

Champion Resources Limited

(ABN 79 106 879 690)

Financial Report

For the year ended 30 June 2004

CHAMPION RESOURCES PTY LIMITED

ABN 79 106 879 690

DIRECTORS

Robert Marshall McLennan

Robert Edmund Coghill

Andrew Brydon Skinner

COMPANY SECRETARY

Robert Edmund Coghill

Andrew Brydon Skinner

REGISTERED OFFICE

2/212 New South Head Road

EDGECLIFF NSW 2027

CHAMPION RESOURCES PTY LIMITED

ABN 79 106 879 690

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DIRECTORS' REPORT

Your Directors submit their report for the period ended 30 June 2004.

NAMES OF DIRECTORS

The names and details of the directors of the company in office during the period since incorporation and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Robert Marshall McLennan, B.Sc. (Hons), M.Sc

Non Executive Director, Age 56.

Middle East and South East Asia. From 1982 to 1988 he was Exploration Manager for Nationwide Resources Pty. Ltd, an exploration group based in Sydney. He has been involved in the public floatation of three exploration mining companies. Expertise includes exploration and mining tenement acquisition, formulating exploration and mine feasibility programmes, negotiating with prospective joint venture partners, supervising and carrying out field and mine exploration. Director of Champion Mines Limited, Montane Mines Limited and Australian Pacific Mines Limited. Appointed 1 November 2003.

Mr Robert Edmund Coghill, M.Comm, CPA, FCIS, FTIA

Non Executive Director, age 56

Former seed shareholder and former director of the Equitilink Group of companies and has been involved in the listing of the mineral exploration companies Western Reefs Limited and Golden Deeps Limited. He has been involved in several IPOs and the commercialization of technologies including the Paracel Recompression Chamber for the US Navy. Director of Champion Mines Limited, Montane Mines Limited and Australian Pacific Mines Limited. Appointed company secretary and director 1 November 2003.

Mr Andrew Bryden Skinner, B.Comm, M.Comm, FTIA

Chairman

Independent Non Executive Director, age 44

Accountant practicing in the areas of taxation and superannuation. Experienced in providing advice on the establishment, planning for, and administration of small superannuation funds, pension planning, income tax and superannuation structuring, income tax and business structuring. Director of Champion Mines Limited, Montane Mines Limited and Australian Pacific Mines Limited. Appointed director 1 November 2003.

Mr R M McLennan and Mr R E Coghill are not independent directors as their companies Nationwide Mineral Consultants Pty Limited and Core Financial Services Pty Limited, respectively, have an agreement for a success fee to be paid in the event of the company achieving listing on the Australian Stock Exchange. The fee provides for a listing fee for services provided at the amount of \$50,000 for each company.

DIRECTORS MEETINGS

	Meetings Held	Meetings Attended
Mr R M McLennan	4	4
Mr R E Coghill	4	4
Mr A R Skinner	4	4

PRINCIPAL ACTIVITIES

The company was incorporated on 31 October 2003. The principal activities of the company is mineral exploration.

RESULTS

The result of operations, after applicable income tax, was a loss of \$4,200 (2003: N/A).

REVIEW OF OPERATIONS

During the period to 30 June 2004 the company applied for a number of mineral exploration prospects in the state of New South Wales. As at the date of this report the company had not been advised by the New South Wales department of Primary Industries as to the outcome of these applications.

DIVIDENDS

During the period to 30 June 2004 no dividend was paid.

The director do not foresee the payment of dividends in the current year.

LIKELY DEVELOPMENTS

The company expects that its mineral exploration permit applications will be granted in the first half of the 2005 financial year.

Subject to the satisfactory granting of the company's applications, the company intends to work towards identifying a commercially viable mineral resource in the prospects.

Signed in accordance with a resolution of the directors.



Robert Edmund Coghill (Director)

Sydney

29 September 2004

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Champion Resources Pty Limited I state that:

In the opinion of the Directors:

- (a) the financial statements and notes set out on pages 4 to 16 are 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 2004 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) subject to the continued support of the company's shareholders there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Robert Edmund Coghill (Director)

Sydney
24 September 2004

Statement of Financial Performance

For the year ended 30 June 2004

	Note	2004 \$	2003 \$
REVENUES FROM ORDINARY ACTIVITIES			
Expenses from ordinary activities, excluding borrowing costs	2	(4,200)	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE			
		(4,200)	-
Income tax expense relating to ordinary activities	3	-	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE			
	9	(4,200)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF CHAMPION RESOURCES PTY LIMITED			
		(4,200)	-
Basic earnings per ordinary share	15	(4.20) dollars	-
Diluted earnings per ordinary share	15	(4.20) dollars	-

The statement of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

For the year ended 30 June 2004

	Note	2004 \$	2003 \$
CURRENT ASSETS			
Cash assets	4	5,780	-
Other	5	20,175	-
TOTAL CURRENT ASSETS		<u>25,955</u>	<u>-</u>
NON CURRENT ASSETS			
Deferred exploration expenditure and licences	6	7,230	-
TOTAL NON CURRENT ASSETS		<u>7,230</u>	<u>-</u>
TOTAL ASSETS		<u>33,185</u>	<u>-</u>
CURRENT LIABILITIES			
Payables	7	36,385	-
TOTAL CURRENT LIABILITIES		<u>36,385</u>	<u>-</u>
TOTAL LIABILITIES		<u>36,385</u>	<u>-</u>
NET ASSETS		<u>(3,200)</u>	<u>-</u>
EQUITY			
Contributed equity	8	1,000	-
Retained profits	9	(4,200)	-
TOTAL EQUITY		<u>(3,200)</u>	<u>-</u>

The statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the year ended 30 June 2004

	Note	2004 \$	2003 \$
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,200)	-
NET OPERATING CASH FLOWS	10(b)	<u>(4,200)</u>	<u>-</u>
CASH FLOWS RELATED TO INVESTING ACTIVITIES			
Payments for exploration expenditure and licences		(7,230)	-
NET INVESTING CASH FLOWS		<u>(7,230)</u>	<u>-</u>
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
Proceeds of share issues		1,000	-
Payment of exploration application deposits		(20,175)	-
Loans from shareholders		36,385	-
NET FINANCING CASH FLOWS		<u>17,210</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH HELD		5,780	-
Cash at beginning of year		<u>-</u>	<u>-</u>
CASH AT END OF YEAR	10(a)	<u><u>5,780</u></u>	<u><u>-</u></u>

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes To The Financial Statements

For the year ended 30 June 2004

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial statements have been prepared in accordance with the historical cost convention.

The accounting policies adopted are consistent with those of the previous year unless otherwise specified.

(b) Mineral tenements, exploration and development expenditure

Cost and valuation

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. These costs are carried forward where right of tenure of the area is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest, or, where exploitation and evaluation activities in the area of interest are on going and have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each financial period and accumulated costs written off to the extent that they will no become recoverable in the future.

No amortisation is charged on costs carried forward in respect of areas of interest in the exploration and development phase.

(c) Recoverable Amount

The carrying value of non current assets does not exceed their recoverable amount. In determining recoverable amount the expected net cash flows have been discounted to their present value.

(d) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(e) Trade Receivables

Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Notes To The Financial Statements

For the year ended 30 June 2004

(f) Term Deposits and Commercial Bills

Short term deposits and commercial bills are stated at the lower of cost and net realisable value. Interest is recognised when earned.

(g) Trade Creditors, Accruals and Amounts Payable to Related Entities

Trade creditors, accruals and amounts payable to related entities are recognised for amounts to be paid in the future for goods and services already received, whether or not billed to the economic entity.

(h) Share Capital

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

(i) Revenue Recognition

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

Interest

Control of a right to receive interest arises.

(j) Income Tax

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

(k) 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.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Comparatives

Corresponding figures for the preceding year have, when necessary, been reclassified to facilitate comparison.

Notes To The Financial Statements

For the year ended 30 June 2004

(m) International Financial Reporting Standards

The company will be required to prepare financial statements using Australian Standards that comply with International Financial Reporting Standards and their related pronouncements (IFRS) when it reports for the year ended 30 June 2006.

Introduction of IFRS will result in the prior year comparatives for the year ended 30 June 2006 being restated to comply with IFRS.

The impact of IFRS on the accounts of the company has been considered and no material impact on shareholder equity, assets and liabilities, and Statement of Financial Performance is anticipated.

(n) Earnings per share

Basic earnings per shares ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary share for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(o) Going Concern

As at 30 June 2004, the Company's liabilities exceeded assets by \$3,200. This is due to subordinated loans provided by shareholders.

Notes To The Financial Statements
For the period ended 30 June 2004

	2004	2003
Note	\$	\$
NOTE 2 - LOSS FROM ORDINARY ACTIVITIES		
Loss from Ordinary Activities before income tax has been determined after:		
Exploration expenditure and licences	7,230	-
Incorporation Expenses	4,200	-
	<hr/>	<hr/>
Sub total	11,430	-
Less: Deffereal of exploration expenses and licences	(7,230)	-
	<hr/>	<hr/>
	4,200	-
	<hr/> <hr/>	<hr/> <hr/>
NOTE 3 - INCOME TAX EXPENSE		
The prima facie income tax payable on profit from ordinary activities income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on profit from ordinary activities before income tax at 30%	(1,260)	-
Less: Future tax asset not carried forward	1,260	-
Income tax expense attributable to profit from ordinary activities	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>
Tax Losses		
Future Income Tax benefits not brought to account, the benefits of which will only be received if the conditionis for deductibility set out in Note 1 (j) occur:	<hr/>	<hr/>
	1,260	-
	<hr/> <hr/>	<hr/> <hr/>

Notes To The Financial Statements
 For the period ended 30 June 2004

	Note	2004 \$	2003 \$
NOTE 4 - CASH ASSETS			
Cash at bank and on hand	10(a)	5,780	-
NOTE 5 - OTHER CURRENT ASSETS			
Deposit on exploration permits		20,175	-
		20,175	-
NOTE 6 - EXPLORATION EXPENDITURE			
Exploration Expenditure			
Costs carried forward in respect of areas of interest in - exploration phase		7,230	-
		7,230	-
Reconciliation			
Carrying amount at the beginning of the year		-	-
Additions		7,230	-
		7,230	-
NOTE 7 - PAYABLES - CURRENT			
Amounts due to related entities	14(c)	36,385	-
		36,385	-

Trade creditors are non interest bearing and generally settled on 30 day terms.

Notes To The Financial Statements

For the period ended 30 June 2004

	Note	2004 \$	2003 \$
NOTE 8 - CONTRIBUTED EQUITY			
Issued Capital			
Balance at the beginning of the year		-	-
Fully paid shares issued at \$1.00 each during the year		1,000	-
1,000 fully paid ordinary shares		<u>1,000</u>	<u>-</u>
At the end of the financial period the company had the following number of fully paid shares on issue.		<u>1,000</u>	<u>-</u>
Ordinary Shares participate in dividends and the proceeds on winding up at the company in proportion to the number of shares held.			
At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.			
NOTE 9 - RETAINED PROFITS			
Balance at the beginning of the year		-	-
Net profit after income tax		(4,200)	-
Balance at end of year		<u>(4,200)</u>	<u>-</u>
NOTE 10 - CASH FLOW			
(a) Reconciliation of cash			
Cash balance comprises:			
Cash at bank and on hand		5,780	-
		<u>5,780</u>	<u>-</u>
(b) Reconciliation of the operating profit after tax to the net cash flows from operations			
Profit from ordinary activities		(4,200)	-
Net operating cash flows		<u>(4,200)</u>	<u>-</u>

Notes To The Financial Statements

For the period ended 30 June 2004

	Note	2004 \$	2003 \$
NOTE 11 - FUNDING			
Bank Facilities			
The company does not have any bank loan facilities in place.			
Guarantees			
The company does not have any guarantees in place as at 30 June 2004.			
NOTE 12 - SEGMENT INFORMATION			
The company operates in Australia in the mineral exploration and development industry.			
NOTE 13 - REMUNERATION OF DIRECTORS			
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Champion Resources Pty Limited, directly or indirectly, from the entity or any related party.			
		-	-
Refer director agreements, note 16			
The number of directors and the amount of remuneration received or receivable for the provision of directorship services was in the following bands:			
\$0	-	\$9,999	
		3	0
NOTE 14 - RELATED PARTY DISCLOSURE			
(a) The directors of Champion Resources Pty Limited during the financial year ended 30 June 2004 were:			
<i>Robert Marshall McLennan</i>			
<i>Robert Edmund Coghill</i>			
<i>Andrew Robert Skinner</i>			
(b) Parent Entity			
There is no parent entity			
(c) Related Entities			
Interest free advance from shareholders repayable on demand to;			
- Investment and Super College Pty Limited			
		36,385	-
		36,385	-
(d) Nationwide Mineral Consultants Pty Limited holds 50% of the issued capital of the company			

Notes To The Financial Statements

For the period ended 30 June 2004

Note	2004 \$	2003 \$
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NOTE 16 - CONTINGENT LIABILITIES

In its application for exploration permits the company has undertaken to meet certain levels of exploration expenditure in future years amounting to \$1,305,500.

As the outcome of the applications are not yet known the company can not yet quantify its future obligations if any.

Director agreements

Agreements exist between Core Financial Services Pty Limited (Robert Coghill) and Nationwide Mineral Consultants Pty Limited (Robert McLennan) for a success fee to be paid in event of the company achieving listing on the Australian Stock Exchange. The fee provides for a listing fee for services provided since 1 November 2003 to the date of listing at \$50,000 for Nationwide Mineral Consultants Pty Limited and \$50,000 for Core Financial Services Pty Limited.

As the achievement of such a listing is uncertain no provision has yet been made in the financial statements.

NOTE 17 - EMPLOYEES - (Equivalent full-time)

The company had no employees as at 30 June 2004.

NOTE 18 - CORPORATE STRUCTURE

Champion Resources Pty Limited is a company limited by shares that is incorporated and domiciled in Australia.

INDEPENDENT AUDIT REPORT

To the members of Champion Resources Limited

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 set out on pages 3 to 15 for Champion Resources Limited, for the year ended 30 June 2004.

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 judgement, 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 financial position, and of its performance as represented by the results of its operations and cash flows.

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 Champion Resources 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 2004 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

other mandatory professional reporting requirements in Australia.

GOULD RALPH & COMPANY

Chartered Accountants



GREGORY C RALPH, M.Com. F.C.A.

Partner

Sydney, 29 September 2005



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