

# *DMC Mining Limited*

(ACN 121 513 620)

## *Annual Financial Report*

---

*For the period ended  
30 June 2007*

---

**CONTENTS**

<i>Corporate Directory</i>	<i>1</i>
<i>Directors' Report</i>	<i>2</i>
<i>Auditor Independence Statement</i>	<i>10</i>
<i>Income Statement</i>	<i>11</i>
<i>Balance Sheet</i>	<i>12</i>
<i>Statement Of Changes in Equity</i>	<i>13</i>
<i>Cash Flow Statement</i>	<i>14</i>
<i>Notes to the Financial Statements</i>	<i>15</i>
<i>Directors' Declaration</i>	<i>32</i>
<i>Independent Audit Report To The Members Of DMC Mining Limited</i>	<i>33</i>
<i>Additional Shareholder Information</i>	<i>35</i>
<i>Corporate Governance</i>	<i>38</i>
<i>Schedule of Mineral Tenements</i>	<i>44</i>

**CORPORATE DIRECTORY**

**EXECUTIVE DIRECTOR**

David Sumich

**NON-EXECUTIVE TECHNICAL DIRECTOR**

William Witham

**NON-EXECUTIVE DIRECTOR**

Bruce Franzen

**COMPANY SECRETARY**

Bruce Franzen

**PRINCIPAL & REGISTERED OFFICE**

Suite 2, Ground Floor

16 Ord Street

WEST PERTH WA 6005

Telephone: (08) 9486 1909

Facsimile: (08) 9486 1718

**AUDITORS**

Rix Levy Fowler

Level 1, 12 King's Park Road

WEST PERTH WA 6005

**SHARE REGISTRAR**

Security Transfers Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

**STOCK EXCHANGE LISTING**

Australian Stock Exchange

(Home Exchange: Perth, Western Australia)

Code: DMM, DMMO

**BANKERS**

ANZ Bank

1275 Hay Street

WEST PERTH WA 6005

## ***DIRECTOR'S REPORT***

The directors of DMC Mining Limited submit herewith the financial report of the company for the financial period ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### **1. DIRECTORS**

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

David Sumich	Executive Director
William Witham	Non-Executive Technical Director (appointed 1 December 2006)
Henry Holland	Non-Executive Director (resigned 1 December 2006)
Bruce Franzen	Non-Executive Director

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

<b>David Sumich</b>	Executive Director
Qualifications	B.Bus(Hons) MAICD
Experience	David brings to DMC over 10 years of experience in the investment banking and corporate finance fields. He worked for Merrill Lynch during the early 90's where he worked in the International Private Banking division and assisted many small companies through to ASX listing. More recently, David has worked in the Middle East including HSBC, advising many resource and energy corporations throughout the Middle East and Africa on project finance, mergers & acquisitions and financing solutions. David has also worked in Hong Kong for a venture capitalist and asset management firm and became a member of the Hong Kong Securities and Futures Commission.
	David is also the Chairman of ASX listed company, Globe Uranium Limited
Interest in Shares	5,983,400 Fully paid Ordinary Shares 2,991,700 20 cent options exercisable on or before 30 June 2009

**DIRECTOR'S REPORT (Continued)**

<b>William Witham</b>	Non Executive Technical Director
Qualifications	BSc(Hons)
Experience	With an Honours degree in Science (Geology) from UWA, and having 19 years experience in the fields of exploration, management, investing and regional development, Mr Bill Witham has an in-depth understanding of the ways in which industry, government and financial markets operate. Mr Witham has worked in many countries, with extensive experience in mineral and oil and gas exploration, management, government relations and corporate finance. He currently works for the Goldfields Esperance Development Commission. Bill currently is Managing Director of Whinnen Resources Ltd and Non Executive Director of Windy Knob Resources Ltd.
Interest in Shares	250,000 Fully Paid Ordinary Shares 125,000 20 cent options exercisable on or before 30 June 2009
<b>Bruce Franzen</b>	Non-Executive Director
Qualifications	B.Bus CPA FFin
Experience	Bruce is a certified practising accountant with over sixteen year's local and international experience in the resources industry. An oil & gas specialist with broad skill sets based around commercial and financial administration, ERP systems, team leadership, project & JV management, contracts & procurement, taxation, corporate governance, and financial reporting. Bruce has substantial experience in financial control related to offshore oil & gas drilling, exploration, and development of large scale capital resource projects. Bruce has worked for large companies such as Woodside Energy, Inpex and Origin Energy. Bruce is currently Company Secretary of Globe Uranium Limited.
Interest in Shares	350,000 Fully Paid Ordinary Shares 175,000 20 cent options exercisable on or before 30 June 2009

**Directorships of other listed companies**

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial period are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of directorship</b>
David Sumich	Globe Uranium Limited	Appointed 23 May 2005
William Witham	Whinnen Resources Ltd	Appointed 18 January 2007
William Witham	Windy Knob Resources Ltd	Appointed 13 October 2006

## ***DIRECTOR'S REPORT (Continued)***

### ***COMPANY SECRETARY***

The following persons have held the position of company secretary during or at the end of the financial period:

Henry Holland (resigned 26 February 2007)

George Lazarou (appointed 26 February 2007, resigned 18 July 2007)

Bruce Franzen (appointed 18 July 2007)

### ***2. PRINCIPAL ACTIVITIES***

The principal activity of the Company during the financial period was identification and acquisition of mineral exploration projects for the purposes of completing an IPO for listing on the ASX.

### ***3. RESULTS***

The operating loss of the company after providing for income tax amounted to \$16,455

### ***4. REVIEW OF OPERATIONS***

#### **Summary**

As a newly-incorporated entity, DMC Mining has made substantial progress on a number of fronts over the course of the financial period.

#### **Corporate**

The Company was incorporated on 31 August 2006.

On 24 May 2007, the Company lodged a Prospectus with ASIC inviting shareholders to apply for 11,000,000 shares at an issue price of 20 cents per share to raise \$2,200,000 before expenses of the offer. Subscription lists opened for applications on 1 June, 2007, and closing date for applications was 29 June, 2007.

At 30 June 2007, the Company had closed the offer which was oversubscribed and was finalising completion of the IPO process.

#### **Management**

During the year, the Board appointed Directors which they consider to have the prerequisite skills and experience to manage the company and add value to shareholders.

#### **Operations**

##### *Australia*

- DMC Mining has entered into an option and farm in agreement to earn up to an 80% economic interest in the Tumut Base metals Project (EL 6647), located in the Southern Highlands Region of New South Wales, from Kingsreef Pty Ltd in January 2007.
- A further project, Capricorn (EL08/1598), was acquired as part of a sale agreement dated February 2007 for a 100% economic interest, located in the Pilbara region of Western Australia, from Messrs. Smith, McMillen, and Martin.

**DIRECTOR'S REPORT (Continued)****5. FINANCIAL POSITION**

The Company successfully listed on the Australian Stock Exchange on the 18 July 2007 raising \$2.2 million through the issue of 11,000,000 fully paid shares as detailed in the prospectus dated 24 May 2007.

The Directors believe that the Company will have sufficient capital to effectively explore its current landholdings.

**6. BUSINESS STRATEGIES AND PROSPECTS FOR THE FORTHCOMING YEAR**

DMC Mining Limited is an Australian-based exploration company established to explore for and develop base metal resources in both New South Wales and Western Australia.

The Company is confident that the combination of its management team's expertise, the existing portfolio of projects, management's ability to source and review new projects and the continued buoyant commodity prices all bode well for the Company in the forthcoming year.

**7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company which occurred during the financial period.

**8. SUBSEQUENT EVENTS**

On July 18, 2007 the Company successfully listed on the Australian Stock Exchange raising \$2.2 million in the process, at an issue price of 20 cents per share.

On August 28, 2007 as disclosed in the Company's Prospectus dated 24 May 2007, the Directors have resolved that the Company will make a pro rata non-renounceable offer of up to 13,225,000 options at an issue price of one cent per option to acquire fully paid ordinary shares in the Company.

**9. FUTURE DEVELOPMENTS**

The Company will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

**10. ENVIRONMENTAL ISSUES**

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

**11. DIVIDENDS PAID OR RECOMMENDED**

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

**12. REMUNERATION REPORT****Remuneration policy**

The remuneration policy of DMC Mining Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific long-term incentives based on key performance areas affecting the company's financial results. The board of DMC Mining Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the company.

## ***DIRECTOR'S REPORT (Continued)***

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

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

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

All remuneration paid to directors and executives is independently valued by corporate advisers at the cost to the company and expensed. Options are valued using the Black-Scholes method.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$150,000). Fees for directors are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

### **Performance based remuneration**

The company has no performance based remuneration component built into director and executive remuneration packages.

### **Company performance, shareholder wealth and director's and executive's remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this may be facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The company believes the policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer note 4 of the financial statements.

### **Employment contracts of key management personnel**

For details of service agreements between key management personnel and DMC Mining Limited, refer note 4 of the financial statements.

**DIRECTOR'S REPORT (Continued)**  
**Compensation of key management personnel for the period ended 30 June 2007**

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL
	Salary & Fees	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits	Equity	Options	
<b>Directors</b>								
David Sumich – Executive Director								
2007	-	-	-	-	-	-	-	-
William Witham – Non-Executive Technical Director (appointed 1 December 2006)								
2007	-	-	-	-	-	-	-	-
Bruce Franzen – Non-Executive Director								
2007	-	-	-	-	-	-	-	-
Henry Holland – Non-Executive Director (resigned 1 December 2006)								
2007	-	-	-	-	-	-	-	-
<b>Total Remuneration Directors</b>								
2007	-	-	-	-	-	-	-	-
<b>Specified Executives</b>								
Bruce Franzen – Company Secretary (appointed 18 July 2007)								
2007	-	-	-	-	-	-	-	-
George Lazarou – Company Secretary (appointed 26 February 2007, resigned 18 July 2007)								
2007	16,627(i)	-	-	-	-	-	-	16,627
Henry Holland – Company Secretary (resigned 26 February 2007)								
2007	-	-	-	-	-	-	-	-
<b>Total Remuneration Specified Executives</b>								
2007	16,627	-	-	-	-	-	-	16,627

- (i) An aggregate amount of \$16,627 was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Mr George Lazarou was a director, for the provision of IPO Management services to the Company.

**Compensation options granted during the period ended 30 June 2007**

No compensation options were granted during the period ended 30 June 2007.

**Performance income as a proportion of total income**

No performance based bonuses have been paid to key management personnel during the financial period.

**13. MEETINGS OF DIRECTORS**

Directors	Board of Directors	
	Held	Attended
David Sumich	8	8
William Witham	4	4
Henry Holland	4	4
Bruce Franzen	8	8

***DIRECTOR'S REPORT (Continued)******14. INDEMNIFYING OFFICERS***

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

***15. OPTIONS***

At the date of this report, there are no unissued ordinary shares of the Company under option.

***16. PROCEEDINGS ON BEHALF OF COMPANY***

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

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

***17. AUDITORS INDEPENDENCE DECLARATION***

The auditor's independence declaration is included on page 10 of the financial report.

**DIRECTOR'S REPORT (Continued)****18. NON AUDIT SERVICES**

The board of directors is satisfied that the provision of non-audit services performed during the period by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reason:

- The nature of the services provided do not compromise the general principles relating to auditors independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

An amount of \$7,000 paid to Rix Levy Fowler, for the preparation of an Investigating Accountant's Report, for inclusion in the Company's prospectus dated 24 May 2007. No other fees were paid or payable to the auditors for non-audit services performed during the period ended 30 June 2007.

Details of amounts paid or payable to the auditor for audit services provided during the period are outlined in note 8 to the financial statements.

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



Bruce Franzen  
Director

Dated this 12<sup>th</sup> day of October 2007



To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of DMC Mining Limited for the period ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

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

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

Yours faithfully

**RIX LEVY FOWLER**

**RIX LEVY FOWLER**  
Audit & Corporate Pty Ltd

DATED at PERTH this 18<sup>th</sup> day of October 2007

**CHRIS WATTS**  
Director

**INCOME STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2007**

	Note	Company 2007
		\$
Revenue from continuing activities	2	7,622
Administrative expense		(15,717)
Finance costs	3	(405)
Communications		(6,767)
Compliance and regulatory expenses		(205)
Occupancy expenses		(982)
		<hr/>
Loss before income tax expense		(16,455)
Income tax expense		-
		<hr/>
<b>Loss for period</b>		<b>(16,455)</b>
		<hr/> <hr/>
Basic loss per share (cents per share)	19	0.15

*The accompanying notes form part of these financial statements.*

**BALANCE SHEET**  
**AS AT 30 JUNE 2007**

	Note	Company 2007
		\$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	10	2,896,195
Trade and other receivables	11	2,137
Other assets	12	87,460
<b>TOTAL CURRENT ASSETS</b>		<b>2,985,792</b>
<b>NON CURRENT ASSETS</b>		
Exploration assets	13	19,545
<b>TOTAL NON CURRENT ASSETS</b>		<b>19,545</b>
<b>TOTAL ASSETS</b>		<b>3,005,337</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	14	2,810,422
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,810,422</b>
<b>TOTAL LIABILITIES</b>		<b>2,810,422</b>
<b>NET ASSETS</b>		<b>194,915</b>
<b>EQUITY</b>		
Issued capital	15	211,370
Accumulated losses	16	(16,455)
<b>TOTAL EQUITY</b>		<b>194,915</b>

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD FROM 31 AUGUST 2006 TO 30 JUNE 2007**

	Note	Company 2007
		\$
<b>Total equity at the beginning of the period</b>		-
Loss for the year	16	(16,455)
Total recognised income and expense for the year attributable to members of DMC Mining Ltd		(16,455)
<b>Transactions with equity holders in their capacity as equity holders:</b>		
Shares issued during the year	15	211,370
		211,370
<b>Total equity at the end of the period</b>		<b>194,915</b>

*The accompanying notes form part of these financial statements.*

**CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 JUNE 2007**

	Note	Company 2007
		\$
<b>Cash Flows from Operating Activities</b>		
- Payments to suppliers and employees		12,007
- Interest received		3,880
<i>Net cash used in operating activities</i>	20(a)	15,887
<b>Cash Flows From Investing Activities</b>		
- Purchase of exploration assets		(19,545)
<i>Net cash used in investing activities</i>		(19,545)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares and options		211,370
Liability for application funds		2,772,200
Capital raising costs of shares and options		(83,717)
<i>Net cash provided by financing activities</i>		2,899,853
<b>Net increase in cash held</b>		2,896,195
<b>Cash and cash equivalents at beginning of financial period</b>		-
<b>Cash and cash equivalents at end of financial period</b>	20(b)	<b>2,896,195</b>

*The accompanying notes form part of these financial statements.*

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF ACCOUNTING POLICIES

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

The financial report covers the company of DMC Mining Limited. DMC Mining Limited is an unlisted public company, incorporated and domiciled in Australia.

No comparative balances have been stated as the Company was only incorporated on 31 August 2006, and this is the first year of accounts.

#### *Statement of compliance*

The financial report complies with all International Financial Reporting Standards in its entirety.

#### *Basis of Preparation*

The financial report has been prepared on an accruals basis and is based on historical costs, except for available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

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

#### (a) *Income Tax*

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**(b) Exploration and evaluation expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made.

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

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(c) Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

**Impairment**

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the recoverable amount, the assets or cash generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the income statement in the cost of sales line item.

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets vary from 20% to 40%.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(d) 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 in the Company 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 depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

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.

**(e) Earnings Per Share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

**(f) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

**Interest**

Revenue is recognised as the interest accrues.

**(g) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(h) Goods and Services Tax (GST)**

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(i) Impairment**

At each reporting date the Company assesses whether there is any indication whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the Company makes a formal estimate of recoverable amount. Where carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or Company assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(j) Investments**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

**(l) Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outlay of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(m) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

**(n) Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

**(o) Share-based payment transactions**

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (“equity-settled transaction”).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an independent valuation by corporate advisers using a Black-Scholes option pricing model.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

**(p) Issued capital**

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(q) Critical accounting judgements, estimates and assumptions**

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

*Exploration and evaluation costs*

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

	<b>Company 2007</b>
	\$
<b>2. REVENUE</b>	
Operating activities	
- Interest received from other persons	7,622
	<u>7,622</u>
<b>3. EXPENSES</b>	<b>Company 2007</b>
	\$
Loss from operations before income tax has been determined after following specific expenses:	
Finance costs	
- Bank charges	<u>405</u>
<b>4. KEY MANAGEMENT PERSONNEL DISCLOSURES</b>	

**(a) Details of key management personnel**

The following persons were specified directors of DMC Mining Limited during the financial period:-

David Sumich	Executive Director
William Witham	Non Executive Technical Director (appointed 1 December 2006)
Henry Holland	Non Executive Director (resigned 1 December 2006)
Bruce Franzen	Non Executive Director

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(b) Remuneration policy of key management personnel**

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

**Non Executive Directors**

The constitution of the Company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in a general meeting (currently \$150,000). The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The remuneration policy has been tailored to increase goal congruence between shareholders and directors. Currently, this is facilitated through the issue of free shares to directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing wealth.

**Directors fees**

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

**Service agreements**

Pursuant to an employment agreement, David Sumich is to provide his services as Executive Director of DMC Mining effective on and from listing on the ASX. He will be paid a salary of \$60,000 per annum plus superannuation.

**Retirement benefits**

Other retirement benefits may be provided directly by the Company if approved by shareholders.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(c) Compensation of key management personnel by individual**

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL
	Salary & Fees	Cash Bonus	Non-Monetary	Superannuation	Retirement Benefits	Equity	Options	\$
<b>Directors</b>								
David Sumich – Executive Director								
2007	-	-	-	-	-	-	-	-
William Witham – Non-Executive Technical Director (appointed 1 December 2006)								
2007	-	-	-	-	-	-	-	-
Bruce Franzen – Non-Executive Director								
2007	-	-	-	-	-	-	-	-
Henry Holland – Non-Executive Director (resigned 1 December 2006)								
2007	-	-	-	-	-	-	-	-
<b>Total Remuneration Directors</b>								
2007	-	-	-	-	-	-	-	-

**(d) Compensation options: Granted and vested during the year**

There was no compensation options issued to key management personnel in 2007.

**(e) Shares issued on exercise of compensation options**

There were no shares issued on exercise of compensation options during the period.

**(f) Option holdings of key management personnel**

There was no options held by key management personnel in 2007

**(g) Shareholdings of key management personnel****2007**

	Balance at beginning period	Granted as Remuneration	On Exercise of Options	Bought & (Sold)	Balance at 30.06.07
David Sumich	-	-	-	5,800,000	5,800,000
William Witham	-	-	-	250,000	250,000
Bruce Franzen	-	-	-	350,000	350,000
	-	-	-	6,400,000	6,400,000

**(h) Loans to key management personnel**

There were no loans made to key management personnel within the period.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(i) Other transactions and balances with key management personnel****Services**

Globe Uranium Limited, a company of which Mr David Sumich is a Director, charged \$6,090 for the provision of office facilities at arm's length to DMC Mining Limited during the month of June 2007.

**5. SHARE BASED PAYMENTS**

There were no options issued to key management personnel as part of their compensation under the company's Employee Share Option Plan.

**Options Exercised**

No options were exercised during the reporting period ended 30 June 2007.

**6. RELATED PARTY DISCLOSURES****(a) Key management personnel**

Disclosures relating to key management personnel are set out in note 4 and the Directors' Report

**7. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends were paid during the year. No recommendation for payment of dividends has been made.

**8. AUDITORS' REMUNERATION**

Remuneration of the auditor for:

- Auditing or reviewing the financial report
- Other services

<b>Company 2007</b>	<b>\$</b>
7,500	7,500
7,000	<u>7,000</u>
14,500	<u><u>14,500</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>Company 2007</b>
	<b>\$</b>
<b>9. INCOME TAX EXPENSE</b>	
a. The components of tax expense comprise:	
Current tax	-
Deferred tax	-
b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:	
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(4,937)
Add:	
Tax effect of:	
Other non-allowable items	360
Revenue losses not recognised	15,686
	<u>11,109</u>
Less:	
Tax Effect Of:	
Exploration and evaluation expenditure deductible for income tax purposes not recognised	(5,864)
Other deferred tax balances not recognised	(5,245)
	<u>(11,109)</u>
Income Tax	<u>-</u>
The applicable weighted average effective tax rates are as follows:	0%
c. The following deferred tax balances have not been recognised:	
Deferred Tax Assets:	
At 30%:	
Carry forward revenue losses	15,686
Capital raising costs	20,092
Property, plant & equipment	899
	<u>36,677</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities	
Exploration Expenditure	5,864
Other	1,122
	<u>6,986</u>

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

**10. CASH AND CASH EQUIVALENTS**

	<b>Company</b>
	<b>2007</b>
	<b>\$</b>
Cash at bank	2,896,195
	<u>2,896,195</u>

**11. TRADE AND OTHER RECEIVABLES****Current**

GST Receivable	2,137
	<u>2,137</u>

**12. OTHER ASSETS****Current**

Deferred Capital Raising Expenses	83,718
Accrued Interest	3,742
	<u>87,460</u>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****13. EXPLORATION AND EVALUATION EXPENDITURE**

Company

2007

\$

**Non-Current**

Costs carried forward in respect of areas of interest in:

Exploration and Evaluation phases – at cost	19,545
Consideration for the exploration assets acquired during the period - at cost	19,545
At reporting date	19,545

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

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

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

**14. TRADE AND OTHER PAYABLES****Current**

Trade creditors (unsecured)	9,660
Other creditors and accruals	28,562
Liability for application funds	2,772,200
	2,810,422

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****15. ISSUED CAPITAL**

	<b>Company</b>	
	<b>2007</b>	
	\$	Number
(a) Fully paid ordinary shares	211,370	14,800,000
	211,370	14,800,000
	211,370	14,800,000
<b>At beginning of reporting period</b>	-	-
<b>Movement during the period:</b>		
Shares to founding share holders at \$1.00 each	100	100
Promoter Shares at \$0.0001 each	1,270	12,699,900
Seed Capital at \$0.10 each	210,000	2,100,000
	211,370	14,800,000
	211,370	14,800,000

**(b) Terms of Ordinary Shares**

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

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

**16. ACCUMULATED LOSSES**

	<b>Company</b>
	<b>2007</b>
	\$
Accumulated losses at the beginning of the financial period	-
Net loss attributable to members	(16,455)
	(16,455)
Accumulated losses at the end of the financial period	(16,455)

**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**(a) Interest Rate Risk**

The company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The company does not have short or long term debt, and therefore this risk is minimal.

**(b) Credit Risk**

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

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

**18. FINANCIAL INSTRUMENTS****(a) Interest rate risk exposures**

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out in the following table:

2007	Floating interest rate \$	Fixed interest maturing in			Non-Interest bearing \$	Total \$
		1 year or less \$	over 1 year less than 5 \$	more than 5 years \$		
<b>Financial Assets</b>						
Cash at bank	2,896,195		-	-	-	2,896,195
Trade & other receivables	3,742	-	-	-	-	3,742
	<u>2,899,937</u>	-	-	-	-	<u>2,899,937</u>
Weighted Average Interest Rate	5.25%	-	-	-	-	
<b>Financial Liabilities</b>						
Trade & other creditors	-	-	-	-	(2,810,422)	(2,810,422)
	-	-	-	-	<u>(2,810,422)</u>	<u>(2,810,422)</u>
Weighted Average Interest Rate	-	-	-	-	-	

**(b) Financial assets**

Trade receivables from other entities are carried at nominal amounts less any provision for doubtful debts.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Other receivables are carried at nominal amounts due. Interest is taken up as income on an accruals basis.

**(c) Financial liabilities**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company.

**(d) Equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

**(e) Credit risk exposures**

The credit risk on financial assets of the company has been recognised on the statement of financial position and is generally the carrying amount net of any provisions for doubtful debts.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

**(f) Net fair value of financial assets and liabilities**

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

**Company  
2007**

\$

**19. EARNINGS PER SHARE**

(a) Loss used in the calculation of basic earnings per share	(16,455)
	<i>Number of Shares</i>
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	10,863,717

**Company  
2007**

\$

**20. CASH FLOW INFORMATION****(a) Reconciliation of cash flow from operations with loss after tax**

- Loss after income tax	(16,455)
-------------------------	----------

**Changes in assets and liabilities**

- Increase in receivables and prepayments	(5,880)
- Increase in trade and other creditors and accruals	38,222
<b>Net cash outflows from Operating Activities</b>	<b>15,887</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(b) Reconciliation of cash and cash equivalents**

Cash and cash equivalents comprises:

- cash at bank in hand

2,896,195

2,896,195**(c) Non-cash financing and investing activities**

The Company did not undertake any non cash financing and investing activities during the period.

**(d) Credit Standby Arrangements with Banks**

There was a no bank overdraft facility as at 30 June 2007.

**21. COMMITMENTS****(a) Exploration commitments**

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

	<b>Company 2007</b>
	\$
Not longer than one year	174,500
Longer than one year, but not longer than five years	<u>367,371</u>
	<u>541,841</u>

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

**(b) Lease expenditure commitments**

The Company utilises on commercial terms shared office facilities on a periodic basis with Globe Uranium Limited at its offices in West Perth.

**22. SEGMENT INFORMATION**

The Company operated predominantly in one geographical segment, being Western Australia, and in one industry, minerals mining and exploration.

**23. EVENTS SUBSEQUENT TO REPORTING DATE**

On July 18, 2007 the Company successfully listed on the Australian Stock Exchange raising \$2.2 million in the process, at an issue price of 20 cents per share.

On August 28, 2007 as disclosed in the Company's Prospectus dated 24 May 2007, the Directors have resolved that the Company will make a pro rata non-renounceable offer of up to 13,225,000 options at an issue price of one cent per option to acquire fully paid ordinary shares in the Company

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. CONTINGENT LIABILITIES**

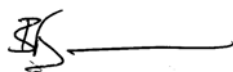
In the opinion of the directors there were no contingent liabilities at 30 June 2007, and the interval between 30 June 2007 and the date of this report.

***DIRECTOR'S DECLARATION***

The directors of DMC Mining Limited declare that:

1. the financial statements and notes, as set out on pages 11 to 31 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the period ended on that date of the company;
2. 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 and is signed for and on behalf of the directors by:



---

Bruce Franzen  
Director

Dated 12<sup>th</sup> day of October 2007



## **Independent Audit Report**

### **To the Members of DMC Mining Limited**

We have audited the accompanying financial report of DMC Mining Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

### **Directors Responsibility for the Financial Report**

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

## **Independent Auditor's Report**

To the Members of DMC Mining Limited (Continued)

---

### **Independence**

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

### **Auditor's Opinion**

In our opinion:

- a. the financial report of DMC Mining Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**RIX LEVY FOWLER**

**RIX LEVY FOWLER**  
**Audit & Corporate Pty Ltd**



**CHRIS WATTS.**  
**Director**

DATED at PERTH this 18<sup>th</sup> day of October 2007

## ADDITIONAL SHAREHOLDER INFORMATION

### Shareholding

The distribution of members and their holdings of equity securities in the company as at 9 October 2007 was as follows:

Number Held as at 9 October 2007	Class of Equity Securities Fully Paid Ordinary Shares
1-1,000	-
1,001 - 5,000	29
5,001 – 10,000	114
10,001 - 100,000	239
100,001 and over	42
<b>TOTALS</b>	<b>424</b>

Holders of less than a marketable parcel: - fully paid shares 3

### Substantial Shareholders

The names of the substantial shareholders listed in the Company's register as at 9 October 2007

Shareholder	Number
Ekul Nominees Pty Ltd	5,800,000
Julie Morris	1,800,000
Komariyah Jacklin	1,460,000

### Unquoted Securities

The Company has issued the following unquoted securities:

Class of Equity Security	Number	Number of Security Holders
Ordinary Fully Paid	14,400,000	40

### Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing To Be Restricted Securities
Ordinary Fully Paid	725,000	12 March 2008
Ordinary Fully Paid	650,000	13 July 2008
Ordinary Fully Paid	13,025,000	13 July 2009

### Voting Rights

#### Ordinary Shares

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

**ADDITIONAL INFORMATION (Continued)****Twenty Largest Shareholders**

The names of the twenty largest ordinary fully paid shareholders as at 9 October 2007 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	Held of Issued Ordinary Capital
Ekul Nominees Pty Ltd	5,800,000	21.93
Julie Morris	1,800,000	6.81
Komariyah Jacklin	1,460,000	5.52
Patrick Walker	820,067	3.10
Kingsreef Pty Ltd	500,000	1.89
Concept Development Enterprises Pty Ltd	403,235	1.52
Vivienne Franzen	350,000	1.32
Gulf Consultancy Corporation Pty Ltd	305,000	1.15
Murray Broun	270,000	1.02
Australian Renewable Energy Pty Ltd	250,000	0.95
Paul Brown	250,000	0.95
Kefelari Pty Ltd	250,000	0.95
Yew-Kang Ng	250,000	0.95
Bessarlie Pty Ltd	210,000	0.79
Gene Research Pty Ltd	200,000	0.76
Angelo Tinelli	200,000	0.76
Anthony Denicola	200,000	0.76
Anthony & KI Keller	200,000	0.76
CDC Australia Pty Ltd	200,000	0.76
Reseda Holdings Pty Ltd	195,000	0.74
<b>TOTAL</b>	<b>14,113,302</b>	<b>53.39</b>

**Option Holdings**

The distribution of members and their holdings of equity securities in the company as at 9 October 2007 was as follows:

Number Held as at 9 October 2007	Class of Equity Securities
	\$0.20 Options, expiring 30 June 2009
1-1,000	4
1,001 - 5,000	100
5,001 – 10,000	76
10,001 - 100,000	149
100,001 and over	17
<b>TOTALS</b>	<b>346</b>

**ADDITIONAL INFORMATION (Continued)****Twenty Largest Option holders**

The names of the twenty largest option holders as at 9 October 2007 are as follows:

Name	Number of Ordinary Fully Paid Shares Held	Held of Issued Ordinary Capital
Ekul Nominees Pty Ltd	2,900,000	21.93
Julie Morris	900,000	6.81
Komariyah Jacklin	730,000	5.52
Paul Brown	521,284	3.94
Patrick Walker	410,033	3.10
Penelope Zuppar	278,141	2.10
Kingsreef Pty Ltd	250,000	1.89
Concept Development Enterprises Pty Ltd	201,617	1.52
Resource Data Mining Pty Ltd	198,142	1.50
Vivienne Franzen	175,000	1.32
Davtin Pty Ltd	154,250	1.17
Gulf Consultancy Corporation Pty Ltd	152,500	1.15
Murray Broun	135,000	1.02
Australian Renewable Energy Pty Ltd	125,000	0.95
Kefelari Pty Ltd	125,000	0.95
Yew-Kang Ng	125,000	0.95
Bessarlie Pty Ltd	105,000	0.79
George Atkinson	102,000	0.77
Gene Research Pty Ltd	100,000	0.76
Angelo Tinelli	100,000	0.76
<b>TOTAL</b>	<b>7,787,967</b>	<b>58.90</b>

## CORPORATE GOVERNANCE

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

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

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at [http://www.asx.com.au/about/CorporateGovernance\\_AA2.shtm](http://www.asx.com.au/about/CorporateGovernance_AA2.shtm)

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

### 1. Board of Directors

## **CORPORATE GOVERNANCE (Continued)**

### *1.1 Role of the Board*

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

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

### *1.2 Composition of the Board*

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr William Witham and Mr Bruce Franzen are Non-Executive Directors and are both independent directors as they meet the following criteria for independence adopted by the Company:

An Independent Director is a Non-Executive Director and:

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

Mr David Sumich is the Managing Director of the Company and does not meet the Company's criteria for independence.

### *1.3 Responsibilities of the Board*

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

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

- **Leadership of the Organisation:** overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- **Strategy Formulation:** to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- **Overseeing Planning Activities:** the development of the Company's strategic plan.
- **Shareholder Liaison:** ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.

## **CORPORATE GOVERNANCE (Continued)**

- **Monitoring, Compliance and Risk Management:** the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- **Company Finances:** approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- **Human Resources:** appointing, and, where appropriate, removing the Chief Executive Officer or Managing Director (CEO / MD) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- **Ensuring the Health, Safety and Well-Being of Employees:** in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- **Delegation of Authority:** delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

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

### **1.4 Board Policies**

#### **1.4.1 Conflicts of Interest**

Directors must:

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

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

#### **1.4.2 Commitments**

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

#### **1.4.3 Confidentiality**

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

#### **1.4.4 Continuous Disclosure**

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

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

#### **1.4.5 Education and Induction**

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

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;

## **CORPORATE GOVERNANCE (Continued)**

- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

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

### *1.4.6 Independent Professional Advice*

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

### *1.4.7 Related Party Transactions*

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

### *1.4.8 Shareholder Communication*

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

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

### *1.4.9 Trading in Company Shares*

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

### *1.4.10 Performance Review/Evaluation*

It is the policy of the Board to conduct evaluation of its performance. The evaluation process was introduced via the Board Charter adopted on 30 September 2005 and will be implemented for the financial period ended 30 June 2007. The objective of this evaluation will be to provide best practice corporate governance to the Company.

### *1.4.11 Attestations by CEO and CFO*

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

## **2. Board Committees**

### *2.1 Audit Committee*

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

## **CORPORATE GOVERNANCE (Continued)**

### **2.1.1 Role**

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

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

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

### **2.1.2 Responsibilities**

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

### **2.1.3 Risk Management Policies**

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consists of three (3) members, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

## **2.2 Remuneration Committee**

### **2.2.1 Role**

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

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

### **2.2.2 Responsibilities**

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

### **2.2.3 Remuneration Policy<sup>i</sup>**

Directors' Remuneration for directors was approved at a Board meeting held on 16 March 2007.

#### **2.2.3.1 Senior Executive Remuneration Policy**

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

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;

## **CORPORATE GOVERNANCE (Continued)**

- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

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

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

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

### 2.2.3.2 Non-Executive Director Remuneration Policy

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

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

### *2.2.4 Current Director Remuneration*

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

## *2.3 Nomination Committee*

### *2.3.1 Role*

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

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

### *2.3.2 Responsibilities*

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

### *2.3.3 Criteria for selection of Directors*

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

## *3. Company Code Of Conduct*

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

**SCHEDULE OF MINERAL TENEMENTS**  
**AS AT 9 October 2007**

<i>Project</i>	<i>Tenement</i>		<i>Interest held by DMC Mining Limited</i>
Tumut (NSW – granted)	E6647		80%
Capricorn (WA – granted)	E08/1598		100%

P Prospecting Licence  
E Exploration Licence  
M Mining Licence  
Mining Licence

---