid ordinary shares in the Parent Entity for 1.1 cents per share in cash. The issue of these shares was subsequently ratified at the annual general meeting of shareholders held on 29 November 2004.

On 23 November 2004, the Parent Entity announced highly encouraging assay results from the initial sampling program at the Anaconda copper project in Bolivia which seem to confirm the existence of a medium to high grade copper system within the Anaconda leases. Results from the MMI program confirm the existence of a very strong polymetallic anomaly, strongly characterized by copper and silver and supported by lead and zinc over the examined strike length of some 2km. Anomalous Cu values were found in each of the soil samples and ranged from 480 to 32,200 ppb (low detection limit 10 ppb).

Results from the rock chip samples (1.5 to 3.6 kg in weight) seem to confirm the strong MMI results, with 13 out of the 25 samples returning copper values in the 1.09 to 14.6% Cu range. The arithmetic average of the mineralized samples was 4.7% Cu, whilst the overall average for all rock samples was 2.4% Cu.

On 2 December 2004, the Parent Entity issued 43,500,000 options to acquire shares in the Parent Entity expiring on 29 November 2006 for an issue price of \$0.003 per option in cash. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.

On 2 December 2004, the Parent Entity issued 5,000,000 options to acquire shares in the Parent Entity expiring on 28 August 2005. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 1.4 cents. These options were issued as part consideration for a loan of \$500,000 to the Parent Entity. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.

On 25 January 2005, the Parent Entity announced results from an expanded geochemical sampling program at the Anaconda prospect in Bolivia. Assay results confirmed the existence of a number of geochemical anomalies, strongly characterized by copper and silver and supported by lead and zinc. Anomalous Cu values were found in each of the soil samples and ranged from 390 to 75,000 ppb (low detection limit 10 ppb). Silver values ranged from 1 to 105ppb (low detection limit 0.1 ppb).



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## DIRECTORS' REPORT

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On 1 February 2005, the Parent Entity announced that it had been issued with a further 11,545,603 ordinary shares in Austminex Ltd as the final payment due in respect of the sale of its Coolgardie project to Austminex and it therefore holds 21,813,433 ordinary shares in Austminex Ltd which is listed on the Australian Stock Exchange.

On 7 February 2005, the Parent Entity announced an initial geochemical sampling program recently conducted at the Mantos Grandes prospect in Chile, have confirmed the existence of copper-gold-silver-molybdenum geochemical anomalies in areas adjacent to the old underground workings. A total of 22 soil samples were collected from geological target areas in order to assess the prospectivity of areas outside the known skarn deposit. Anomalous Cu values were found in each of the soil samples, and ranged from 550 to 59,700 ppb (low detection limit 10 ppb). Silver values ranged from 2.3 to 235ppb (low detection limit 0.1 ppb).

On 21 February 2005, the Parent Entity announced that after further discussions with relevant parties it is now planning to move to 100% ownership of the Chacarilla Copper Project as announced on the 18th October 2004.

On 15 March 2005, the Parent Entity allotted and issued 50,000,000 fully paid ordinary shares in the Parent Entity for 1.2 cents per share in cash. The issue of these shares was subsequently ratified at the general meeting of shareholders held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion. The funds raised from this facility were for the repayment of existing debt. The issue of these convertible notes was approved at the general meeting of shareholders held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 5,000,000 fully paid ordinary shares in the Parent Entity and issued 5,000,000 options to acquire shares in the Parent Entity expiring on 29 November 2006. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These shares and options were issued free for services rendered. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 10,000,000 options to Mr John Corr, a director of the Parent Entity, expiring on 31 May 2010. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These shares and options were issued free. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

On 19 May 2005, the Parent Entity allotted and issued 50,000,000 fully paid ordinary shares in the Parent Entity for 1.5 cents per share in cash. The issue of these shares was approved at the general meeting of shareholders held on 12 May 2005.

On 20 May 2005, the Parent Entity allotted and issued 50,000,000 fully paid ordinary shares in the Parent Entity for 1.5 cents per share in cash.

### **SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE**

On 26 August 2005, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 1.4 cents per share, pursuant to the exercise of 5,000,000 options expiring on 25 August 2005.



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## DIRECTORS' REPORT

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No other 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 subsequent financial years.

### LIKELY DEVELOPMENTS

The directors intend to actively pursue:

- Agreement among the partners in the Chacarilla Copper Project to restructure this project to facilitate its sale or development.
- Acquisition and development of the Anaconda Copper / Silver Project.
- Other projects in South America.

### ENVIRONMENTAL ISSUES

The Consolidated Entity's operations are subject to environmental regulation in Bolivia and in Western Australia. The Consolidated Entity continues to comply with these regulations.

### INFORMATION ON DIRECTORS

**JOHN FRANCIS CORR**  
CHAIRMAN (EXECUTIVE)

#### *Qualifications and Experience*

Mr Corr has an honours degree in Law and degrees in Commerce and Arts. Mr Corr has worked with a number of major Australian listed companies and has been extensively involved in the stockbroking and investment banking sectors.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

Biron Capital Ltd (appointed 20 December 2004).

#### *Interest in shares and options:*

2,750,000 ordinary shares in Sundance Resources Ltd, 750,000 options expiring 29 November 2006 in the Parent Entity and 10,000,000 options expiring 31 May 2010 in the Parent Entity.

#### *Directors meetings attended:*

Attended 10 of the 10 meetings held during the financial period while he was a director.

#### *Remuneration*

Remuneration earned by entities associated with Mr Corr from the Parent Entity during the financial year consisted of salary and consulting fees of \$39,310 superannuation contributions of \$2,312 and options to acquire shares in the Parent Entity valued at \$129,554. Remuneration is based on fees approved by the Board of directors of \$9,000 per month in total.

**STEPHEN JOHN DOBSON**  
EXECUTIVE DIRECTOR

#### *Qualifications and Experience:*

Mr Dobson has more than 20 years experience in investment banking and international capital management. From 1987 to 2001 he held a range of positions as Managing Director of leading global investment bank Merrill Lynch & Co. His responsibilities had him based in Sydney, New York, London, Singapore and finally Perth Australia. During this tenure his duties covered a full range of debt and equity transactions for Governments and corporations located across many jurisdictions. Prior to joining Sundance Resources Ltd he advised and was a director of several Australian and US based financial management firms with special focus on the global resources sector. He is a foundation director of Perth based advisory firm Capital Investment Partners and he holds a Bachelor of Commerce degree from the University of Western Australia.



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## DIRECTORS' REPORT

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*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

Nil.

*Interest in shares and options:*

1,000,000 ordinary shares in Sundance Resources Ltd and 60 convertible notes of \$1,000 each in Sundance Resources Ltd.

*Directors meetings attended:*

Attended none of the 3 meetings held during the financial period while he was a director.

*Remuneration*

Remuneration earned by entities associated with Mr Dobson from the Parent Entity during the financial year consisted of salary and consulting fees of \$21,788 and superannuation contributions of \$746. Remuneration is based on fees approved by the Board of directors comprising \$60,000 per year plus 9% Superannuation, plus fees for time spent of \$1,500 per day to a maximum of \$120,000 in any financial year.

**MICHAEL JULIAN FRAYNE**  
DIRECTOR (NON-EXECUTIVE)

*Qualifications and Experience:*

Michael has over 15 years' experience in the resource industry. He has worked for Ernst & Young, Great Central Mines Group (now Newmont) and Anaconda Nickel Ltd (now Minara Resources). A qualified chartered accountant and geologist, Michael has held senior financial positions in two ASX listed and one AIM quoted resource companies with key roles in fundraising and large scale project feasibility studies

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

Synergy Metals Ltd (appointed 1-Dec-01, resigned 25-Mar-02), Eureka Mining Plc (listed in UK, appointed 3-Oct-03, resigned 7-Nov-03), Asia Energy Plc (listed in UK, appointed 6-Nov-03).

*Interest in shares and options: Nil.*

*Directors meetings attended:*

Attended 2 of the 12 meetings held during the financial period while he was a director.

*Remuneration*

Remuneration earned by Mr Frayne from the Parent Entity during the financial year consisted of directors fees of \$17,500. Remuneration is based on directors fees of \$30,000 per year.

### DIRECTORS MEETINGS

During the year ended 30th June 2004, 14 meetings of directors were held.

In addition to these meetings, the directors frequently discuss company matters informally.

Mr Ian Sandover, who resigned as a director during the year attended 5 of the 5 meetings held while he was a director.

Mr Kim Gardner, who resigned as a director during the year attended 2 of the 2 meetings held while he was a director.

Mr Patrick Elliott, who resigned as a director during the year attended 2 of the 5 meetings held while he was a director.

### REMUNERATION REPORT

Remuneration earned by entities associated with Mr Corr from the Parent Entity during the financial year consisted of salary and consulting fees of \$39,310 superannuation contributions of \$2,312 and options to acquire shares in the Parent Entity valued at \$129,554. Remuneration is based on fees approved by the Board of directors of \$9,000 per month in total.



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## DIRECTORS' REPORT

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Remuneration earned by entities associated with Mr Dobson from the Parent Entity during the financial year consisted of salary and consulting fees of \$21,788 and superannuation contributions of \$746. Remuneration is based on fees approved by the Board of directors comprising \$60,000 per year plus 9% Superannuation, plus fees for time spent of \$1,500 per day to a maximum of \$120,000 in any financial year.

Remuneration earned by Mr Frayne from the Parent Entity during the financial year consisted of directors fees of \$17,500. Remuneration is based on directors fees of \$30,000 per year.

Mr Eduardo Valenzuela was a director of the Parent Entity during the year. Remuneration earned by entities associated with Mr Valenzuela from the Parent Entity during the financial year consisted of salary and consulting fees of \$197,929 and superannuation contributions of \$13,008. Remuneration is based on directors fees of \$30,000 per year and consulting fees for time spent

Mr Kim Gardner was a director of the Parent Entity during the year. Remuneration earned by entities associated with Mr Gardner consisted of consulting fees of \$15,000. Remuneration is based on fees approved by the Board of directors.

Mr Sandover was a director of the Parent Entity during the year. Remuneration earned by entities associated with Mr Sandover consisted of consulting fees of \$107,000. Remuneration is based on fees approved by the Board of directors.

Remuneration earned by entities associated with Mr Jack Toby, the Company Secretary, an executive officer of the Parent Entity, consisted of fees for services provided of \$50,519. Mr Toby is a chartered accountant with over 17 years senior management experience in public companies.

There were no other executive officers of the Parent Entity or the Consolidated Entity.

There is no relationship between the performance or the impact on shareholder wealth of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of share and options to directors and executives. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

### CORPORATE GOVERNANCE

Any director may nominate a person to be considered for appointment as a director of the Parent Entity, either as an additional director or as a replacement for a retiring director. Criteria for Board membership rests on the Board's assessment of the capacity of a nominee to contribute to the Parent Entity. Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board.

The terms and conditions relating to the appointment and retirement of non-executive directors are determined by the Board on an individual basis at the time of appointment of the director and are reviewed by the Chairman on an on-going basis.

Each director of the Parent Entity or a controlled entity has the right to seek independent professional advice at the expense of the Parent Entity or the controlled entity, however prior approval of the relevant Chairman is required which is not unreasonably withheld.

The remuneration of executive directors and non-executive directors is reviewed by the Board of directors with the exclusion of the director concerned. The remuneration of other senior executives of the Parent Entity is approved by the relevant board of directors. Directors are not remunerated in accordance with the performance of the Parent Entity or the Consolidated Entity.



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## DIRECTORS' REPORT

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The nomination of external auditors and the review of the adequacy of external audit arrangements is the responsibility of the Board of Directors as a whole.

The Parent Entity does not have a nomination committee, a remuneration committee or an audit committee as the Parent Entity is not of a size or complexity to justify such separate committees of directors. All matters which might properly be dealt with by such committees are subject to scrutiny at full board meetings.

The identification of areas of significant business risk and arrangements to manage such risks is the responsibility of the Chairman, executive directors and senior executives. The Chairman reports to the Board on such matters on an on-going basis.

All directors, executives and staff of the Parent Entity and of all controlled entities, if any, are required to abide by the legal requirements and the highest standards of ethical conduct as recognised in each relevant jurisdiction in which the Consolidated Entity operates.

All directors, executives and staff of the Parent Entity and of all controlled entities, if any, are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct with regard to their personal trading in the securities of the Parent Entity or any of its controlled Entities, including the use of trading windows.

### SHARE OPTIONS ISSUED

On 2 December 2004, the Parent Entity issued 43,500,000 options to acquire shares in the Parent Entity expiring on 29 November 2006 for an issue price of \$0.003 per option in cash. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.

On 2 December 2004, the Parent Entity issued 5,000,000 options to acquire shares in the Parent Entity expiring on 28 August 2005. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 1.4 cents. These options were issued as part consideration for a loan of \$500,000 to the Parent Entity. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.

On 12 May 2005, the Parent Entity issued 448 two year convertible notes of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion. The funds raised from this facility will be applied to the repayment of existing debt. The issue of these shares was approved at the general meeting of shareholders held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 5,000,000 options to acquire shares in the Parent Entity expiring on 29 November 2006. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These shares and options were issued free for services rendered. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 10,000,000 options to Mr John Corr, a director of the Parent Entity, expiring on 31 May 2010. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These options were issued free. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

### SHARE OPTIONS OUTSTANDING

During the year ended 30th June 2005, no shares were issued by virtue of the exercise of options.



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## DIRECTORS' REPORT

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There were 48,500,000 options to acquire shares in the Parent Entity expiring on 29 November 2006 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents

There were 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum outstanding at the date of this report. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.

There were 10,000,000 options expiring on 31 May 2010 outstanding at the date of this report. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### **INDEMNIFYING AND INSURING DIRECTORS, OFFICERS OR AUDITORS**

The Parent Entity has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Parent Entity or a related body corporate:

- a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

### **AUDITORS INDEPENDENCE DECLARATION**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Bentleys MRI Perth Partnership have provided a signed auditors independence declaration to the directors in relation to the year ended 30 June 2005. This declaration has been attached to the independent audit report to the members of the Company.

The following non-audit services were provided to the Company by the auditors, Bentleys MRI Perth Partnership. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised. Bentleys MRI Perth Partnership received or is due to receive \$676 for the provision of tax compliance services.

Signed in accordance with a resolution of the directors.

Stephen Dobson  
Director

27 September 2005  
Perth, Western Australia



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## DIRECTORS' DECLARATION

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The directors of Sundance Resources Ltd A.C.N. 055 719 394 ("Company") declare that:

- 1) the financial statements and notes as set out on pages 10 to 34 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 2005 and of the performance for the year ended on that date of the Company and the Consolidated Entity;
- 2) the Chief Executive Officer and Chief Finance Officer have each declared that:
  - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view.
- 3) in the director's 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 Dobson  
Director

27 September 2005  
Perth, Western Australia




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**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2005**

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		<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>Note</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales Revenue	2	—	2,621,673	—	—
Cost of sales		—	(1,618,056)	—	—
<b>GROSS PROFIT</b>		—	1,003,617	—	—
Other revenues from ordinary activities	2	206,174	66,277	206,174	41,243
Borrowing costs	2	(117,623)	(19,966)	(117,623)	—
Write down of loans and investments	3	(439,729)	(4,617,734)	(439,729)	(4,617,834)
Capital distribution of shares in controlled entities	3	—	51,660	—	—
Carrying value of investments sold		(155,581)	—	(155,581)	—
Other expenses from ordinary activities		(1,043,542)	(1,876,292)	(1,043,542)	(396,648)
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>	2	(1,550,301)	(5,392,438)	(1,550,301)	(4,973,239)
Income tax expense relating to ordinary activities	4	—	—	—	—
<b>LOSS FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE</b>	5	(1,550,301)	(5,392,438)	(1,550,301)	(4,973,239)
Capital raising expenses		(127,262)	(162,723)	(127,262)	(162,723)
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY</b>		(127,262)	(162,723)	(127,262)	(162,723)
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY</b>		(1,677,563)	(5,555,161)	(1,677,563)	(5,135,962)
<b>BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>	6	(0.44)	(2.17)		
<b>DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)</b>	6	(0.44)	(2.17)		

The accompanying notes form part of these financial statements




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**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2005**

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		Consolidated Entity		Parent Entity	
	Note	2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		1,966,366	240,915	1,966,366	240,915
Receivables	7	3,000	757,985	3,000	757,985
Other financial assets	8	1,028,335	869,186	1,028,335	869,186
<b>TOTAL CURRENT ASSETS</b>		<b>2,997,701</b>	<b>1,868,086</b>	<b>2,997,701</b>	<b>1,868,086</b>
<b>NON-CURRENT ASSETS</b>					
Property, Plant and Equipment	9	8,063	130,699	8,063	130,699
Other financial assets	10	1,836,985	1,076,431	1,836,985	1,076,431
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,845,048</b>	<b>1,207,130</b>	<b>1,845,048</b>	<b>1,207,130</b>
<b>TOTAL ASSETS</b>		<b>4,842,749</b>	<b>3,075,216</b>	<b>4,842,749</b>	<b>3,075,216</b>
<b>CURRENT LIABILITIES</b>					
Payables	11	167,138	104,042	167,138	104,042
<b>TOTAL CURRENT LIABILITIES</b>		<b>167,138</b>	<b>104,042</b>	<b>167,138</b>	<b>104,042</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest –bearing liabilities	12	448,000	—	448,000	—
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>448,000</b>	<b>—</b>	<b>448,000</b>	<b>—</b>
<b>TOTAL LIABILITIES</b>		<b>615,138</b>	<b>104,042</b>	<b>615,138</b>	<b>104,042</b>
<b>NET ASSETS</b>		<b>4,227,611</b>	<b>2,971,174</b>	<b>4,227,611</b>	<b>2,971,174</b>
<b>EQUITY</b>					
Contributed equity	13	64,245,887	61,439,149	64,245,887	61,439,149
Accumulated losses	5	(60,018,276)	(58,467,975)	(60,018,276)	(58,467,975)
<b>TOTAL EQUITY</b>		<b>4,227,611</b>	<b>2,971,174</b>	<b>4,227,611</b>	<b>2,971,174</b>

The accompanying notes form part of these financial statements




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**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2005**

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	Note	Consolidated Entity		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		—	2,623,938	—	—
Payments to suppliers & employees		(818,364)	(3,655,715)	(818,364)	(664,948)
Interest received		26,524	24,351	26,524	23,240
Interest & finance costs paid		(112,100)	(19,966)	(112,100)	—
Other		12,441	36,745	12,441	18,003
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	14	(891,499)	(990,647)	(891,499)	(623,705)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant & equipment		(8,046)	(28,451)	(8,046)	(2,705)
Sale of property, plant & equipment		1,000	5,181	1,000	—
Purchase of mining tenements		(523,626)	(76,431)	(523,626)	(76,431)
Purchase of investments		—	—	—	(1,455,000)
Proceeds on disposal of investments		166,209	492,444	166,209	492,444
Loans to other entities		—	—	—	(308,075)
Loans repaid by other entities		—	—	—	308,075
Exploration expenditure		(273,325)	(155,833)	(273,325)	(155,833)
Other – Product development		—	—	—	—
Other – Cash held by controlled Entity on disposal		—	(1,065,764)	—	—
<b>NET CASH FROM/(USED IN) INVESTING ACTIVITIES</b>		(637,788)	(828,854)	(637,788)	(1,197,525)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from equity issues		2,934,000	1,875,409	2,934,000	1,875,409
Borrowings		978,000	64,200	978,000	—
Repayment of borrowings		(530,000)	(124,197)	(530,000)	—
Share issue expenses		(127,262)	(162,723)	(127,262)	(162,723)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>		3,254,738	1,652,689	3,254,738	1,712,686
<b>NET DECREASE IN CASH HELD</b>		1,725,451	(166,812)	1,725,451	(108,544)
Cash at beginning of year		240,915	407,727	240,915	349,459
<b>CASH AT END OF YEAR</b>	14	1,966,366	240,915	1,966,366	240,915

The accompanying notes form part of these financial statements



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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### NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by Sundance Resources Ltd A.C.N. 055 719 394 ("Parent Entity") and by the Parent Entity and its controlled entities ("Consolidated Entity") in the preparation of these accounts. The Parent Entity is a listed public company limited by shares, incorporated and domiciled in Australia.

In preparing the financial statements, the directors' note that the ability of the Consolidated Entity to continue as a going concern is dependent on adequate funds being available to fund its on-going commitments. The directors' are confident that the arrangements in place for the disposal of assets and raising of additional share capital will enable the Consolidated Entity to meet its obligations.

a) Basis of Preparation of Accounts

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

b) Principles of Consolidation

The consolidated accounts comprise the accounts of the Parent Entity and all of its controlled entities. A controlled entity is any entity controlled by the Parent Entity. Control exists where the Parent Entity has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Parent Entity to achieve the objectives of the Parent Entity. A list of controlled entities is contained in Note 18 to the accounts.

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

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

Where applicable, outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated accounts.

c) Income Tax

The Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit from ordinary activities before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated 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.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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d) Mining Tenements

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

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e) Property, Plant and Equipment

Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, 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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. Property, plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

All fixed assets, excluding freehold land, are depreciated on either a straight line basis or a reducing balance basis. Buildings are depreciated at 4% and items of plant and equipment (including leased plant and equipment) are depreciated at rates varying from 7% to 40%.

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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- f) **Employee Benefits**
- Provision is made for the Consolidated Entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.
- Contributions are made by the Consolidated Entity to employee superannuation funds and are charged as expenses when incurred. The Consolidated Entity has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.
- g) **Cash and cash equivalents**
- Cash on hand and in banks and short term deposits are stated at nominal value. For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, net of bank overdrafts, investments in money market instruments with less than 14 days to maturity and refined gold held ready for sale.
- h) **Leases**
- Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities within the Consolidated Entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are amortised over their estimated useful lives. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.
- i) **Foreign Currency Transactions and Balances**
- Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.
- The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in operating profit before income tax as they arise.
- 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. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates 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.
- k) **Intangibles**
- Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off. Research and Development and Intellectual Property are valued in the accounts at cost and are amortised over the period in which their benefits are expected to be realised.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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l) Investments

Non-current investments are measured on a cost basis. The carrying amount of non-current investments is reviewed periodically by the directors of the Parent Entity to ensure they are not in excess of their recoverable amount. The expected net cash flows have been discounted.

m) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average costs, overheads are applied on the basis of normal operating capacity.

n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

o) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as net profit attributable to members, adjusted for: costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

p) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

q) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
 <b>NOTE 2. OPERATING LOSS</b>				
The loss from ordinary activities before income tax has been determined after:				
 <b>CHARGING AS EXPENSES</b>				
Depreciation of:				
freehold building	3,183	4,224	3,183	4,224
plant & equipment	14,450	190,363	14,450	86,345
<b>TOTAL DEPRECIATION</b>	17,633	194,587	17,633	90,569
Interest expense - other persons	117,623	19,966	117,623	—
Hire Purchase finance charges	—	—	—	—
Bad debts written off	—	—	—	—
Rental expense on operating lease	26,981	151,049	26,981	21,662
Transfers to/(from) provisions for employee entitlements	—	7,846	—	—
Loss on disposal of plant & equipment	112,049	3,140	112,049	—
 <b>CREDITING AS INCOME</b>				
Interest received	26,524	24,351	26,524	23,240
Diesel rebates	12,441	18,003	12,441	18,003
Profit on sale of plant and equipment	—	—	—	—
 <b>REVENUE FROM ORDINARY ACTIVITIES</b>				
<i>Operating activities</i>				
Sale of goods	—	2,621,673	—	—
Diesel rebates	12,441	18,003	12,441	18,003
Interest - other persons	26,524	24,351	26,524	23,240
Other	—	18,742	—	—
<b>TOTAL REVENUE FROM OPERATING ACTIVITIES</b>	38,965	2,682,769	38,965	41,243
<i>Non-operating activities</i>				
Proceeds on disposal of investments	166,209	—	166,209	—
Proceeds on disposal of non-current assets	1,000	5,181	1,000	—
<b>TOTAL REVENUE FROM NON-OPERATING ACTIVITIES</b>	167,209	5,181	167,209	—
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	206,174	2,687,950	206,174	41,243




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 3. WRITE DOWN OF LOANS AND INVESTMENTS</b>				
Write down of Chacarilla Copper Project	—	(4,330,920)	—	(4,330,920)
Write down of current investments	(439,729)	(286,814)	(439,729)	(286,814)
Investments in controlled entities written down	—	—	—	(100)
Capital distribution of shares in controlled entities	—	51,660	—	—
	(439,729)	(4,566,074)	(439,729)	(4,617,834)

**NOTE 4. INCOME TAX**

Reconciliation of the prima facie income tax on operating loss from ordinary activities with the income tax expense in the financial statements:

Prima facie income tax benefit on operating loss calculated at 30%	465,090	1,617,731	465,090	1,491,972
Tax effect of permanent differences:				
Capital distribution of shares in controlled entities	—	(1,352,406)	—	—
Write down of Chacarilla Copper Project	—	(1,299,276)	—	(1,299,276)
Investments written down	(131,920)	(86,044)	(131,920)	(86,044)
Other	10,431	48,335	10,431	38,173
Income tax expense/(benefit) not brought to account	(343,601)	1,071,660	(343,601)	(144,825)
<b>INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES</b>	—	—	—	—
<b>INCOME TAX BENEFIT NOT BROUGHT TO ACCOUNT</b>	5,583,745	5,240,144	5,583,745	5,240,144

The future income tax benefit not brought to account includes income tax losses that will realise a benefit to the Consolidated Entity only if the Consolidated Entity derives future assessable income of a nature and amount sufficient to enable the benefits to be realised, the Consolidated Entity continues to comply with the conditions for deductibility imposed by law, and no changes in tax legislation adversely affect the ability of the Consolidated Entity to realise the benefits.

**NOTE 5. ACCUMULATED LOSSES**

Accumulated losses at the beginning of the financial year	58,467,975	53,075,537	58,467,975	53,494,736
Net loss for the financial year	1,550,301	5,392,438	1,550,301	4,973,239
<b>ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR</b>	60,018,276	58,467,975	60,018,276	58,467,975




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 6. EARNINGS PER SHARE</b>				
Basic earnings/(loss) per share (cents per share)	(0.44)	(2.17)		
Diluted earnings/(loss) per share (cents per share)	(0.44)	(2.17)		
Earnings used in the calculation of basic EPS	(1,550,301)	(5,392,438)		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	348,606,566	247,963,160		

During the year ended 30 June 2005, 63,500,000 options to subscribe for ordinary shares and 448 convertible notes of \$1,000 each were issued, no options were exercised and no options expired unexercised, leaving 63,500,000 options and 448 convertible notes of \$1,000 each outstanding at 30 June 2005 (note 13).

During the year ended 30 June 2004, no options to subscribe for ordinary shares were issued, no options were exercised and 200,000 options expired unexercised, leaving no options outstanding at 30 June 2004.

These options are not considered dilutive for the purposes of the calculation of diluted earnings per share as their conversion to ordinary shares would not decrease the net profit from continuing ordinary operations per share nor increase the net loss from continuing ordinary operations per share. Consequently, diluted earnings per share is the same as basic earnings per share.

**NOTE 7. RECEIVABLES (CURRENT)**

Other debtors and prepayments	3,000	757,985	3,000	757,985
	3,000	757,985	3,000	757,985

Other debtors are non-interest bearing and generally on 30 day terms.

**NOTE 8. OTHER FINANCIAL ASSETS (CURRENT)**

Shares in corporations listed on a prescribed stock exchange at the lower of cost or recoverable amount (at market value)	1,028,335	869,186	1,028,335	869,186
	1,028,335	869,186	1,028,335	869,186

Listed shares in other corporations are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were disposed of at the reporting date.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 9. PROPERTY, PLANT AND EQUIPMENT</b>				
LAND AND BUILDINGS				
<i>Buildings</i>				
At cost	—	150,148	—	150,148
Accumulated depreciation	—	(80,016)	—	(80,016)
	—	70,132	—	70,132
<i>Freehold Land</i>				
At cost	—	25,000	—	25,000
<b>TOTAL LAND AND BUILDINGS</b>	—	95,132	—	95,132
PLANT AND EQUIPMENT				
At cost	12,864	2,680,487	12,864	2,680,487
Accumulated depreciation	(4,801)	(2,644,920)	(4,801)	(2,644,920)
	8,063	35,567	8,063	35,567
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	8,063	130,699	8,063	130,699
MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PROPERTY, PLANT AND EQUIPMENT				
LAND AND BUILDINGS				
At the beginning of the financial year	95,132	99,356	95,132	99,356
Depreciation expense	(3,183)	(4,224)	(3,183)	(4,224)
Disposals	(91,949)	—	(91,949)	—
<b>TOTAL LAND AND BUILDINGS</b>	—	95,132	—	95,132
PLANT AND EQUIPMENT				
At the beginning of the financial year	35,567	629,868	35,567	119,207
Additions	8,046	28,451	8,046	2,705
Disposals	(21,100)	(8,321)	(21,100)	—
Depreciation expense	(14,450)	(190,363)	(14,450)	(86,345)
Assets on disposal of controlled entities	—	(424,068)	—	—
<b>TOTAL PLANT AND EQUIPMENT</b>	8,063	35,567	8,063	35,567
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	8,063	130,699	8,063	130,699




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 10. OTHER FINANCIAL ASSETS (NON-CURRENT)</b>				
Shares in other entity at recoverable amount	1,132,636	1,000,000	1,132,636	1,000,000
Interest in the Ananconda Project at cost	278,160	76,431	278,160	76,431
Interest in the Mantos Grandes Project at cost	426,189	—	426,189	—
	1,836,985	1,076,431	1,836,985	1,076,431
	1,836,985	1,076,431	1,836,985	1,076,431

At 30 June 2005, the Parent Entity held a 50% interest in the Chacarilla Copper Project in Bolivia. This interest was held through shares in an associated company, Bolivian Copper Holdings Ltd ("BCH") which is entitled to 100% of the Chacarilla Copper Project in Bolivia through its wholly owned subsidiaries. The Chacarilla Copper Project has not yet reached the stage of assessing the existence of economically recoverable reserves, the outcome of which will ultimately affect the carrying value of this investment.

Nevertheless, at 30 June 2004, the Parent Entity wrote down this investment to \$1,000,000 based on a revised assessment of current market for projects of this type. This assessment incorporated a review of market valuations for similar projects.

The principal activities of BCH was copper and other base metal exploration. There are no retained earnings or reserves, or movements in retained earnings or reserves attributable to BCH. The net profit of BCH from ordinary activities before tax and also after tax was nil.

At 30 June 2005, the Parent Entity held a 37.5% interest in the Anaconda Copper / Silver Project in Bolivia. The tenements for this project are held by Bolivian Gold S.R.L., a company incorporated in Bolivia. The Parent Entity has the right to acquire up to 100% of the Anaconda Copper / Silver Project for a further 5 payments of US\$50,000. Each payment of US\$50,000 payment will earn the Parent Entity an interest of 12.5% in the project.

At 30 June 2005, the Parent Entity held a 3 year option agreement for the acquisition of 100% of the Mantos Grandes project for a total price of US\$4.0 million. The agreement consists of a 12 month option for an initial payment of US\$250,000. Should the Parent Entity decide to withdraw at the end of 12 months, it will retain a 6.25% interest in the company holding the project at no additional cost. the Parent Entity may extend the option for a further 24 months by paying US\$1.25 million. If thereafter the Parent Entity decides not to exercise the purchase option, then the project will be offered for sale and the Parent Entity will receive 25% of the proceeds. the Parent Entity may exercise the option on or before the end of the 3 year period by paying the remaining US\$2.5 million of the total sale price in two installments over a period of 12 months, with the second payment being deferrable for up to 12 months subject to interest.

The ultimate recoupment of costs for areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas. The commercial exploitation of some areas of interest may require the satisfactory settlement of native title claims.

**NOTE 11. PAYABLES (CURRENT)**

Sundry creditors and accrued expenses	167,138	104,042	167,138	104,042
	167,138	104,042	167,138	104,042
	167,138	104,042	167,138	104,042

Sundry creditors are non-interest bearing and generally on 30 day terms.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 12. INTEREST-BEARING LIABILITIES (NON-CURRENT)</b>				
Convertible notes (unsecured)	448,000	—	448,000	—
	448,000	—	448,000	—
	448,000	—	448,000	—

On 12 May 2005, the Parent Entity issued 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion. The issue of these notes was approved at the general meeting of shareholders held on 12 May 2005.

**NOTE 13. CONTRIBUTED EQUITY**

290,081,908 (2004: 290,081,908) fully paid ordinary shares	64,245,887	61,439,149	64,245,887	61,439,149
	64,245,887	61,439,149	64,245,887	61,439,149
	64,245,887	61,439,149	64,245,887	61,439,149

**MOVEMENTS IN CONTRIBUTED EQUITY**

At the beginning of the financial year	61,439,149	61,697,936	61,439,149	61,697,936
43,500,000 shares issued 25 October 2004	478,500	—	478,500	—
43,500,000 options issued 2 December 2004	130,500	—	130,500	—
50,000,000 shares issued 15 March 2005	600,000	—	600,000	—
50,000,000 shares issued 19 May 2005	750,000	—	750,000	—
65,000,000 shares issued 20 May 2005	975,000	—	975,000	—
25,000,000 shares issued 18 September 2003	—	425,000	—	425,000
96,693,970 shares issued 17 November 2003	—	1,450,409	—	1,450,409
Capital distribution in specie	—	(1,971,473)	—	(1,971,473)
Capital raising costs	(127,262)	(162,723)	(127,262)	(162,723)
	64,245,887	61,439,149	64,245,887	61,439,149
<b>AT THE END OF THE FINANCIAL YEAR</b>	64,245,887	61,439,149	64,245,887	61,439,149

On 25 October 2004, the Parent Entity allotted and issued 43,500,000 fully paid ordinary shares in the Parent Entity for 1.1 cents per share in cash. The issue of these shares was subsequently ratified at the annual general meeting of shareholders held on 29 November 2004.

On 2 December 2004, the Parent Entity issued 43,500,000 options to acquire shares in the Parent Entity expiring on 29 November 2006 for an issue price of \$0.003 per option in cash. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.

On 2 December 2004, the Parent Entity issued 5,000,000 options to acquire shares in the Parent Entity expiring on 28 August 2005. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 1.4 cents. These options were issued as part consideration for a loan of \$500,000 to the Parent Entity. The issue of these options was approved by the Annual General Meeting of shareholders of the Company held on 29 November 2004.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

On 15 March 2005, the Parent Entity allotted and issued 50,000,000 fully paid ordinary shares in the Parent Entity for 1.2 cents per share in cash. The issue of these shares was subsequently ratified at the general meeting of shareholders held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion. The funds raised from this facility were for the repayment of existing debt. The issue of these convertible notes was approved at the general meeting of shareholders held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 5,000,000 fully paid ordinary shares in the Parent Entity and issued 5,000,000 options to acquire shares in the Parent Entity expiring on 29 November 2006. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These shares and options were issued free for services rendered. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

On 12 May 2005, the Parent Entity issued 10,000,000 options to Mr John Corr, a director of the Parent Entity, expiring on 31 May 2010. Each option would entitle the holder to acquire one fully paid ordinary share in the Parent Entity for 2 cents. These shares and options were issued free. The issue of these options was approved by the General Meeting of shareholders of the Company held on 12 May 2005.

On 19 May 2005, the Parent Entity allotted and issued 50,000,000 fully paid ordinary shares in the Parent Entity for 1.5 cents per share in cash. The issue of these shares was approved at the general meeting of shareholders held on 12 May 2005.

On 20 May 2005, the Parent Entity allotted and issued 65,000,000 fully paid ordinary shares in the Parent Entity for 1.5 cents per share in cash.

At 30 June 2005 there were 63,500,000 unissued ordinary shares for which options were outstanding. These comprise 5,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 1.4 cents per share and expire on 25 August 2005, 48,500,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 2 cents per share and expire on 29 November 2006 and 10,000,000 options which entitle the holder to subscribe for one ordinary share in the Parent Entity for 2 cents per share and expire on 31 May 2010.

At 30 June 2005 there were 448 convertible notes redeemable on 11 May 2007 of \$1,000 each which earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.

### TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 14. CASH FLOW INFORMATION</b>				
RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX				
Profit/(loss) from ordinary activities after tax	(1,550,301)	(5,392,438)	(1,550,301)	(4,973,239)
<i>Cash flows in loss from ordinary activities attributable to non-operating activities</i>				
Exploration expenditure	36,397	24,796	36,397	24,796
<i>Non-cash flows in loss from ordinary activities</i>				
Write down of Chacarilla Copper Project	—	4,330,920	—	4,330,920
Disposal of controlled entities	—	(51,659)	—	—
Loss/(Profit) on disposal of investment	(10,628)	(283,951)	(10,628)	(283,951)
Depreciation of property, plant and equipment	17,633	194,587	17,633	90,569
Loss/(profit) on sale of plant and equipment	112,049	3,140	112,049	—
Charges to provisions	—	7,846	—	—
Current investments written down	439,729	276,814	439,729	276,814
Non-Current investments written off	—	—	—	100
Mining tenements written down	—	—	—	—
Intangibles written off	—	—	—	—
Inter-Company loans written off	—	—	—	—
<i>Changes in assets and liabilities</i>				
Decrease/(increase) in trade debtors	—	2,492	—	—
Decrease/(increase) in other debtors and prepayments	526	735,379	526	1,554
Decrease/(increase) in inventories	—	12,107	—	—
Increase/(decrease) in trade creditors	—	114,354	—	—
Increase/(decrease) in other creditors and accruals	63,096	(965,034)	63,096	(91,268)
<b>NET CASH FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>(891,499)</b>	<b>(990,647)</b>	<b>(891,499)</b>	<b>(623,705)</b>
RECONCILIATION OF CASH				
<i>Cash at the end of the year is shown in the accounts as:</i>				
Cash	1,966,366	240,915	1,966,366	240,915
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	<b>1,966,366</b>	<b>240,915</b>	<b>1,966,366</b>	<b>240,915</b>




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	Consolidated Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>DISPOSAL OF CONTROLLED ENTITIES</b>				
<p>During the year ended 30 June 2004, the Parent Entity disposed of its 100% interest in TranServ Australia Ltd. The book value of assets and liabilities held by this entity and by its wholly owned controlled entities at disposal date are:</p>				
Cash assets	—	1,216,343	—	—
Receivables	—	777,194	—	—
Inventories	—	426,679	—	—
Property, plant and equipment	—	424,068	—	—
Payables	—	(565,895)	—	—
Interest bearing liabilities	—	(305,062)	—	—
Provisions	—	(53,513)	—	—
<b>NET ASSETS AT DISPOSAL</b>	—	1,919,814	—	—
Disposal proceeds	—	—	—	—
<b>NET LOSS ON DISTRIBUTION TO SHAREHOLDERS</b>	—	1,919,814	—	—

During the year ended 30 June 2005, the following non-cash transactions occurred in the Consolidated Entity and the Parent Entity:

- a) Sundance Resources Ltd received 11,545,603 fully paid ordinary shares in Austminex Ltd in settlement of \$754,459 owed by Austminex Ltd.
- b) Property, plant and equipment in Australia with a written down value of \$111,307 was exchanged for mining equipment in Bolivia.

At 30 June 2005, the Parent Entity has lodged cash deposits of \$182,500 to secure a performance bond of \$164,000 issued by a bank to the Department of Industry and Resources in Western Australia on behalf of the Parent Entity in respect of an Australian mining tenement. The Parent Entity has indemnified the bank against any loss arising from the performance bond and the indemnity is secured against these cash deposits. The tenement has been sold and the performance bond of \$164,000 will be released to the Parent Entity when site works have been completed and registration of the transfer of ownership is formally processed.

**NOTE 15. AUDITORS' REMUNERATION**

Remuneration of the auditor of the Parent Entity for:

Auditing or reviewing the financial report	8,450	8,851	8,450	8,851
other services	676	—	676	—
	9,126	8,851	9,126	8,851




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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**NOTE 16. REMUNERATION OF DIRECTORS AND EXECUTIVES**

The names and positions of directors and specified executives of the Company who have held office during the financial year are:

John Corr	Executive Chairman (appointed 10 February 2005)
Stephen Dobson	Executive Director (appointed 12 May 2005)
Michael Frayne	Non-Executive Director (appointed 29 November 2004)
Jack Toby	Company Secretary
Eduardo Valenzuela	Executive Director (resigned 18 August 2005)
Kim Gardner	Non-Executive Chairman (resigned 30 November 2004)
Ian Sandover	Executive Director (resigned 22 February 2005)
Patrick Elliott	Non-Executive Director (resigned 22 February 2005)

	<b>Primary Remuneration 2005</b>		
	<b>Salary and Fees</b>	<b>Retirement Benefits</b>	<b>Total</b>
	\$	\$	\$
<b>REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.</b>			
John Corr	39,310	2,312	41,622
Stephen Dobson	21,788	746	22,534
Eduardo Valenzuela	197,929	13,008	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,000	900	10,900
<b>TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS</b>	<b>408,527</b>	<b>16,966</b>	<b>425,493</b>
<b>REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.</b>			
Jack Toby	50,519	—	50,519
<b>TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES</b>	<b>50,519</b>	<b>—</b>	<b>50,519</b>

	<b>Equity Remuneration 2005</b>	
	<b>Options 2005</b>	<b>Total 2005</b>
	\$	\$
<b>REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.</b>		
John Corr	129,554	129,554
<b>TOTAL EQUITY REMUNERATION FOR SPECIFIED DIRECTORS</b>	<b>129,554</b>	<b>129,554</b>

On 12 May 2005 the Parent Entity issued 10,000,000 options to acquire a fully paid ordinary share in the capital of the Parent Entity at a price of 2 cents each on or before 31 May 2010 to Mr John Corr, a director of the Parent Entity. The issue of these shares and options was approved by the general meeting of shareholders of the Parent Entity held on 12 May 2005. The and Options were issued for free as consideration for performance of work, both previously and in the future, by Mr Corr in relation to his position as a director of the Company; and to secure his ongoing commitment and dedication to the continued growth of the Company.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>Total Remuneration 2005</b>		
	<b>Primary Remuneration 2005 \$</b>	<b>Equity Remuneration 2005 \$</b>	<b>Total 2005 \$</b>
<b>REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.</b>			
John Corr	41,622	129,554	171,176
Stephen Dobson	22,534	—	22,534
Eduardo Valenzuela	210,937	—	210,937
Michael Frayne	17,500	—	17,500
Kim Gardner	15,000	—	15,000
Ian Sandover	107,000	—	107,000
Patrick Elliott	10,900	—	10,900
<b>TOTAL REMUNERATION FOR SPECIFIED DIRECTORS</b>	<b>425,493</b>	<b>129,554</b>	<b>555,047</b>
<b>REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.</b>			
Jack Toby	50,519	—	50,519
<b>TOTAL REMUNERATION FOR SPECIFIED EXECUTIVES</b>	<b>50,519</b>	<b>—</b>	<b>50,519</b>
<b>Remuneration 2004</b>			
	<b>Primary Remuneration \$</b>	<b>Retirement Benefits \$</b>	<b>Other \$</b>
<b>REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.</b>			
Kim Gardner	138,144	12,480	601
Ian Sandover	121,530	22,096	1,557
Eduardo Valenzuela	40,625	—	—
Patrick Elliott	20,000	1,800	—
<b>TOTAL REMUNERATION FOR SPECIFIED DIRECTORS</b>	<b>320,299</b>	<b>36,376</b>	<b>2,158</b>
<b>REMUNERATION OF EXECUTIVES BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.</b>			
Jack Toby	45,470	—	—
Joseph Giura	57,607	4,543	—
Geraldine Taylor	42,277	2,617	—
Brian Godfrey	15,924	—	—
Patrick O'Callaghan	55,599	4,916	—
Robert Gould	6,750	—	—
<b>TOTAL REMUNERATION FOR SPECIFIED EXECUTIVES</b>	<b>223,627</b>	<b>12,076</b>	<b>—</b>




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	Number of Shares			Balance 30 June 2005
	1 July 2004 or Appointment	Issued as Remuneration	Net Change Other	
John Corr	2,750,000	—	—	2,750,000
Stephen Dobson	1,000,000	—	—	1,000,000
Eduardo Valenzuela	4,472,000	—	(423,800)	4,048,200
Michael Frayne	—	—	—	—
Jack Toby	175,000	—	—	175,000
	8,397,000	—	(423,800)	7,973,200

	Number of Options			Balance 30 June 2005
	1 July 2004 or Appointment	Granted as Remuneration	Net Change Other	
John Corr	750,000	10,000,000	—	10,750,000
Stephen Dobson	—	—	—	—
Eduardo Valenzuela	—	—	—	—
Michael Frayne	—	—	—	—
Jack Toby	—	—	—	—
	750,000	10,000,000	—	10,750,000

	Number of Convertible Notes			Balance 30 June 2005
	1 July 2004 or Appointment	Granted as Remuneration	Net Change Other	
John Corr	—	—	—	—
Stephen Dobson	60	—	—	60
Eduardo Valenzuela	—	—	—	—
Michael Frayne	—	—	—	—
Jack Toby	—	—	—	—
	60	—	—	60

All options and convertible notes are vested and exercisable.

**NOTE 17. SEGMENT INFORMATION**

During the year ended 30 June 2005 the Consolidated Entity operated entirely in the mining and exploration industry in South America.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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PRIMARY REPORTING BUSINESS SEGMENTS	<b>Automotive Engineering \$</b>	<b>Mining &amp; Exploration \$</b>	<b>Eliminations \$</b>	<b>Consolidated Entity \$</b>
YEAR TO 30 JUNE 2004				
<i>Revenue:</i>				
External Sales	2,646,707	41,243	—	2,687,950
Other segments	—	—	—	—
<b>TOTAL SEGMENT REVENUE</b>	<b>2,646,707</b>	<b>41,243</b>	<b>—</b>	<b>2,687,950</b>
Unallocated revenue				
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	<b>2,646,707</b>	<b>41,243</b>	<b>—</b>	<b>2,687,950</b>
<i>Result</i>				
Segment result	(470,959)	(4,973,239)	51,760	(5,392,438)
Unallocated expenses net of unallocated revenue	—	—	—	—
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>	<b>(470,959)</b>	<b>(4,973,239)</b>	<b>51,760</b>	<b>(5,392,438)</b>
Income tax expense	—	—	—	—
<b>LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE</b>	<b>(470,959)</b>	<b>(4,973,239)</b>	<b>51,760</b>	<b>(5,392,438)</b>
<i>Assets</i>				
Segment assets	—	3,075,216	—	3,075,216
Unallocated assets	—	—	—	—
<b>TOTAL ASSETS</b>	<b>—</b>	<b>3,075,216</b>	<b>—</b>	<b>3,075,216</b>
<i>Liabilities</i>				
Segment liabilities	—	104,042	—	104,042
Unallocated liabilities	—	—	—	—
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>104,042</b>	<b>—</b>	<b>104,042</b>
<i>Other</i>				
Acquisition of Non-Current segment assets	25,746	2,705	—	28,451
Depreciation of segment assets	104,018	90,569	—	194,587
Other non-cash segment expenses	10,986	4,607,734	—	4,618,720



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS	External Revenue \$	Inter-Segment Revenue \$	Total Revenue \$	Segment Loss \$	Segment Assets \$
YEAR TO 30 JUNE 2004					
Australasia	2,687,950	—	2,687,950	5,392,438	1,998,785
South America	—	—	—	—	1,076,431
<b>TOTAL</b>	<b>2,687,950</b>	<b>—</b>	<b>2,687,950</b>	<b>5,392,438</b>	<b>3,075,216</b>

Segment revenues, expenses and results may include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

The Consolidated Entity has the following business segments:

- Truck and automotive repairs and servicing, including gas distribution and refueling infrastructure supply and operations for LPG, LNG and CNG gases, the distribution of associated equipment for the conversion of engines at retro fit and OEM levels to utilise these gases.
- Mining and Exploration, including copper, gold, nickel and other base metal exploration in Australia and Bolivia.

### NOTE 18. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2005	2004	2005 \$	2004 \$	2005 \$	2004 \$
<i>Parent Entity</i>						
Sundance Resources Ltd						
<i>Entities controlled by Sundance Resources Ltd</i>						
TranServ Australia Ltd	Nil	Nil	—	—	—	(515,085)
Copper International Pty Ltd	100%	100%	—	—	—	—
PT Prima Agas	Nil	Nil	—	—	—	—
<i>Entities controlled by TranServ Australia Ltd</i>						
Bluefire Services WA Pty Ltd	Nil	Nil	—	—	—	153,342
GasResearch Australia Pty Ltd	Nil	Nil	—	—	—	(100,384)
Prins Australia Pty Ltd	Nil	Nil	—	—	—	(8,832)
<i>Entities controlled by Copper International Pty Ltd</i>						
Mine Holdings Corporation	100%	100%	—	—	—	—
			—	—	—	(470,959)

Mine Holdings Corporation (Registered Number: E22507) is incorporated in the Turks & Caicos Islands.

### NOTE 19. SUPERANNUATION COMMITMENTS

The Consolidated Entity makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Parent Entity to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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### NOTE 20. FINANCIAL INSTRUMENTS

The Consolidated Entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at 30 June 2005 are as follows:

FINANCIAL INSTRUMENTS	ACCOUNTING POLICIES	TERMS AND CONDITIONS AND INTEREST RATE RISK
Bank Deposits	Short term deposits are stated at the lower of cost or net realisable value. Interest is recognised in the profit and loss account when earned.	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk. The weighted average effective interest rate earned was 3.63% (2004: 2.24%).
Receivables	Recognised at nominal amount due less any provision for doubtful debts. A provision for doubtful debts is recognised when the collection of the nominal amount is no longer probable.	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Listed Shares and Unlisted Shares	Recognised at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are declared by the investee.	These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	Liabilities are recognised at amounts expected to be paid in future whether or not billed to the Consolidated Entity.	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Convertible Notes	Liabilities are recognised at amounts that would be payable in future if noteholders do not exercise their rights to convert the notes to ordinary shares.	The convertible notes are redeemable on 11 May 2007 and earn interest of 9% per annum. These notes are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at the lower of 1.2 cents per share or 80% of the average market price for the 5 business days prior to the date of conversion.
Equity	Recognised at the nominal value of the security less any discount on issue.	Details of equity securities issued and outstanding are disclosed separately in these financial statements. These are non interest bearing and there is no exposure to interest rate risk.

The maximum exposure to credit risk, excluding the value of any collateral or security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes in the financial statements. The Consolidated Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated Entity.

The aggregate net fair values of the Consolidated Entity's financial assets and financial liabilities, both recognised and unrecognised are as follows:



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2005 \$	AGGREGATE NET FAIR VALUE 2005 \$	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2004 \$	AGGREGATE NET FAIR VALUE 2004 \$
Cash assets	1,966,366	1,966,366	240,915	240,915
Receivables	1,031,335	1,031,335	757,985	757,985
Payables	167,138	167,138	104,042	104,042

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash assets and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value.

The net fair values of listed investments have been valued at the quoted market bid price at balance date. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment. The net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value. For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Consolidated Entity intends to hold these assets to maturity.

### NOTE 21. DIVIDENDS

No dividends have been paid or proposed during the year.

### NOTE 22. IMPACT OF AASB EQUIVALENTS TO IASB STANDARDS

The Consolidated Entity has commenced the transition of its accounting policies and financial reporting from current Australian Accounting Standards ("AGAAP") to Australian equivalents of International Financial Reporting Standards ("AIFRS") which will be applicable for the financial year ended 30 June 2006. In 2004 the Consolidated Entity allocated internal resources and consulted with external consultants to perform diagnostics and conduct impact assessments to identify areas that would be impacted by the transition to AIFRS. As the majority of the Consolidated Entity's assets are represented as cash at bank, the impact is unlikely to be significant. The Consolidated Entity has a 30 June year end, therefore priority has been given to considering the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004. This will form the basis of accounting for AIFRS in the future, and is required when the Consolidated Entity prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are areas where accounting policies are expected to change on adoption of AIFRS and estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on the net loss for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to ongoing work being undertaken by management; potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.




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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005**

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	<b>30 June 2005</b>	<b>1 July 2004</b>
	<b>\$</b>	<b>\$</b>
TOTAL EQUITY UNDER AGAAP	4,227,611	2,971,174
<i>Adjustments to retained earnings (net of tax)</i>		
Recognition of share-based payment expense	(168,304)	—
<i>Adjustments to other reserves (net of tax)</i>		
Recognition of share-based payment expense	168,304	—
<b>TOTAL EQUITY UNDER AIFRS</b>	<b>4,227,611</b>	<b>2,971,174</b>

Under AASB 2 Share based Payments, the Consolidated Entity would recognise the fair value of options granted to executives and directors as remuneration as an expense on a pro rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments are not recognised under AGAAP.

Management has decided to adopt the AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards transitional arrangements which allow companies not to fully retrospectively apply AASB 2 Share Based Payments. Under the terms of the transitional arrangements the cost of options issued after 7 November 2002 which had not vested at 1 January 2005 have been recognised in the Income Statement.

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RECONCILIATION OF NET LOSS AS PRESENTED UNDER AGAAP TO THAT UNDER AIFRS FOR THE YEAR ENDED 30 JUNE 2005

<i>Net loss as reported under AGAAP</i>		(1,550,301)
Share-based payment expense		(168,304)
<b>NET LOSS UNDER AIFRS</b>		<b>(1,718,605)</b>

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

AASB 112 Income Taxes requires the Consolidated Entity to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. Recognition of the resulting differences are subject to some exceptions, but generally deferred tax balances must be calculated for each item in the statement of financial position. The impact of adopting AASB 112 has not yet been quantified. The Consolidated Entity is continuing its assessment of the impact of AASB 112 and this assessment is expected to be completed by 31 December 2005.

Management has decided to apply the exemption provided in AASB 1 First Time Adoption of Australian Equivalents to International Reporting Standards which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. These standards will be applied from 1 July 2005. The project team is in the process of determining the impact that adopting these standards will have on the financial statements of the Consolidated Entity.

**NOTE 23. EVENTS SUBSEQUENT TO BALANCE DATE**

On 26 August 2005, the Company allotted and issued 5,000,000 fully paid ordinary shares in the Company for 1.4 cents per share, pursuant to the exercise of 5,000,000 options expiring on 25 August 2005.



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2005

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There have been no other conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares.

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

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SUNDANCE RESOURCES LTD AND CONTROLLED ENTITIES**

### MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL REPORT

This audit report relates to the financial report of Sundance Resources Ltd for the year ended 30 June 2005 included on the Sundance Resources Ltd web site. The Directors are responsible for the integrity of the Sundance Resources Ltd web site. We have not been engaged to report on the integrity of the Sundance Resources Ltd web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information, which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### SCOPE

*The financial report and directors' responsibility.*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Sundance Resources Ltd (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

### Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
SUNDANCE RESOURCES LTD AND CONTROLLED ENTITIES**



*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.

While we considered the effectiveness of management's 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.

**INDEPENDENCE**

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

**AUDIT OPINION**

In our opinion, the financial report of Sundance Resources Ltd is in accordance with:

- a) 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 2005 and of their performance for the year ended on that date; and
  - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

**BENTLEYS MRI PERTH PARTNERSHIP**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Hillgrove'.

Michael Hillgrove  
Partner

Dated opinion formed:

27 September 2005  
Perth, WA.

Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

CHARTERED  
ACCOUNTANTS  
& BUSINESS  
ADVISORS

A MEMBER OF  
MOORES ROWLAND  
INTERNATIONAL



**Bentleys MRI Perth Partnership**  
ABN 17 735 344 518

City Office  
Level 40, BankWest Tower  
108 St George's Terrace  
Perth WA 6000  
Australia

GPO Box W2106 Perth WA 6846

T 61 8 9320 2888  
F 61 8 9320 2999

[admin@perth.bentleys.com.au](mailto:admin@perth.bentleys.com.au)  
[www.bentleys.com](http://www.bentleys.com)

## **AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF SUNDANCE RESOURCES LTD**

In relation to our audit of the financial report of Sundance Resources Ltd for the year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001, or any applicable code of professional conduct.

**BENTLEYS MRI PERTH PARTNERSHIP**  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'M Hillgrove', is written over a light blue horizontal line.

Michael Hillgrove  
Partner  
27 September 2005  
Perth, Western Australia.

Chartered Accountants

Effective from 1 July 2005 Hall Chadwick and Bentleys MRI Perth have merged and will continue to practice as Bentleys MRI Perth. A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.




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**ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005**

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**ANALYSIS OF HOLDINGS OF SHARES AND QUOTED OPTIONS IN THE COMPANY**

	Ordinary Shares	Unquoted Options expiring 29 Nov 2006	Unquoted Convertible Notes	Unquoted Options expiring 31 May 2010
1 — 1,000	210	0	8	0
1,001 — 5,000	1,127	0	0	0
5,001 — 10,000	595	0	0	0
10,001 — 100,000	806	0	0	0
100,001 —and over	375	19	0	1
<b>TOTAL NUMBER OF HOLDERS</b>	<b>3,113</b>	<b>19</b>	<b>8</b>	<b>1</b>
<b>HOLDINGS OF LESS THAN A MARKETABLE PARCEL</b>	<b>2,454</b>			

**VOTING RIGHTS**

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

**TWENTY LARGEST HOLDERS OF ORDINARY SHARES**

	Number of Shares	Percentage of Total
National Nominees Limited	41,686,224	8.20%
ANZ Nominees Limited	23,828,225	4.69%
Flavia Investments Pty Ltd	20,000,000	3.93%
Rhodes Mining Limited	20,000,000	3.93%
Bayonet Investments Pty Ltd	14,533,333	2.86%
Flue Holdings Pty Ltd	12,439,321	2.45%
Ocean View Wa Pty Ltd	12,239,319	2.41%
Blackmort Nominees Pty Ltd	12,206,540	2.40%
Nefco Nominees Pty Ltd	10,420,615	2.05%
Blueknight Corporation Pty Ltd	10,000,000	1.97%
D & D Nominees Pty Ltd	10,000,000	1.97%
Rhodes Mining Ltd	10,000,000	1.97%
Twenty-Second Yeneb Pty Ltd	10,000,000	1.97%
Bayonet Investment Pty Ltd	9,407,425	1.85%
Dr Salim Cassim	7,000,000	1.38%
Larchmont Services Limited	6,750,000	1.33%
Dr Salim Cassim	5,534,221	1.09%
Bodie Investments Pty Ltd	5,026,358	0.99%
Bayonet Investments Pty Ltd	5,000,000	0.98%
Mr Abdul Aziz Bin Mohamed Hussain	5,000,000	0.98%
	<b>251,071,581</b>	<b>49.37%</b>




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**ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005**

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**TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 29 NOVEMBER 2006**

	<b>Number of Options</b>	<b>Percentage of Total</b>
Kameo Investments Limited	8,000,000	16.49%
Flue Holdings Pty Ltd	5,500,000	11.34%
Ocean View Wa Pty Ltd	5,500,000	11.34%
Laser Holdings Pty Ltd	5,000,000	10.31%
Bayonet Investments Pty Ltd	4,833,333	9.97%
Bentley Solutions Limited	4,000,000	8.25%
Giltspur Investments Limited	4,000,000	8.25%
Jasper Hill Resources Pty Ltd	2,000,000	4.12%
Cunningham Securities Pty Ltd	1,666,667	3.44%
Apnea Holdings Pty Ltd	1,000,000	2.06%
Mr John Georgiades	1,000,000	2.06%
Kazbah Securities Pty Ltd	1,000,000	2.06%
National Australia Trustees Limited	1,000,000	2.06%
Talex Investments Pty Ltd	1,000,000	2.06%
Mr John Corr	750,000	1.55%
First Distribution Services Limited	750,000	1.55%
Foundation Superannuation Fund Pty Ltd	500,000	1.03%
Mulloway Pty Ltd	500,000	1.03%
Mr Travis Taylor	500,000	1.03%
	<b>48,500,000</b>	<b>100.00%</b>

**TWENTY LARGEST HOLDERS OF CONVERTIBLE NOTES**

	<b>Number of Notes</b>	<b>Percentage of Total</b>
Bayonet Investments Pty Ltd	160	35.71%
First Distribution Services Ltd	72	16.07%
Acp Investments Pty Ltd	60	13.39%
Fortview Capital Management Pty Ltd	60	13.39%
Mr David Eric Bartley	24	5.36%
Bentley Solutions Limited	24	5.36%
Marsden Resources Limited	24	5.36%
Terasse (WA) Pty Ltd	24	5.36%
	<b>448</b>	<b>100.00%</b>

**TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 MAY 2010**

	<b>Number of Options</b>	<b>Percentage of Total</b>
John Corr	10,000,000	100.00%
	<b>10,000,000</b>	<b>100.00%</b>



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## ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005

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### REGISTERED OFFICE OF THE COMPANY

Level 1  
45 Ventnor Ave  
West Perth WA 6005

Tel: +61 (8) 9321 8866  
Fax: +61 (8) 9321 0361

### STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares on the Australian Stock Exchange Ltd. The State Office of the Australian Stock Exchange Ltd in Perth, Western Australia has been designated the Home Branch of Sundance Resources Ltd.

The ordinary shares of Sundance Resources Ltd are also traded on the over-the-counter market in Berlin, Frankfurt and Hamburg.

There are no current on-market buy-back arrangements for the Company.

### PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

#### INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a board, for the benefit of all the company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

Given the size and structure of the company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the company does not strictly comply.

The following section addresses the company's practices in complying with the principles.

#### PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

##### *Role and Responsibilities of the Board*

The board exists to lead and oversee the management and direction of the company.

After appropriate consultation with executive management the board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;

### SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000  
Fax: +61 (8) 9323 2033

### COMPANY SECRETARY

The name of the company secretary is Jack Hugh Toby.

### TAXATION STATUS

Sundance Resources Ltd is taxed as a public company.



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## ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005

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- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

### PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

#### *Composition of the Board*

The names of the directors of the company and their qualifications are: set out in the section headed Directors' Report.

The composition of the board is determined so as to provide the company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the company.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the company;
- has not within the last 3 years been employed in an executive capacity by the company or another group member or been a director after ceasing to hold such employment;
- is not a principal of a professional adviser to the company or another group member;
- is not a significant supplier or customer of the company or another group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the company or any other group member other than as a director 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.

None of the current board members meet these criteria. Mr Kim Gardner and Mr Patrick Elliott met the criteria until their resignations as directors. Mr Kim Gardner resigned as a director on 30 November 2004 and Mr Patrick Elliott resigned as a director on 22 February 2005.

#### *Nomination of Other Board Members*

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the board in light of the nature of the company's businesses and its objectives. The board does not believe that at this point in the company's development it is necessary to appoint additional directors.

#### *Independent Advice*

Each of the directors is entitled to seek independent advice at the company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.



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## ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005

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### PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Directors, officers, employees and consultants to the company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the company and they are required to maintain a reputation of integrity on the part of both the company and themselves. The company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to 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 or the interests of any other party in so far as it affects the activities of the company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the company. That is information which a reasonable person would expect to have a material affect on the price or value of the company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the company secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

### PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

No audit committee has been established. The two executive directors play an active role in monitoring the daily affairs of the company. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each board member has access to the external auditors and the auditor has access to each board member.

A director does make a statement to the shareholders that the company's financial reports present a true and fair view in all material respects of the company's financial condition and operational results and are in accordance with relevant accounting standards.

### PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The company secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

### PRINCIPLE 6: RESPECTING THE RIGHTS OF SHAREHOLDERS

The board's fundamental responsibility to shareholders is to work towards meeting the company's objectives so as to add value for them.

The board seeks to inform shareholders of all major developments affecting the company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- hosting all of the above on the company's website;



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## ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005

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- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the company who is invited to the Annual General Meeting.

### PRINCIPLE 7: RECOGNISING AND MANAGING RISK

The board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the company.

As an ordinary part of the company's business involves holding assets in a country where sovereign risk is considered higher than in Australia, the directors are sensitive to the need for risk management. The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The company identifies and manages those risks on a case by case and overall corporate basis.

### PRINCIPLE 8: ENCOURAGING ENHANCED PERFORMANCE

The board regularly discusses and reviews its performance. The board also discusses with each director their requirements, performances and aspects of involvement in the company.

### PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee. There is commentary on directors remuneration in the section headed Directors' Report.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

Each member of the board has committed to spending sufficient time to enable them to carry out their duties as a director of the company.

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

### PRINCIPLE 10: RECOGNISING THE LEGITIMATE INTERESTS OF STAKEHOLDERS

The company recognises its responsibilities extend beyond its shareholders to clients, customers, consumers and regulators. The company is committed to providing an adequate level of detail for the benefit of all stakeholders, the accuracy in that detail, and to meeting principles of equity and fairness in all of its dealings.




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**ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005**

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**TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)**

"RECOMMENDATION" REF (“PRINCIPLE NO” REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
1.1	There was no formalisation and disclosure of separate functions between the board and management during the reporting period.	Throughout the reporting period the board consisted of between one and two non-executive and between two and three executive directors. The executive directors were involved in the overall management of the company. The practices followed were compatible with the Principle.
2.1	None of the current board members meet the criteria.	Given the nature and size of the company, its business interests and the stage of development, the board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.
2.2	Mr John Corr was appointed Chairman of the Board on 10 February 2005. Mr Corr is an executive director.	
2.3	Mr John Corr was appointed Chairman of the Board on 10 February 2005. Mr Corr is an executive director.	
2.4	A separate Nomination Committee has not been formed.	The board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
3.1	No formal code of conduct has been established as to practices necessary to maintain confidence in the company’s integrity or as to reporting and investigating unethical practices.	The board and management consists of appropriately qualified and experienced members. It is not considered that a code of conduct or reporting guide is yet necessary. The principles are followed.




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**ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005**

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"RECOMMENDATION" REF ( "PRINCIPLE NO" REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
3.2	No formal policy concerning trading in the company securities by directors, officers or employees has been disclosed.	Although there was no written policy there is a clear understanding as to when trading is inappropriate.
4.1	The chief executive officer and the chief financial officer did not make any written representations to the Board on the company's financial reports.	Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that such procedures be formalised.
4.2, 4.3 and 4.4	No formal audit committee has been established or formal charter drawn	Given the size and nature of the company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
5.1	No written policy and procedure exists to ensure compliance with ASX Listing Rules disclosure requirements are met at senior management level.	The board and management consists of appropriately qualified and experienced members and the board does not consider that a written policy is at this time required. However, The Board's practice is to comply strictly with ASX Listing Rules and disclosure requirements and whenever in doubt, contact has been made promptly with the ASX seeking advice.
6.1	The company has no formal communication strategy in place for the benefit of its shareholders.	The board is very conscious of the need to continually keep shareholders and markets advised. The development and regular update of the company's web-page provides a continuous communication channel which ensures shareholders and the markets are adequately informed about its activities results.




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**ADDITIONAL INFORMATION AS AT 20 SEPTEMBER 2005**

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"RECOMMENDATION" REF ( "PRINCIPLE NO" REF FOLLOWED BY RECOMMENDATION REF)	DEPARTURE	EXPLANATION
7.1 and 7.2	There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the board concerning those matters.	Given the nature and size of the company, its business interests and the involvement of all directors it is not considered necessary to establish this practice at this time, however the principles are adopted in circumstances where an event or issue is deemed to require it.
8.1	There has been no formal disclosure of the process for performance evaluation of the board, committees, individual directors and key executives. No formal review has been undertaken.	Given the size of the company and the involvement of all directors a policy has not been required to date. The directors continually monitor, review and discuss performance and implement changes as necessary.
9.1	The company has not disclosed remuneration policies.	Given the size and nature of the company, its business interests, remuneration and other benefits paid to its directors, the board does not consider it yet to be necessary to formulate the policies. At the appropriate time the board will take independent advice.
9.2	No formal remuneration committee has been established.	Given the explanation above it is not considered necessary to establish a remuneration committee.
10.1	There has been no disclosure of a code of conduct to deal with compliance for legal or other obligations to legitimate stakeholders.	The business practices adopted by the board recognise this principle but no formal code has been drawn-up or approved.