MOUNT BURGESS MINING N.L.
ACN: 009 067 476
Level 4, 109 St Georges Terrace, Perth, Western Australia, 6000
PO Box Z5301, St Georges Terrace, Perth, Western Australia, 6831
Telephone: (61 8) 9322 6311 Email: mtb@mountburgess.com
Facsimile: (61 8) 9322 4607 Website: www.mountburgess.com

Our Ref: ASX Announcement 20 September 2006

20 September 2006

The Australian Stock Exchange Limited
Company Announcements Office
10th Floor
20 Bond Street
Sydney NSW
Australia

Dear Sir,

We enclose herewith this Company's Financial Statements required to be lodged with the ASIC under Section 319 of the Corporations Law and hereby confirm that the documents include all of those documents required by Section 319 of the Corporations Law.

Yours faithfully,

Jan Forrester
Company Secretary

Company Particulars

Directors:	NIGEL RAYMOND FORRESTER, FCA
	RONALD WILLIAM O'REGAN
	MARTIN LINDSAY SPENCE BSc., Aus,IMM
	ALFRED PATRICK STIRLING, FCA
	GODFREY EDWARD TAYLOR, LL B
Joint Secretaries:	JAN FORRESTER
	DEAN ANGELO SCARPAROLO, CPA
Registered Office:	Level 4, 109 St. Georges Terrace, Perth, Western Australia, 6000.
	Telephone: +61 8 9322 6311 Facsimile: +61 8 9322 4607 Email: mtb@mountburgess.com Website: www.mountburgess.com
Share Registry:	Advanced Share Registry Services, 110 Stirling Highway, Nedlands, Western Australia, 6009. Telephone: +61 8 9389 8033 Facsimile: +61 8 9389 7871
Auditors:	Deloitte Touche Tohmatsu, Level 14 240 St Georges Terrace Perth, Western Australia, 6000.
Bankers:	Australia and New Zealand Banking Group Ltd, 77 St. Georges Terrace, Perth, Western Australia, 6000.

Mount Burgess Mining N.L. is a listed public company, incorporated in Australia.

Cover: Sphalerite (Zinc) and Galena (Lead) Mineralisation

Address by the Chairman

It is my pleasure to present to you this annual report for the year to the 30th of June 2006

Exploration funding during the year was applied mainly to the Company's adjoining projects in Namibia and Botswana, where the Company is exploring for diamonds and base metals respectively.

During the year significant numbers of very fresh kimberlitic garnets were recovered from a number of drill holes, drilled in the western area of the Company's exploration licences at Tsumkwe in Namibia. The fact that these garnets, which were recovered from the base of the Kalahari sand cover, show signs of little wear, indicates the probability that they have shed from a local kimberlite source. Accordingly the Company plans to conduct a ground gravity survey in this area in an effort to locate any kimberlites.

In neighbouring Botswana, the Company has concentrated on drilling the large 2.4 kilometre long zone of zinc, lead and silver mineralisation at Kihabe. Since September last year, the zinc price has risen significantly from around US$ 1,350 per tonne to over US$ 3,800 per tonne in May this year and is currently trading at around US$ 3,400 per tonne. With the indication of these metal price rises, the Company commissioned ProMet Engineers in September 2005 to conduct a scoping study on the Kihabe project. This study was completed in November 2005 and concluded that the Kihabe project had the potential to generate significant cash flows for the Company at prevailing metal prices. Consequently the Company commenced an infill drilling programme at Kihabe in late March this year, in order to upgrade this zone of mineralisation to a JORC compliant resource. Whilst the Company has experienced some delays in its initial schedule, it is endeavouring to maintain the objective of producing a pre-feasibility study on the project by the end of 2006 or early 2007. If this pre-feasibility study proves to be positive, the Company will proceed to a bankable feasibility to hopefully be completed in the second half of 2007.

At Telfer, in Australia, Barrick Gold of Australia Pty Ltd, completed the deep diamond core drilling programme at East Thompson's Dome and Tim's Dome, toward the end of last year and have now withdrawn from the joint venture. A number of other parties have expressed interest in forming a joint venture on this project.

I should like to thank all Members of our Staff and fellow Board Members for the significant support that they have all given to the Company during the year. The Company's operations in Africa require employees to be away from their families for significant periods of time, and because of the time difference, those in Australia are frequently called upon to work extended hours. For this, I am extremely grateful.

NIGEL FORRESTER
CHAIRMAN & MANAGING DIRECTOR

TELFER

Pilbara Mineral Field, Western Australia

The Company currently holds equity in 27 granted and pending mineral tenements covering approximately 250 square kilometres within a 10 to 40 kilometre radius of Newcrest Mining's Telfer gold mine.

Newcrest's Telfer mine has produced in excess of five million ounces of gold since 1977 and has a current quoted gold resource of 26.2 million ounces of gold, which includes a reserve of 18.4 million in-situ ounces.

During the year, Barrick Gold of Australia Limited withdrew from the joint venture on the Telfer tenements. As a consequence of Barrick's withdrawal, the Company is reviewing enquiries from other interested parties.

East Thompson's Dome and Tim's Dome

East Thompson's Dome and Tim's Dome are situated 10km north and 15km northwest of the Telfer gold mine, respectively. Historical drilling and geochemical test work have shown that the rock types, styles of mineralisation and alteration systems at both Tim's Dome and East Thompson's Dome are similar to those of the main Telfer Dome. Mineralisation in the Telfer district is mainly comprised of low-grade bulk tonnage sheeted vein and stock work quartz-pyrite-gold-copper and strata bound gold-copper systems.

TSUMKWE DIAMOND PROJECT

Namibia

The Tsumkwe diamond tenements consist of nine contiguous Exclusive Prospecting Licences (EPL's) covering an area of 7,800 sq. km. Seven of these EPL's are in Joint Venture with Kimberlite Resources (Pty) Ltd (10%) and the Company (90%), the remaining two tenements are owned 100% by the Company.

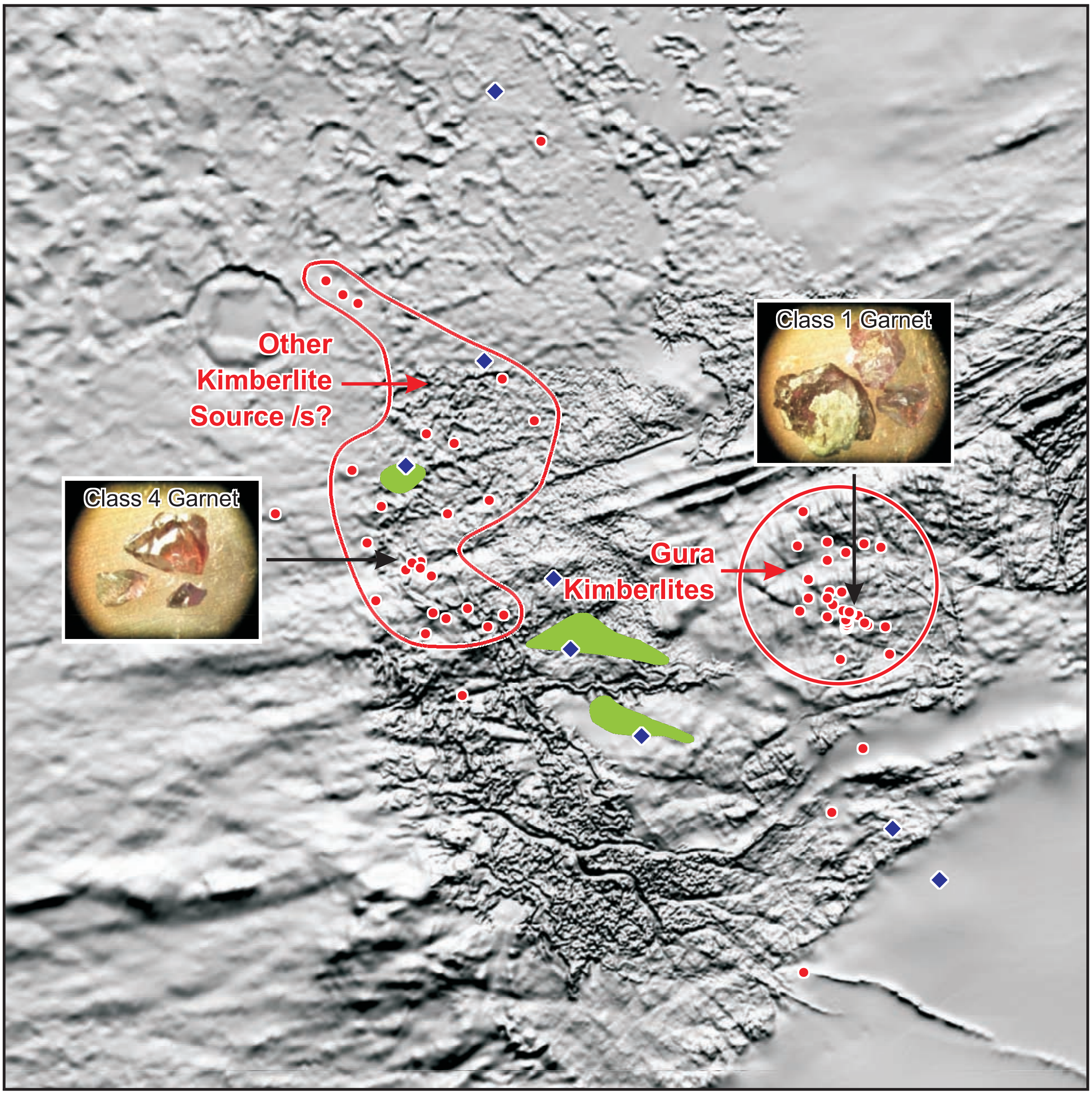
The project area is situated on the southern margin of the highly prospective Congo-Angolan Craton which is host to a number of recently discovered kimberlites in both Namibia and Botswana. To date these discoveries, including the three kimberlites discovered by the Company, are non-diamondiferous. However, the presence of macro-diamonds and associated G10 pyrope garnets from both drill spoil and surface sampling within the Company's tenure would indicate the presence of diamondiferous kimberlite(s). Refer to the map of the Tsumkwe Diamond Project outlining the Class 4 garnet clusters. The eastern cluster has shed from the Gura Kimberlites discovered by the Company. The western cluster indicates the high probability of another/other kimberlite/kimberlites some 30 to 50 kilometres west of the Gura kimberlites Class 4 garnets showing little signs of wear indicating that they have shed from a kimberlite source close by. The western Class 4 garnet cluster was generated from garnets that were recovered from drilling at the base of the Kalahari sand cover and is coincident with the recovery of a number of G10 garnets and macrodiamonds recovered in soil sampling.

The clustering is both east and west of a recent hinge line that marks the westward post-Karoo downwarping. This downwarp is significant as it represents an area of flexing or weakness, a recognised pathway for kimberlitic intrusives. Since the initiation of this downwarp and prior to it being covered by the recent sediments, its position would have migrated eastward as a consequence of erosion. Any kimberlitic grains would therefore have been transported west of their source position. Kimberlitic grains to the east of the downwarp should be closer to the source.

KIHABE BASE METALS PROJECT

Botswana

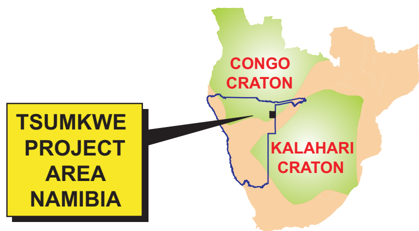
The Kihabe Base Metals Prospect is a stratiform sediment hosted medium/low grade, large tonnage polymetallic zone of mineralisation that is continuous over some 2.4km.



◆ Diamond
● Class 4 Garnet* from drilling
■ G10** Cluster from loam sampling

** Class 4 Pyrope Garnets are kimberlitic mineral grains without remnants of their original surface that do not show any signs of wear indicating that they are either on kimberlite or have travelled only a short distance from a kimberlite source.*

*** G10 (Group 10) garnets belong to Dawson and Stephens' (1975) diamond-inclusion garnet group. G10 garnets are similar to garnet inclusions often found within diamonds, indicating that G10 garnets are likely to be derived from deep-seated sources within the diamond stability field and have shed from a diamond bearing kimberlite.*

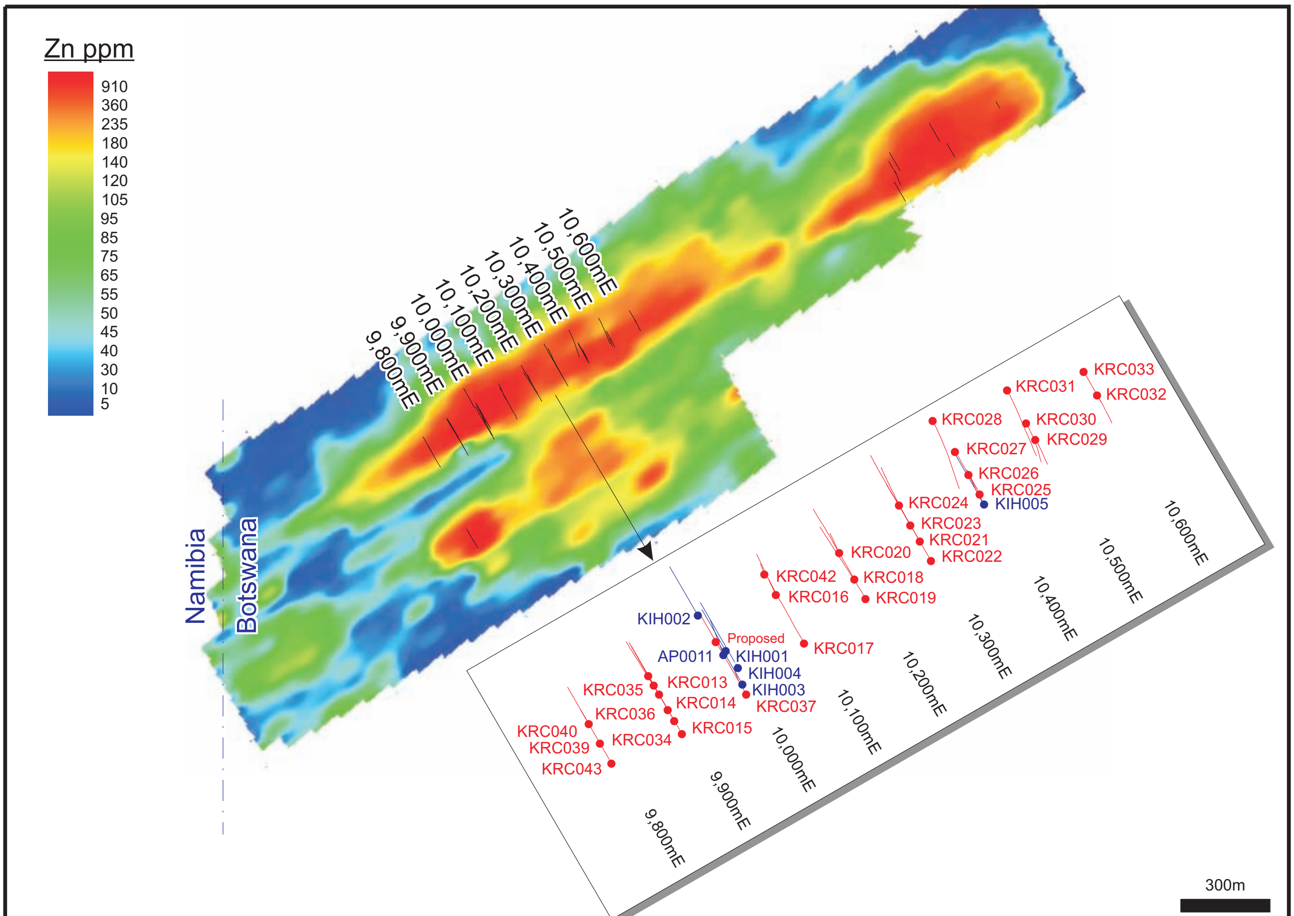


MOUNT BURGESS MINING N.L.

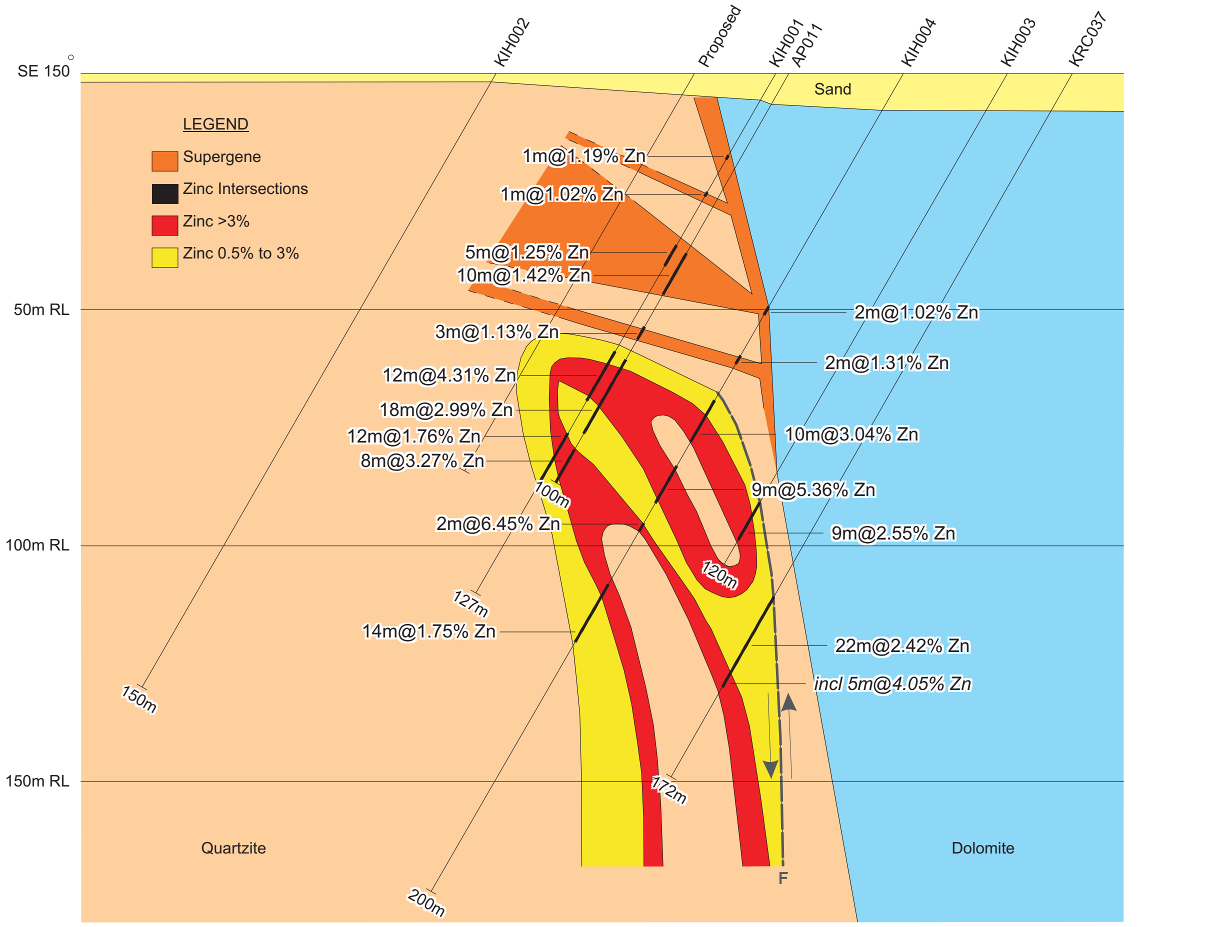
TSUMKWE DIAMOND PROJECT

Class 4 Garnet Clusters

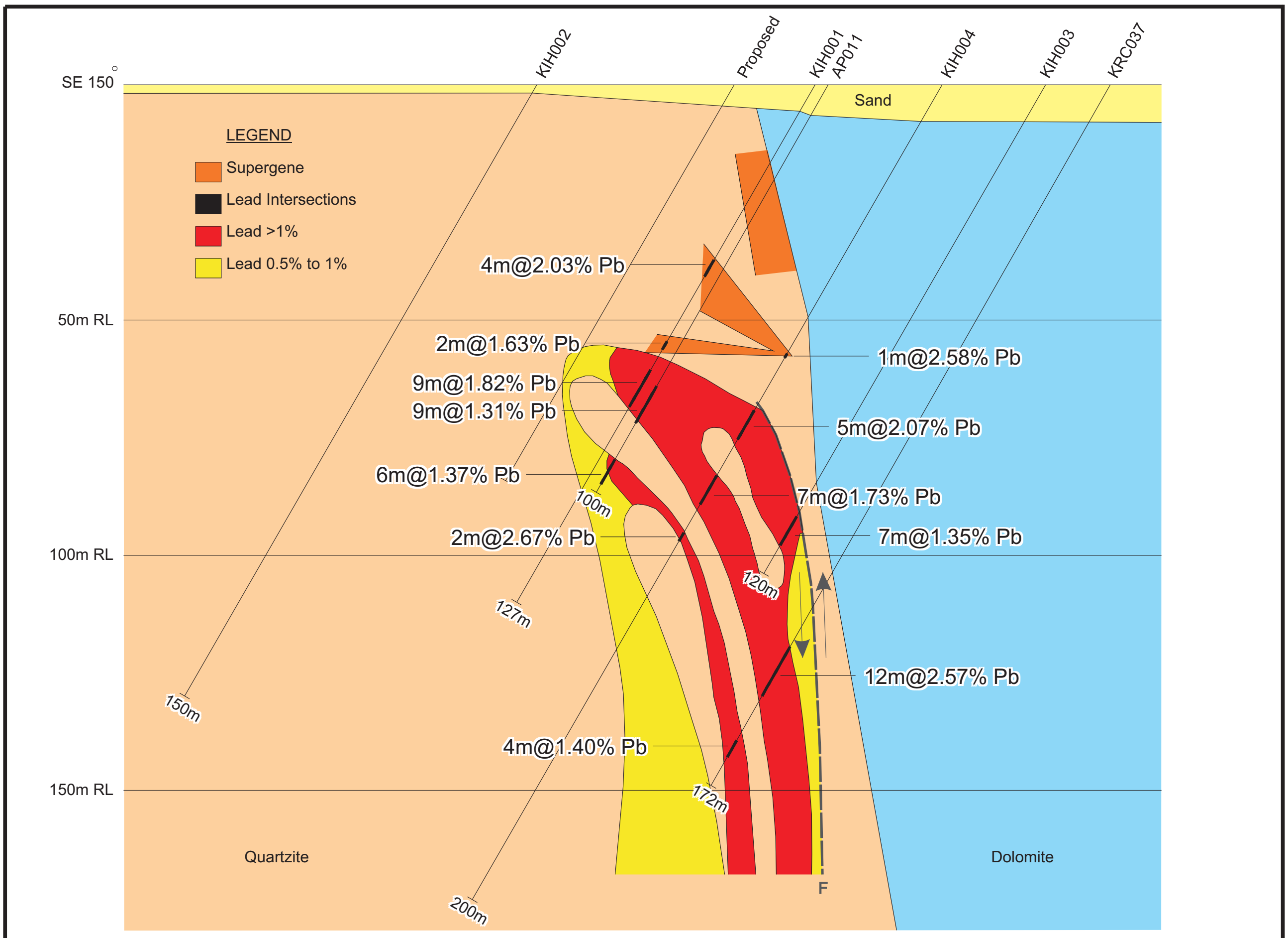
10 kilometres



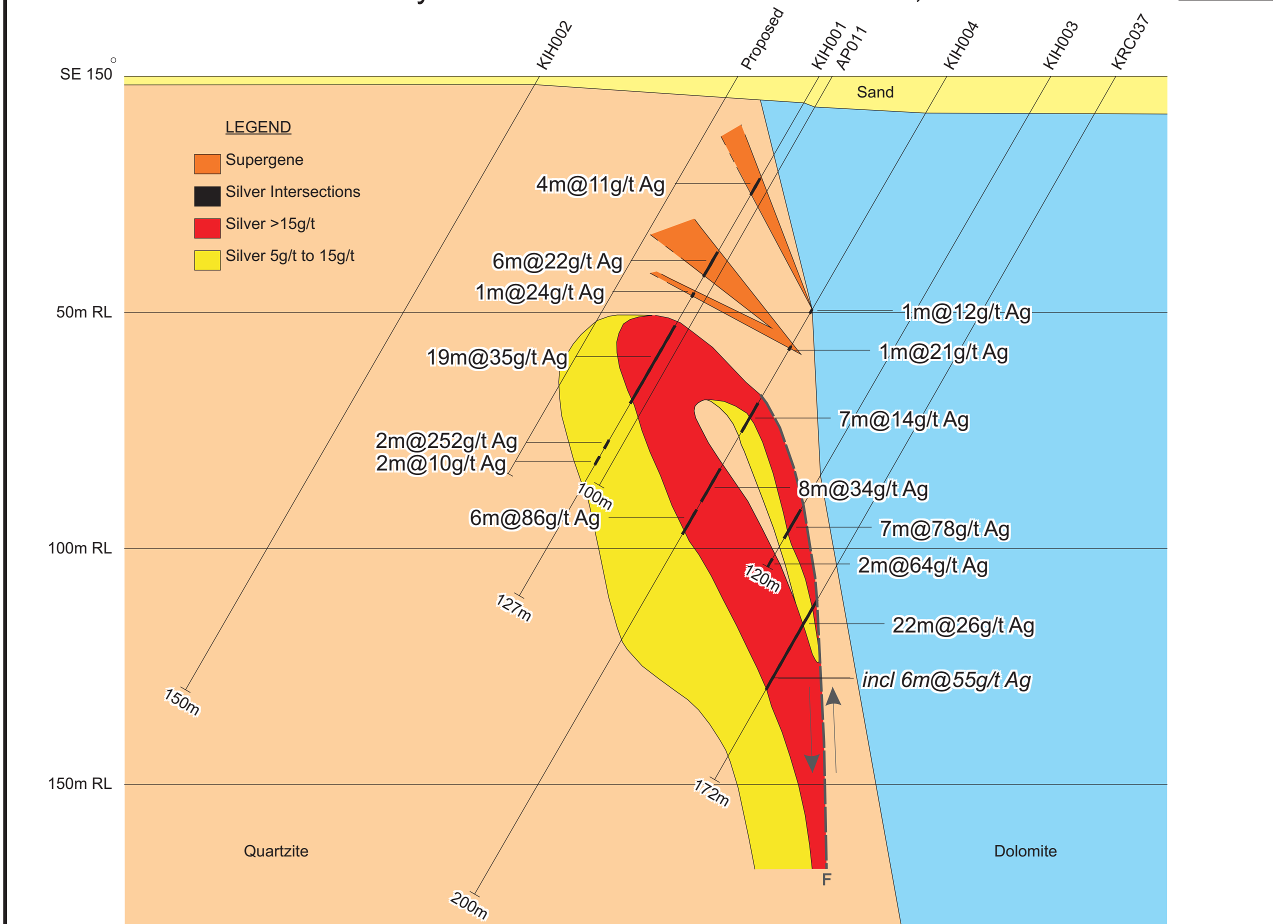
Kihabe Base Metals Project Drill Hole Plan overlaying Zinc Soil Anomaly



Preliminary Zinc Mineralisation of Section 10,000mE



Preliminary Lead Mineralisation of Section 10,000mE



Preliminary Silver Mineralisation of Section 10,000mE

Mount Burgess Mining N.L is currently drilling this zone of mineralisation to evaluate a mineral resource to a depth of 150m.

The zone of mineralisation dominantly contains zinc, lead, silver with copper and vanadium present as credits.

Geology of Kihabe

The Kihabe zone of mineralisation is hosted by a quartzo-feldspathic greywacke with a dolomite (stratigraphic) hangingwall. The stratigraphic footwall is an unmineralised pyritic, siliceous quartzite which may prove to be a significant marker horizon.

The wackes can range from feldspathic +/- chloritic and display sericite alteration, which have undergone low grade metamorphism.

The mineralised quartzites form a vertical re-folded antiform that has been dragged downwards at the dolomite contact. The plunge is to grid east and the fold axes appear to strike obliquely towards the dolomite contact.

Mineralisation

It is proposed that the initial hydrothermal mineralisation occurred when circulating chloride-metal rich brines met sulphates in a shallow marine, reducing environment. Compaction and subsequent de-watering resulted in layering and the probable upgrading of the metal sulphides.

At prospect scale the mineralisation is zoned both laterally and vertically with zinc and iron being dominant to the grid west with an increasing tenor of lead and silver towards the centre of the zone and the copper content increasing to the grid east. At section scale the zinc appears to have a distinct boundary between a depleted <.5% layer to an overlying high grade layer of >3% Zn which then grades to an upper 0.5 – 3% Zn horizon. Lead and silver are inimitably associated and follow the mineralised zinc contours.

A number of sub-horizontal supergene horizons occur above the base of oxidation, with zinc values up to ten times the average grade of 3%. Lead, silver and vanadium are also present as supergene oxides.

Mineralogy and metallurgical testwork is being undertaken to determine the recovery of these metals.

Further Exploration

Soil sampling is currently being undertaken on the "Copper" anomaly 15km north east of Kihabe. A large soil survey will begin across the border, along strike, in Namibia to test an area that has been modelled on the Kihabe deposit.

Results of a soil sampling programme undertaken immediately to the north of Kihabe are expected shortly.

A copper anomaly, south east of Kihabe, identified by the Botswana Geological Survey, will be tested by soil sampling and mapping.

The information in this report that relates to exploration results, together with any related assessments and interpretations, is based on information compiled by Martin Spence, B.Sc., who is a Member of The Australasian Institute of Mining and Metallurgy.

Mr Spence is a full time employee of the Company.

Mr Spence has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Spence consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The Directors of Mount Burgess Mining N.L. submit herewith the annual financial report for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001 the Directors report as follows:

DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	**Particulars**
Mr N R Forrester, FCA	Chairman and Managing Director, aged 61, Chartered Accountant, joined the Board in 1985. Mr Forrester is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Institute of Chartered Accountants in Australia. He has been involved in the exploration and mining industry over the past twenty-eight years. Mr Forrester is one of the original shareholders of the Company which he floated in 1985.
Mr M L Spence, BSc, AusIMM	Executive Director - Exploration, aged 58, Geologist, joined the Board in 2004. Having obtained his Bachelor of Science at the University of Western Australia in 1984, Mr Spence has spent 20 years with major Australian resource companies, developing nickel and gold deposits in addition to platinum metals exploration. More recently he has been exploring for diamonds in Southern Africa where he discovered and assessed a number of kimberlite pipes.
Mr R W O'Regan	Non-executive Director, aged 65, Stockbroker, joined the Board in 2000. Mr O'Regan joined Astaire & Partners, a firm of London stockbrokers in 1968. He became a member of the London Stock Exchange in the 1970s and was appointed to the Board of Astaire & Partners in 1987.
Mr G E Taylor, LLB	Non–executive Director, aged 59, Practising Solicitor joined the Board in 1999. Mr Taylor, graduated in law from the University of Western Australia in 1968 and was admitted to practice in 1970. He has been practising law for about 31 years and specialises in commercial and corporate law. Mr Taylor and his family were original shareholders in the Company and have been shareholders throughout its existence. He is also a non-executive director of another Australian public listed resource exploration company.
Mr A P Stirling FCA	Non executive Director, aged 70, Chartered Accountant, joined the Board in 2003. Mr Stirling, a Fellow of the Institute of Chartered Accountants in England and Wales, is Chairman and Managing Director of two Authorised Investment Trusts in the United Kingdom. He is also a non-executive director of a media company.

The above named Directors held office during and since the end of the financial year.

Directorships of other listed companies.

Name	**Company**	**Position**	**Period of Directorship**
Mr G E Taylor	Iron Ore Holdings Limited	Non-executive	Since 19 April 2005
Mr A P Stirling	Gresham House Plc	Executive	Since October 1969
	Welsh Industrial Investment Trust Plc	Executive	Since July 1993
	InvestinMedia PLC (previously Avesco plc)	Non-executive	Since July 1984

The names and particulars of the Secretaries of the Company during or since the end of the financial year are:

Name	Particulars
Mr D A Scarparolo, CPA	Certified Practising Accountant, aged 42, joined the Company in 1993 as Company Secretary/Accountant and previously held the position of Company Accountant at Forsayth N.L.
Mrs J E Forrester	Aged 57, joined the Company upon listing in 1985 and was appointed Joint Company Secretary in 1993.

Former Audit Partners

At no time during the year was any officer of the Company a partner in an audit firm, or a director of an audit company that was an auditor of the Company for the year.

REVIEW OF OPERATIONS

Overview

(a) The objectives of the consolidated entity are to explore for and in the event of discovery, develop commercial deposits of mineral resources. To this end, the consolidated entity is currently exploring for gold and base metals at Telfer in Western Australia, exploring for diamonds at Tsumkwe in Namibia and exploring for base metals at Tsumkwe in Namibia and at Kihabe in Botswana.

(b) Performance and indicators used by management in carrying out the above objectives include:

- Assessing and reviewing the likeliness of making a discovery through exploration
- Assessing the risks and rewards relative to the costs of exploration and the values of the minerals being explored for.

(c) As the consolidated entity is involved only in exploration at this stage, any significant commercial discovery could have a significant impact on the capitalisation of the consolidated entity. However, inherent in all exploration are risk factors relative to rates of success, fluctuations in commodity prices and political risk.

Operations and Principal Activities

(a) The main business activity of the consolidated entity during the year was resource exploration. Funds applied to the various exploration activities were as follows:

	2006 $	2005 $	2004 $	2003 $	2002 $
Exploration for gold and base metals in Western Australia	403,542[1]	3,180,318[2]	476,862[3]	335,206	840,880

1 Of this amount, expenditure borne by Barrick Gold of Australia Limited as part of its joint venture commitment amounted to $321,408 (Note 23 (a))

2 Of this amount, expenditure borne by Barrick Gold of Australia Limited as part of its joint venture commitment amounted to $3,100,000 (Note 23 (a)).

3 Of this amount, expenditure borne by Barrick Gold of Australia Limited as part of its joint venture commitment amounted to $300,000 (Note 23 (a))

	2006 $	2005 $	2004 $	2003 $	2002 $
Exploration for diamonds in Namibia	572,597	1,467,905	1,175,694	1,943,701	1,634,435

	2006 $	2005 $	2004 $	2003 $	2002 $
Exploration for base metals in Namibia and Botswana	760,991	118,565	396,720	140,314	1,803

	2006 $	2005 $	2004 $	2003 $	2002 $
Exploration in other overseas projects	–	–	–	7,694	18,599

(b) As the consolidated entity was involved only in resource exploration during the year there were not any returns to shareholders by way of dividends and increase in shareholder funds. Between 2002 and 2006 the Company's shares traded as follows:

2006		2005		2004		2003		2002	
High cents	Low cents	High cents	Low cents	High cents	Low cents	High cents	Low cents	High cents	Low cents
14.5	8.4	17.5	7.5	18	6.9	17	5	9	6

Ongoing exploration and resource development expenditure for the ensuing year is anticipated to be in the region of $1.6 million.

Financial Conditions

(a) Further resource exploration requirements beyond the consolidated entity's current cash resources can only be funded from further capital raisings or the sale of equity in the projects.

(b) At the end of the financial year, the consolidated entity had cash resources of $340,166.

(c) There were no other resources available to the consolidated entity, that are not reflected in the Balance Sheet, other than the availability to raise further funds through the issue of shares or the sale of equity in projects.

(d) As the consolidated entity was involved only in resource exploration during the year there was not any cash generated from operations apart from interest revenue.

(e) The financial condition of the consolidated entity was not impacted by any legislation or other external requirements during the reporting period. It is not currently foreseen that the financial condition will be materially affected by such issues in future reporting periods.

(f) On 28 August 2006, the Company completed a placement of 7,520,000 fully paid ordinary shares to raise $601,600. The placement was at an issue price of $0.08 per share. The financial effect of the above transaction has not been brought to account at 30 June 2006.

A full review of operations is outlined on pages 3 to 7.

CHANGES IN STATE OF AFFAIRS

During the year there were no significant changes in the state of affairs of the consolidated entity.

DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividend has been paid or declared since the end of the previous financial year.

FUTURE DEVELOPMENTS

The consolidated entity will be continuing exploration on the various projects that it has committed to as outlined in the Projects Section of this report. Particularly at Kihabe, the Company's base metals project in Botswana, the Company will be generating a project resource compliant with the JORC code.

CORPORATE GOVERNANCE POLICY

Role of the Board and Management

The Board of Directors of Mount Burgess Mining N.L. is responsible for the corporate governance of the Company. The Board determines and monitors the business and affairs of Mount Burgess Mining N.L. and its subsidiaries on behalf of the shareholders.

Management has the responsibility of conducting the day to day business of the Company in accordance with the determination of the Board.

Composition of the Board

The Company's Constitution requires a minimum of three Directors. This number can be increased in accordance with the requirements of the Company. Currently the Board of Directors comprises five members. Three of the current Directors, Mr R O'Regan, a director of six years, Mr G Taylor, LLB, a director of seven years and Mr A P Stirling, FCA, a director of three years, are non-executive Directors. Of these, Mr A P Stirling is a substantial shareholder. None of the non-executive directors of the Company are directly or indirectly material suppliers to the Company nor do they have any material contractual relationship with the Company other than as Directors to the Company.

Whilst the Board currently comprises a majority of non-executive directors, because of the size of the Company, a majority of executive directors may occur where the direction of the Company requires additional executive expertise. For commercial reasons, the Company will not necessarily appoint additional non-executive directors simply for the purpose of maintaining a majority of non-executive directors on the Board.

Mr N Forrester, the Chairman and Managing Director and a substantial shareholder of the Company and Mr Martin Lindsay Spence are executive directors on the Board.

The Board reviews its composition on a continual basis to ensure that it comprises sufficient members to achieve the purpose and direction of the Company and that its members have the expertise and experience in their field, relevant to that purpose and the direction of the Company. Directors appointed to the Board are subject to election by shareholders at the following Annual General Meeting and thereafter Directors, other than the Managing Director, are subject to re-election at least every three years.

Review Committees

The Company does not have a separate audit committee, nomination committee or remuneration committee at the date of this report. Any matters to be dealt with by a committee are dealt with by the five Directors who currently comprise the Board.

Remuneration

The Board reviews the remuneration packages and policies applicable to executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Employee Share Options

The Board currently grants options to Directors and employees on a discretionary basis in terms of the Company's Employee Share Option Plan. Options are granted both as an incentive and as recognition for performance.

Ethical Standards

The Board's policy requires that Directors and management strive to achieve the highest ethical standard in conducting the Company's business and also strive to enhance the performance and reputation of the Company. All Directors and Employees will be expected to act within the law and with integrity and objectivity in the interests of the Company, declaring at anytime any conflict of interest.

Financial Reporting

The Managing Director and Chief Financial Officer of the Company undertake upon the presentation of financial reports that to the best of their knowledge they represent a true and fair view and comply with the relevant accounting standards and ASX requirements. Annual financial statements are audited independently and half-yearly financial statements are subject to an independent review. Quarterly cash statements are filed with the Australian Stock Exchange in accordance with the Australian Stock Exchange Listing Rules and monthly management accounts are presented to all members of the Board of Directors.

Access to Company Information and Independent Professional Advice

All Directors of the Company are entitled to have access to information regarding the management of the Company. Each Director will, at the Company's expense, have the right to seek independent professional advice in regard to any matters concerning the Company. However, prior approval by the Chairman will be required, which will not be unreasonably withheld.

Timely and Balanced Disclosure

As an exploration company, the Company adopts the policy of strict adherence to the ASX Listing Rules in respect of timely and continuous disclosure requirements for the purpose of keeping the market fully informed. Any announcements containing exploration results are only released with the approval of qualified personnel.

Trading in the Company's Securities by Directors and Employees of the Company

The Company's policy in relation to trading in the Company's securities requires that prior to the placing of any intended order by any director or employee of the Company, confirmation should be sought from either the Managing Director or Company Secretary regarding any imminent Stock Exchange releases for the purpose of keeping the market fully informed.

In the event of an imminent Stock Exchange release or in the event that the Company is awaiting confirmation of information to determine whether or not a release should be made, any employee or director of the Company intending to place an order to trade in the Company's securities will be advised not to do so until any imminent or required release has been made.

These conditions will not apply to unfulfilled orders that were placed by directors or employees in acceptable circumstances.

Rights of Shareholders

The Company's auditors will be available at the Company's Annual General Meeting to answer any shareholder queries relating to the audit of the Company's annual report. A full review of the Company's operations will be presented at the Company's Annual General Meeting. The Company's Annual and Quarterly Reports are mailed to all shareholders. The Company's website, www.mountburgess.com is regularly updated with all stock exchange announcements.

Business Risk

The Company recognises that there are inherent risks in being involved with exploration and operating in non-domicile countries. The Board monitors and if considered necessary seeks advice on areas of operational and financial risk and implements strategies for appropriate risk management arrangements.

Specific areas of risk initially identified and which will be regularly considered at Board Meetings include going concern, foreign currency and commodities price fluctuations, performance of activities, human resources, the environment, land access and political instability.

ASX Principles of Good Corporate Governance and Best Practice Recommendations

The Australian Stock Exchange has asked that companies comply with the Principles of Good Corporate Governance and Best Practice Recommendations of March 2003 or explain why they have not complied.

The Company does not currently comply with:

Recommendation 2.1: A majority of the Board should be independent directors.

The Board currently consists of five Directors. Mr N R Forrester being an executive director with a substantial shareholding is therefore considered not to be independent. Mr M L Spence, being an executive director is considered not to be independent. Mr A P Stirling, a non-executive director with a substantial shareholding is therefore considered not to be independent. Mr R O'Regan and Mr G Taylor as non-executive directors who have significant shareholdings, which do not represent substantial shareholdings are therefore considered to be independent.

Because of the size of the Company and for commercial reasons, the Board does not consider it appropriate to appoint other non-executive directors simply for the purpose of attaining a majority of independent directors. The Board views favourably the commitment of directors to acquire significant or substantial shareholdings in the Company. A substantial shareholding represents 5% or more of the Company's issued share capital.

Recommendation 2.2: The Chairperson should be an independent director.

Mr N R Forrester, as Chairman of the Company is a substantial shareholder of the Company and is therefore not considered to be independent. Because of other commitments of the independent directors of the Company, this position is currently being filled by a non-independent Director.

Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

Mr N R Forrester is both Chairman and Managing Director of the Company. Because of other commitments of the independent directors of the Company the position of Chairman is currently being filled by a non-independent director.

Recommendation 2.4: The Board should establish a nomination committee.

Recommendation 4.2: The Board should establish an audit committee.

Recommendation 9.2: The Board should establish a remuneration committee.

The Company does not have a separate nomination committee, audit committee or remuneration committee because it does not have a majority of independent Directors to represent these committees. Because of the Company's size and for commercial reasons, the Company does not wish to appoint additional independent directors simply for the purpose of having a majority of independent directors. The full Board currently reviews appointments, financial reporting and remuneration packages.

Recommendation 9.3.2: Non executive directors should not receive options.

The Company grants options to all non-executive Directors in recognition of the significant time they contribute to the Company. The non-executive directors are often called upon to perform duties for the Company overseas or spend considerable time away from their earning base, to represent the Company. Their fees for these duties in no way cover what they could otherwise earn. The options granted are exercisable at a significant premium to the current share price.

REMUNERATION REPORT

Policy for determining the nature and amount of compensation

The Company's policy is not specifically linked to the Company's financial performance given the nature of the entity as a mining exploration Company.

The non-executive directors receive fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses.

Directors and executives are granted options in recognition of their efforts and to act as long term incentives for their retention and for creating value for the Company. All options issued to directors are subject to shareholder approval.

The Board reviews the remuneration packages and policies applicable to executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

None of the directors or executives are currently employed under contract

Remuneration packages contain the following key elements:

(a) Short term employee benefits - salary/fees (including and annual leave accrued), non-monetary benefits.

(b) Post Employment Benefits – including superannuation.

(c) Other long term employment benefits – long service leave.

(d) Share based payment – unlisted share options granted under the Employee Share Option Plan

Details of Remuneration

Details of the remuneration of the Directors and other key management personnel are set out in the following tables. The key management personnel of the Company and Consolidated Entity are the same.

The key management personnel of the Consolidated Entity include the Directors as per page 8 above and the following executive officers:

Mr D A Scarparolo – Company Secretary

Mrs J E Forrester – Company Secretary

The following table includes the 5 highest paid executives of the Consolidated Entity.

2006		Short term employee benefits Salary & fees	Short term employee benefits Non-monetary	Post employment benefits Superannuation	Other long-term employee benefits	Termination benefits	Share based payments - Equity options	Total
		$	$	$	$	$	$	$
N R Forrester	(i)	182,749	6,645	15,175	6,471	–	27,440	238,480
M L Spence	(ii)	149,568	5,476	12,420	–	–	11,440	178,904
G E Taylor	(i)	20,000	–	–	–	–	27,440	47,440
R O'Regan	(i)	20,000	–	–	–	–	27,440	47,440
A P Stirling	(ii)	20,000	–	–	–	–	11,440	31,440
D A Scarparolo	(iii)	83,143	12,363	7,487	3,189	–	16,000	122,182
J E Forrester	(i)	68,614	6,267	5,698	2,435	–	19,440	102,454
		544,074	30,751	40,780	12,095	–	140,640	768,340

2005	Short term employee benefits Salary & fees	Short term employee benefits Non-monetary	Post employment benefits Superannuation	Other long-term employee benefits	Termination benefits	Share based payments - Equity options	Total
	$	$	$	$	$	$	$
N R Forrester	182,324	5,870	15,140	6,456	–	–	209,790
M L Spence	149,153	4,624	12,385	–	–	–	166,162
G E Taylor	20,000	–	– –	–	–	20,000	
R O'Regan	20,000	–	– –	–	–	20,000	
A P Stirling	20,000	–	– –	–	–	20,000	
D A Scarparolo	83,772	10,147	6,916	3,168	–	–	104,003
J E Forrester	68,265	6,372	5,615	2,400	–	–	82,652
	543,514	27,013	40,056	12,024	–	–	622,607

(i) Mr N R Forrester, Mr G E Taylor, Mr R O'Regan and Mrs J E Forrester were granted employee share options under the employee share option plan on 26 August 2005 and 24 February 2006. Further details of the options are contained in Notes 14 and 22 to the financial statements.

(ii) Mr M L Spence and Mr A P Stirling were granted employee share options under the employee share option plan on 24 February 2006. Further details of the options are contained in Notes 14 and 22 to the financial statements.

(iii) Mr D A Scarparolo was granted employee share options under the employee share option plan on 12 January 2006. Further details of the options are contained in Notes 14 and 22 to the financial statements.

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted Value at grant date	Options Exercised Value at exercise date	Options Lapsed Value at time of lapse	Value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of remuneration for the year that consists of options
	$	$	$	$	$	%
N R Forrester	27,440	–	11,440	38,880	27,440	11.5%
M L Spence	11,440	–	–	11,440	11,440	6.4%
R O'Regan	27,440	–	11,440	38,880	27,440	57.8%
A P Stirling	11,440	–	–	11,440	11,440	36.4%
G E Taylor	11,440	–	11,440	22,880	11,440	36.4%
J E Forrester	19,440	–	11,440	30,880	19,440	18.9%
D A Scarparolo	16,000	–	–	16,000	16,000	13.1%

SHARE OPTIONS ON ISSUE AT YEAR END

On 21 September 2000, an Option Plan was introduced for the issue of options which in total shall not exceed 5% of the Issued Share Capital of the Company. The plan was introduced to reward past services and contributions of Eligible Employees and also to assist in the recruitment, retention, incentive and motivation of eligible employees of the Company.

As at 30 June 2006 the following options remain on issue:

850,000 Options expiring 31 December 2006
100,000 Options expiring 31 December 2007
2,100,000 Options expiring 31 December 2009
5,800,000 Options expiring 31 December 2011

All of the above options which have an exercise price of 25 cents were issued as an incentive and in recognition of past performance, none of which are dependent on the satisfaction of a performance condition.

Further details of the options on issue are disclosed in Note 14 to the financial statements.

DIRECTORS' SHAREHOLDINGS AND OPTION HOLDINGS IN THE COMPANY

As at the date of this report the Directors and their associates held the following shares:

Director	**Fully Paid Ordinary Shares**
N R Forrester and/or associates	11,237,346
G E Taylor and/or associates	2,247,339
R W O'Regan and/or associates	3,750,000
A P Stirling and/or associates	11,183,203
M L Spence and/or associates	–
TOTAL	28,417,888

The following table discloses the details of the option holdings of the Directors and Officers of the Company:

DIRECTORS	**Options held 1/07/2005**	**Options lapsed during the year**	**Options granted during the year**	**Options held 30/06/2006**
N R Forrester Chairman	500,000	(500,000)	1,000,000	1,000,000
M L Spence Executive Director	500,000		500,000	1,000,000
R W O'Regan Non Executive Director	500,000	(500,000)	1,000,000	1,000,000
A P Stirling Non Executive Director	500,000		500,000	1,000,000
G E Taylor Non Executive Director	500,000	(500,000)	1,000,000	1,000,000
OFFICERS				
J E Forrester Company Secretary	500,000	(500,000)	1,000,000	1,000,000
D A Scarparolo Company Secretary	500,000		500,000	1,000,000
TOTAL	3,500,000	(2,000,000)	5,500,000	7,000,000

DIRECTORS' MEETINGS

Sixteen Board Meetings were held during the year. Messrs Forrester, O'Regan and Stirling attended all sixteen Board Meetings held during the year. Mr Spence attended fourteen of the sixteen Board Meetings held during the year and Mr Taylor attended twelve of the sixteen Board Meetings held during the year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the end of the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of any contract insuring against a liability incurred by an officer or auditor.

NON AUDIT SERVICES

Details of amounts paid or payable to the auditors of the consolidated entity for non audit services provided during the year are shown in Note 20 to the financial statements.

The Directors are satisfied that the provision of non audit services during the year by the Deloitte Member Firm in Botswana is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that provision of the services in Botswana was so insignificant that they do not pose a threat to independence. Certain accounting services were performed mainly as a result of the nature and location of the Company's operations in Botswana. All services were conducted under the authority and approval of the Company and did not involve the exercise of judgement or the performance of management decisions by the engagement team in Botswana, which was not associated in any way with the audit engagement. All books and records of the Company, registered as a foreign entity in Botswana, are maintained in Australia by the Company and the Directors believe that appropriate safeguards were put in place to mitigate any potential threats to independence.

ENVIRONMENTAL REGULATIONS

The Board is committed to environmental best practice in its operations and ensures full compliance with all statutory environmental regulations and guidelines.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with Section 307C of the Corporations Act 2001 the auditors independence declaration follows on immediately from the Directors Report.

SUBSEQUENT EVENTS

No matters or circumstances of which the Directors are aware, other than those referred to in this report or the financial statements or notes thereto, have arisen since the end of the year which significantly affect, or may significantly affect, the operations, results or state of affairs of the consolidated entity in financial years after the financial year, other than as follows:

On 28 August 2006, the Company completed a placement of 7,520,000 fully paid ordinary shares to raise $601,600. The placement was at an issue price of $0.08 per share. The financial effect of the above transaction has not been brought to account at 30 June 2006.

On behalf of Directors

N R Forrester
CHAIRMAN AND MANAGING DIRECTOR

SIGNED at Perth this 19th day of September, 2006 in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

AUDITORS' INDEPENDENCE DECLARATION

19 September 2006

The Board of Directors
Mount Burgess Mining N.L.
Level 4
109 St Georges Terrace
PERTH
Western Australia

Dear Board Members,

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mount Burgess Mining N.L.

As lead audit partner for the audit of the financial statements of Mount Burgess Mining N.L. for the financial year ended 30 June 2005 I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R Jerrard
Partner
Chartered Accountants
Perth, 19 September 2006

Member of
Deloitte Touche Tohmatsu

Income Statement

for the year ended 30 June 2006

	Notes	Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
Revenue	2(a)	17,152	36,195	16,804	22,392
Administration expenses	2(b)	(989,073)	(805,399)	(973,666)	(805,597)
Borrowing costs	2(c)	(2,702)	(2,345)	(2,702)	(2,345)
Exploration interests written off	2(d)	(132,572)	(379,210)	(132,572)	(376,873)
Recoverable amount write down		–	–	–	–
Other expenses from ordinary activities	2	(15,008)	(22,108)	(15,008)	(22,106)
Loss before income tax expense		(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Income tax expense	3	–	–	–	–
Loss from continuing operations	16	(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Earnings per Share:					
Basic Loss per Share (cents per share)	17	(0.64)	(0.79)		
Diluted Loss per Share (cents per share)	17	(0.64)	(0.79)		

The notes to the financial statements are included on pages 22 to 48.

Balance Sheet

as at 30 June 2006

	Notes	Consolidated		Company	
		2006	2005	2006	2005
		$	$	$	$
CURRENT ASSETS					
Cash assets	27(a)	340,166	538,040	327,347	476,209
Receivables	4	26,864	44,358	21,552	2,646
Inventories	5	12,433	–	12,433	–
TOTAL CURRENT ASSETS		379,463	582,398	361,332	478,855
NON CURRENT ASSETS					
Other financial assets	6	–	–	9,723,198	8,850,406
Plant and equipment	7	74,709	82,685	61,218	55,490
Exploration interests	8	12,886,192	11,440,660	3,429,359	2,556,453
TOTAL NON CURRENT ASSETS		12,960,901	11,523,345	13,213,775	11,462,349
TOTAL ASSETS		13,340,364	12,105,743	13,575,107	11,941,204
CURRENT LIABILITIES					
Payables	9	97,527	194,208	94,903	53,092
Borrowings	10	5,922	25,540	5,922	25,540
Provisions	11	61,108	33,093	61,108	33,093
TOTAL CURRENT LIABILITIES		164,557	252,841	161,933	111,725
NON CURRENT LIABILITIES					
Borrowings	12	5,481	11,403	5,481	11,403
Other financial liabilities	13	-	-	245,731	-
TOTAL NON CURRENT LIABILITIES		5,481	11,403	251,212	11,403
TOTAL LIABILITIES		170,038	264,244	413,145	123,128
NET ASSETS		13,170,326	11,841,499	13,161,962	11,818,076
EQUITY					
Contributed equity	14	32,39 6,316	30,113,976	32,396,316	30,113,976
Reserves	15	278,662	109,972	278,662	109,972
		32,674,978	30,223,948	32,674,978	30,223,948
Accumulated losses	16	(19,504,652)	(18,382,449)	(19,513,016)	(18,405,872)
TOTAL EQUITY		13,170,326	11,841,499	13,161,962	11,818,076

The notes to the financial statements are included on pages 22 to 48.

Statement of Recognised Income and Expense

for the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Net income recognised directly in equity		–	–	–	–
Loss for the year		(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Total recognised income and expense		(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)

The notes to the financial statements are included on pages 22 to 48.

Cash Flow Statement

for the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash flows from operating activities					
Payments to suppliers and employees		(783,302)	(836,628)	(765,658)	(833,038)
Interest and bill discounts received		17,152	11,901	16,804	11,498
Interest and other costs of finance paid		(2,702)	(2,345)	(2,702)	(2,337)
Net cash used in operating activities	27(b)	(768,852)	(827,072)	(751,556)	(823,877)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		–	22,084	–	8,682
Proceeds from sale of investments		–	5,000	–	5,000
Payment for plant and equipment		(23,654)	(35,594)	(17,995)	(8,186)
Payments for exploration and evaluation expenditure		(1,683,139)	(1,643,929)	(986,112)	(114,152)
Amounts advanced to wholly owned controlled entity		-	-	(650,000)	(1,606,038)
Net cash provided by/(used in) investing activities		(1,706,793)	(1,652,439)	(1,654,107)	(1,714,694)
Cash flows from financing activities					
Proceeds from issues of equity securities		2,409,000	2,990,900	2,409,000	2,990,900
Payment for share issue costs		(126,660)	(59,341)	(126,660)	(59,341)
Repayment of lease liabilities		(25,539)	(8,866)	(25,539)	(8,866)
Net cash (used in)/provided by financing activities		2,256,801	2,922,693	2,256,801	2,922,693
Net increase/(decrease) in cash held		(218,844)	443,182	(148,862)	384,122
Cash and cash equivalents at the beginning of the financial year		538,040	92,726	476,209	92,087
Effects of exchange rate changes on the balance of cash held in foreign currencies		20,970	2,132	–	–
Cash and cash equivalents at the end of the financial year	27(a)	340,166	538,040	327,347	476,209

The notes to the financial statements are included on pages 22 to 48.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with the International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

The financial statements were authorised for issue by the directors on 19th September 2006.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. In the application of A-IFRS management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transaction or other events is reported. The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the Company's and consolidated entity's financial position, financial performances and cash flows is discussed in Note 31.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in Note 31) the consolidated entity's date of transition.

GOING CONCERN

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business. If the consolidated entity chooses to maintain its current high level of exploration expenditure, it will have to raise additional capital. The consolidated entity has utilised this option in the past. If the consolidated entity does not raise additional capital in the short term it can continue as a going concern by substantially reducing exploration expenditure until funding is available and/or entering joint venture arrangements.

The Directors are of the opinion that the basis upon which the financial statements are prepared is appropriate in the circumstances. However, if an event were to arise where the consolidated entity could not raise additional equity capital or reduce its current rate of exploration expenditure by entering into joint ventures in order to remain as a going concern, there is no certainty as to whether the consolidated entity could realise assets at the amounts as shown in the financial statements and extinguish liabilities in the normal course of business.

Significant accounting policies

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

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of any outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Exploration

Exploration and evaluation expenditures in relation to separate areas of interest are capitalised in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- The rights to tenure of the area of interest are current; and
- At least one of the following conditions is also met:
  - The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest , or alternatively, by its sale; or
  - Exploration and evaluation activities in the area of interest have not at the reporting 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 in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed each reporting date to determine whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(d) Development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the field on a units of production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit of production calculations are dealt with on a prospective basis.

(e) Plant and equipment

Plant and equipment and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

The cost of each item of plant and equipment is written off over its estimated useful life to its estimated residual value. Depreciation is calculated on a diminishing value or straight line basis. Each items economic life has due regard to both its own physical limitations and to any present assessments of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives and residual values are made annually. The following estimated useful lives are used in the calculation of depreciation:

Plant, equipment and vehicles	2 - 15 years
Leased equipment and vehicles	3 - 5 years

Depreciation relating directly to plant and equipment utilised in exploration activities is allocated to particular areas of interest and capitalised into the exploration and evaluation asset for that area.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. The recoverable amount of an asset is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the period</u>

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to an items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Leased Assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised. Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(i) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(j) Financial assets

<u>Loans and receivables</u>

Trade receivables and other receivables are recorded at amortised cost less impairment.

<u>Investment in subsidiaries</u>

Investments in subsidiaries are recognised in the parent entity's financial statements at cost less any impairment losses.

(k) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services

(l) Financial Instruments issued by the Consolidated Entity

<u>Debt and Equity Instruments</u>

Debt and Equity Instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(m) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except that:

- Exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which from part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Mount Burgess Mining N.L.'s functional and presentation currency.

(n) Jointly controlled assets

Interest in jointly controlled assets are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

(o) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that vested on or after 1 January 2005 are measured at fair value at the date of the grant. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest. For cash settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(q) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 29. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

2 LOSS FROM CONTINUING OPERATIONS

Loss from continuing operations before income tax expense includes the following items of revenue and expense:

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
(a) Revenue from continuing operations:				
Interest – other entities	17,152	11,901	16,804	11,498
Gain from sale of non-current:				
Plant and equipment	–	19,294	–	5,894
Investments	–	5,000	–	5,000
	–	24,294	–	10,894
	17,152	36,195	16,804	22,392

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
2 LOSS FROM CONTINUING OPERATIONS *(cont'd)*				
(b) Administration Expenses include:				
Salaries, wages and superannuation	428,665	504,306	428,665	504,306
Equity settled share based payments	168,690	–	168,690	–
	597,355	504,306	597,355	504,306
Operating lease rental minimum lease payments	19,313	52,320	19,313	52,320
Net foreign exchange (gain)/loss	(11,835)	(19,621)	(10,060)	85
(c) Borrowing Costs	2,702	2,345	2,702	2,345
(d) Exploration Interests Written Off	132,572	379,210	132,572	376,873
(e) Other Expenses:				
Depreciation of non current assets	9,200	12,344	9,200	12,344
Amortisation of leased assets	5,808	6,974	5,808	6,974
Written down value of:				
Non-current plant and equipment	–	2,790	–	2,788
	15,008	22,108	15,008	22,106
3 INCOME TAXES				
(a) Income tax expense				
Current tax expense/(income)	(266,111)	(264,301)	(272,534)	(267,799)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(11,512)	(80,018)	(5,008)	(80,018)
Benefits arising from previously unrecognised tax losses, tax credits or temporary differences not recognised	277,622	344,319	277,622	347,817
Total tax expense/(income)	–	–	–	–
Income tax expense/(income) attributable to loss from continuing operations	–	–	–	–
The prima facie income tax expense/ (revenue) on pre-tax accounting profit from operations reconciles to the income tax expense as follows:				
Loss from continuing operations	(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Income tax expense/(revenue) calculated at 30% (2005 30%)	(336,661)	(351,860)	(332,143)	(355,359)
Tax effect of amounts which are not deductible /taxable in calculating taxable income:				
Non deductible expenses	6,987	3,926	2,469	3,926
Share based payments	50,607	–	50,607	–
Other	1,445	3,615	1,445	3,615
Tax benefit not recognised	277,622	344,319	277,622	347,817
Total tax expense/(benefit)	–	–	–	–
(b) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
Share issue costs	(11,453)	(5,392)	(11,453)	(5,392)
(c) Current tax liabilities				
Current tax payable to parent entity	–	–	–	–
Total	–	–	–	–

3 INCOME TAXES *(cont'd)*

Deferred taxes arise from the following:

	Consolidated			
	Opening Balance	Movements charges to income	Movements charges to equity	Closing balance
	$	$	$	$
2006				
Gross deferred tax assets:				
Accruals	4,200	1,800	–	6,000
Provisions	9,928	8,404	–	18,332
Share issue expenses	50,039	–	(11,453)	38,586
Finance lease liabilities	2,210	(1,985)	–	225
Tax losses	667,540	(22,965)	11,453	656,029
	733,917	(14,745)	–	719,172
Gross deferred tax liabilities:				
Interest receivable	218	386	–	604
Intangible Assets - Mineral exploration	733,699	(15,131)	–	718,568
	733,917	(14,745)	–	719,172
Net deferred tax liability/asset	–	–	–	–
2005				
Gross deferred tax assets:				
Accruals	4,200	–	–	4,200
Provisions	12,973	(3,045)	–	9,928
Share issue expenses	55,431	–	(5,392)	50,039
Finance lease liabilities	2,504	(294)	–	2,210
Tax losses	747,558	(85,410)	5,392	667,540
	822,666	(88,749)	–	733,917
Gross deferred tax liabilities:				
Interest receivable	–	218	–	218
Intangible Assets - Mineral exploration	822,666	(88,967)	–	733,699
	822,666	(88,749)	–	733,917
Net deferred tax liability/asset	–	–	–	–

	Company			
	Opening Balance	Movements charges to income	Movements charges to equity	Closing balance
2006	**$**	**$**	**$**	**$**
Gross deferred tax assets:				
Accruals	4,200	1,800	–	6,000
Provisions	9,928	8,404	–	18,332
Share issue expenses	50,039	–	(11,453)	38,586
Finance lease liabilities	2,210	(1,985)	–	225
Tax losses	667,540	(16,541)	11,453	662,452
	733,917	(8,322)	–	725,595
Gross deferred tax liabilities:				
Interest receivable	218	386	–	604
Exploration interests	733,699	(15,131)	–	718,568
Other liabilities - loan payable	–	6,424	–	6,424
	733,917	(8,322)	–	725,595
Net deferred tax liability/asset	–	–	–	–

3 INCOME TAXES *(cont'd)*

	Company			
	Opening Balance	Movements charges to income	Movements charges to equity	Closing balance
2005	$	$	$	$
Gross deferred tax assets:				
Accruals	4,200	–	–	4,200
Provisions	12,973	(3,045)	–	9,928
Share issue expenses	55,431	–	(5,392)	50,039
Finance lease liabilities	2,504	(294)	–	2,210
Tax losses	667,540	(16,541)	5,392	662,452
	822,666	(88,749)	–	733,917
Gross deferred tax liabilities:				
Interest receivable	–	218	–	218
Exploration interests	822,666	(88,967)	–	733,699
	822,666	(88,749)	–	733,917
Net deferred tax liability/asset	–	–	–	–

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Tax losses	4,711,544	4,445,433	4,717,967	4,445,433
Temporary differences	(656,028)	(667,540)	(662,452)	(667,540)
	4,055,515	3,777,893	4,055,515	3,777,893

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
4 CURRENT RECEIVABLES				
Trade receivables	19	687	19	687
VAT/GST recoverable	26,845	43,671	21,533	1,959
	26,864	44,358	21,552	2,646
5 INVENTORIES				
Diesel at cost	12,433	–	12,433	–
	12,433	–	12,433	–
6 OTHER NON CURRENT FINANCIAL ASSETS				
Shares in subsidiary	–	–	25	25
Non-trade receivables from wholly owned controlled entity (i)	–	–	9,823,173	8,950,381
Write down to recoverable amount	–	–	(100,000)	(100,000)
	–	–	9,723,198	8,850,406

(i) The recoverability of the receivables from the controlled entity is dependent on the successful development and economic exploitation of the controlled entity's exploration interest. The write down to recoverable amount has been determined by an assessment of the net assets position of the controlled entity.

7 PLANT & EQUIPMENT AT COST

	Consolidated		
	Plant Equipment and vehicles	**Leased Equipment and vehicles**	**Total**
	$	**$**	**$**
Gross Carrying Amount			
Balance as at 30 June 2005	621,807	61,148	682,955
Additions	23,384	–	23,384
Disposals	(31,038)	–	(31,038)
Balance as at 30 June 2006	614,153	61,148	675,301
Accumulated Depreciation/Amortisation			
Balance as at 30 June 2005	568,699	31,571	600,270
Disposals	(31,038)	–	(31,038)
Depreciation expense	25,552	5,808	31,360
Balance as at 30 June 2006	563,213	37,379	600,592
Net Book Value			
As at 30 June 2005	53,108	29,577	82,685
As at 30 June 2006	50,940	23,769	74,709

	Company		
	Plant Equipment and vehicles	**Leased Equipment and vehicles**	**Total**
	$	**$**	**$**
Gross Carrying Amount			
Balance as at 30 June 2005	500,935	61,148	562,083
Additions	23,384	–	23,384
Disposals	(31,038)	–	(31,038)
Balance as at 30 June 2006	493,281	61,148	554,429
Accumulated Depreciation/Amortisation			
Balance as at 30 June 2005	475,022	31,571	506,593
Depreciation	11,848	5,808	17,656
Obsolete assets removed	(31,038)	–	(31,038)
Balance as at 30 June 2006	455,832	37,379	493,211
Net Book Value			
As at 30 June 2005	25,913	29,577	55,490
As at 30 June 2006	37,449	23,769	61,218

Aggregate depreciation and amortisation allocated during the year:

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Plant, equipment and vehicles				
Recognised as an expense	9,200	12,344	9,200	12,344
Capitalised as part of the carrying amount of exploration interests	16,352	2,504	2,648	1,071
Leased equipment and vehicles				
Recognised as an expense	5,808	6,974	5,808	6,974
Capitalised as part of the carrying amount of exploration interests	–	911	–	911
	31,360	22,733	17,656	21,300

		Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
8	**EXPLORATION INTERESTS**				
	Tenement acquisition at cost				
	Balance as at the start of the financial year	572,043	572,043	572,043	572,043
	Additions	–	–	–	–
	Write offs	–	–	–	–
	Balance as at the end of the financial year	572,043	572,043	572,043	572,043
	Exploration expenditure at cost				
	Balance as at the start of the financial year	10,868,617	9,581,039	1,984,410	2,250,530
	Additions	1,578,104	1,666,788	1,005,478	110,753
	Write offs	(132,572)	(379,210)	(132,572)	(376,873)
	Balance as at the end of the financial year	12,314,149	10,868,617	2,857,316	1,984,410
	Total Exploration Interests	12,886,192	11,440,660	3,429,359	2,556,453

The ultimate recoupment of the value of assets is dependent upon their successful development and commercial exploitation, or alternatively their respective sale.

The Company's exploration properties may be subject to claims 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 and/or mining restrictions.

		Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
9	**CURRENT PAYABLES**				
	Trade payables	97,527	194,208	94,903	53,092
10	**CURRENT INTEREST-BEARING LIABILITIES**				
	Secured:				
	Finance lease liability (i) [Note 18(b)]	5,922	25,540	5,922	25,540

(i) Secured by the assets leased, the current market value of which equals the value of the finance lease liability.

		Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
11	**CURRENT PROVISIONS**				
	Employee entitlements	61,108	33,093	61,108	33,093
12	**NON-CURRENT BORROWINGS**				
	Secured:				
	Finance Lease liability(i) [Note 18(b)]	5,481	11,403	5,481	11,403

(i) Secured by the assets leased, the current market value of which equals the value of the finance lease liability.

		Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
13	**OTHER NON CURRENT FINANCIAL LIABILITIES**				
	Non trade payable to wholly owned controlled entity	–	–	245,731	–
14	**ISSUED CAPITAL**				
	188,915,000 fully paid ordinary shares (2005: 164,040,000)	32,396,316	30,113,976	32,396,316	30,113,976

14 ISSUED CAPITAL *(cont'd)*

	Consolidated 2006 No.	2006 $	2005 No.	2005 $
Fully Paid Ordinary Share Capital				
Balance at beginning of financial year	164,040,000	30,113,976	128,800,000	27,182,417
Share placements to professional investors	24,875,000	2,409,000	35,240,000	2,990,900
Less costs	–	(126,660)	–	(59,341)
	188,915,000	32,396,316	164,040,000	30,113,976

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Employee Share Option Plan

In September 2000 the Company adopted the Mount Burgess Mining NL Employee Share Option Plan as approved by shareholders to reward past services and contributions of Eligible Employees and also to assist in the recruitment, retention, incentive and motivation of Eligible Employees of the Company. Employee share options carry no rights to dividends and no voting rights. In accordance with the terms of the Employee Share Option Plan, all options, including any issued during the year ended 30 June 2006, vest in the option holder at the date of their issue and may be exercised at any time from the date of their issue to the date of their expiry. No amounts are paid by the recipient on receipt of the option. Each share option converts to one ordinary share of Mount Burgess Mining N.L. on exercise. The exercise price of the options is 25 cents.

The weighted average fair value of the share options granted during the financial year is $0.03 (2005: N/A-NIL granted). Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility.

Inputs into the model

Grant share data price	$0.083	Option life	5 years
Exercise price	$0.25	Dividend yield	Nil
Expected volatility	70.67%	Risk-free interest rate	5.2%

Employee Share Option Plan

	2006 No.	Weighted average exercise price	2005 No.	Weighted average exercise price
Balance at the start of the year (i)	4,900,000	0.25	5,550,000	0.25
Granted during the year(ii)	5,800,000	0.25	–	–
Exercised during the year	–	–	–	–
Lapsed during the year (iii)	(1,850,000)	0.25	(650,000)	0.25
Balance at the end of the year (iv)	8,850,000	0.25	4,900,000	0.25

(i) Balance at the start of the year

	No.	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Issued 21 November 2000	1,750,000	21/11/00	31/12/05	0.25	Nil
Issued 6 December 2001	850,000	06/12/01	31/12/06	0.25	16,150
Issued 20 June 2002	100,000	20/06/02	31/12/07	0.25	1,900
Issued 31 March 2004	500,000	31/03/04	31/12/09	0.25	9,500
Issued 31 May 2004	950,000	31/05/04	31/12/09	0.25	18,050
Issued 11 June 2004	750,000	11/06/04	31/12/09	0.25	14,250
	4,900,000				

(ii) **2005** – No options were granted during the year

14 ISSUED CAPITAL *(con't)*

2006 - Granted during the year	**No.**	**Grant Date**	**Expiry Date**	**Exercise Price**	**Fair Value at Received**
Issued 26 August 2005	3,000,000	26/08/05	31/12/10	0.25	nil
Issued 12 January 2006	500,000	12/01/06	31/12/11	0.25	nil
Issued 24 February 2006	1,750,000	24/02/06	31/12/11	0.25	nil
Issued 22 March 2006	550,000	22/03/06	31/12/11	0.25	nil
	5,800,000				

		2006 No	**2005 No**
(iii)	Lapsed during the year		
	Issued 21 November 2000	1,750,000	200,000
	Issued 6 December 2001	–	250,000
	Issued 31 May 2004	100,000	200,000
	Balance at the end of the year	1,850,000	650,000

		No.	**Grant Date**	**Expiry Date**	**Exercise Price**
(iv)	**Balance at the end of the year 2006**				
	Issued 6 December 2001	850,000	6/12/01	31/12/06	0.25
	Issued 20 June 2002	100,000	20/06/02	31/12/07	0.25
	Issued 31 March 2004	500,000	31/03/04	31/12/09	0.25
	Issued 31 May 2004	850,000	31/05/04	31/12/09	0.25
	Issued 11 June 2004	750,000	11/06/04	31/12/09	0.25
	Issued 26 August 2005	3,000,000	26/08/05	31/12/10	0.25
	Issued 12 January 2006	500,000	12/01/06	31/12/11	0.25
	Issued 24 February 2006	1,750,000	24/02/06	31/12/11	0.25
	Issued 22 March 2006	550,000	22/03/06	31/12/11	0.25
		8,850,000			

Consideration received on the exercise of employee share options is recognised in contributed equity.

	Consolidated 2006 $	**Consolidated 2005 $**	**Company 2006 $**	**Company 2005 $**
15 RESERVES				
Employee equity settled benefits reserve	168,690	–	168,690	–
Asset realisation reserve	109,972	109,972	109,972	109,972
	278,662	109,972	278,662	109,972
Employee equity settled benefits reserve				
Balance at beginning of financial year	–	–	–	–
Share based payments	168,690	–	168,690	–
Balance at end of financial year	168,690	–	168,690	–

The employee equity-settled benefits reserve arises on the grant of share options to employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in Note 14 to the financial statements.

Asset realisation reserve				
Balance at beginning of financial year	109,972	109,972	109,972	109,972
Movements	–	–	–	–
Balance at end of financial year	109,972	109,972	109,972	109,972

This reserve represents realised benefits transferred from a previous asset revaluation reserve.

Total Reserves	278,662	109,972	278,662	109,972

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
16 ACCUMULATED LOSSES				
Balance at start of financial year	(18,382,449)	(17,209,582)	(18,405,872)	(17,221,343)
Net loss	(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Balance at end of financial year	(19,504,652)	(18,382,449)	(19,513,016)	(18,405,872)

	Consolidated 2006 Cents per share	Consolidated 2005 Cents per share
17 EARNINGS PER SHARE		
Basic Loss per share	(0.64)	(0.79)
Diluted Loss per share	(0.64)	(0.79)

The loss and weighted average number of ordinary shares (and potential ordinary shares) used in the calculation of basic and dilutive earnings per share are as follows:

	2006 $	2005 $
Net Loss	(1,122,203)	(1,172,867)
Loss used in calculation of basic and dilutive EPS	(1,122,203)	(1,172,867)

	2006 No.	2005 No.
Weighted average number of ordinary shares	175,927,740	146,638,685
Effect of dilutive potential ordinary shares	–	–
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of dilutive earnings per share	175,927,740	146,638,685

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

	2006 No.	2005 No.
Employee share options	8,850,000	4,900,000

There have been no conversion to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report, other than disclosed in Note 26.

18 COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments

The consolidated entity has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the consolidated entity. These commitments have not been provided for in the accounts. The minimum expenditure commitment for the next 12 months on the tenements is:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Australia (i)	720,680	484,380	720,680	484,380
Namibia (ii)	600,000	913,000	–	–
Botswana (iii)	216,000	62,000	216,000	62,000
	1,536,680	1,459,380	936,680	546,380

18 COMMITMENTS FOR EXPENDITURE *(cont'd)*

(i) Australia

The Company has minimum annual expenditure commitments, as required by the Mining Act, in order to maintain title to the various mining leases, prospecting licences and exploration licences which are held in Australia.

The Company's exploration properties may be subject to claims 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 and/or mining restrictions.

(ii) Namibia

The Company has minimum annual expenditure commitments as required by the Mining Act, in order to maintain title to the various prospecting licences which are held in Namibia. As at 30 June 2006 the Company had, since project commencement, exceeded its cumulative annual expenditure commitments by A$3.3 million.

(iii) Botswana

The Company has a minimum annual expenditure commitment as required by the Mining Act in order to maintain title to its Exploration Licence which is held in Botswana. As at 30 June 2006 the Company had, since project commencement, exceeded its cumulative annual expenditure commitments by A$761,000.

(b) Capitalised Finance Lease Commitments

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

The present value of the remaining lease payments at 30 June 2006 is as follows:

		Consolidated		Company	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Lease commitments					
(i) no later than 1 year		6,871	28,243	6,871	28,243
(ii) later than 1 year and not later than 5 years		5,726	12,593	5,726	12,593
Minimum lease payments		12,597	40,836	12,597	40,836
Deduct future finance charges		1,195	3,893	1,195	3,893
Present value of minimum lease payments		11,403	36,943	11,403	36,943
Included in the financial statements as:					
Current interest bearing liabilities	[Note 10]	5,922	25,540	5,922	25,540
Non-current interest bearing liabilities	[Note 12]	5,481	11,403	5,481	11,403
		11,403	36,943	11,403	36,943

The above finance lease commitments relate to various items of equipment and motor vehicles. The annual lease commitments are fixed and there are no contingent rental payments. The leased assets can be purchased for the amount of the outstanding liability.

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
(c) Operating lease commitment				
(i) no later than 1 year	18,108	14,954	18,108	14,954
(ii) later than 1 year and not later than 5 years	160,555	120,542	160,555	120,542
(iii) later than 5 years	56,627	93,894	56,627	93,894
	235,290	229,390	235,290	229,390

The above operating lease commitment is for the lease of the Company premises. The annual lease commitments are fixed and there are no contingent rental payments. The lease agreement contains an option to renew the lease for 3 years.

19 KEY MANAGEMENT PERSONNEL COMPENSATION

Details of key management personnel

The key management personnel of the consolidated entity during the year were:

N R Forrester	Chairman and Managing Director (Executive)	
M L Spence	Director	(Executive)
G E Taylor	Director	(Non-Executive)
R O'Regan	Director	(Non-Executive)
A P Stirling	Director	(Non-Executive)
D A Scarparolo	Company Secretary	
J E Forrester	Company Secretary	

The Board reviews the remuneration packages and policies applicable to executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Short term employee benefits (including annual leave accrued)	574,825	570,527	574,825	570,527
Post employment benefits	40,780	40,056	40,780	40,056
Other long term benefits – long service leave accrued	12,095	12,024	12,095	12,024
Termination benefits	–	–	–	–
Share based payment	140,640	–	140,640	–
	768,340	622,607	768,340	622,607

The Company's policy is not specifically linked to the Company's financial performance given the nature of the entity as a mining exploration Company.

The non-executive directors receive fees (including statutory superannuation where applicable) for their services and the reimbursement of reasonable expenses.

Directors and executives are granted options in recognition of their efforts and to act as long term incentives for their retention and for creating value for the Company. None of these options are issued for the satisfaction of any performance conditions. All options issued to directors are subject to shareholder approval.

None of the key management personnel are currently employed under contract

The compensation of each member of the key management personnel of the Company and consolidated entity is set out below:

	Short term employee benefits		Post employment benefits Superannuation	Other long-term employee benefits	Termination benefits	Share based payments - Equity options	Total
	Salary & fees	Non-monetary					
2006	$	$	$	$	$	$	$
N R Forrester (i)	182,749	6,645	15,175	6,471	–	27,440	238,480
M L Spence (ii)	149,568	5,476	12,420	–	–	11,440	178,904
G E Taylor (i)	20,000	–	–	–	–	27,440	47,440
R O'Regan (i)	20,000	–	–	–	–	27,440	47,440
A P Stirling (ii)	20,000	–	–	–	–	11,440	31,440
D A Scarparolo (iii)	83,143	12,363	7,487	3,189	–	16,000	122,182
J E Forrester (i)	68,614	6,267	5,698	2,435	–	19,440	102,454
	544,074	30,751	40,780	12,095	–	140,640	768,340

19 KEY MANAGEMENT PERSONNEL COMPENSATION *(cont'd)*

	Short term employee benefits		Post employment benefits Superannuation	Other long-term employee benefits	Termination benefits	Share based payments - Equity options	Total
	Salary & fees	**Non-monetary**					
2005	**$**	**$**	**$**	**$**	**$**	**$**	**$**
N R Forrester	182,324	5,870	15,140	6,456	–	–	209,790
M L Spence	149,153	4,624	12,385	–	–	–	166,162
G E Taylor	20,000	–	–	–	–	–	20,000
R O'Regan	20,000	–	–	–	–	–	20,000
A P Stirling	20,000	–	–	–	–	–	20,000
D A Scarparolo	83,772	10,147	6,916	3,168			104,003
J E Forrester	68,265	6,372	5,615	2,400			82,652
	543,514	27,013	40,056	12,024	–	–	622,607

(i) Mr N R Forrester, Mr G E Taylor, Mr R O'Regan and Mrs J E Forrester were granted employee share options under the employee share option plan on 26 August 2005 and 24 February 2006. Further details of the options are contained in Notes 14 and 22.

(ii) Mr M L Spence and Mr AP Stirling were granted employee share options under the employee share option plan on 24 February. Further details of the options are contained in Notes 14 and 22.

(iii) Mr D A Scarparolo was granted employee share options under the employee share option plan on 12 January 2006. Further details of the options are contained in Notes 14 and 22.

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
20 REMUNERATION OF AUDITORS				
Auditor of the Parent Entity				
Auditing of the financial report	30,000	21,000	30,000	21,000
Other services	–	–	–	–
	30,000	21,000	30,000	21,000
Related practice of the Parent Entity Auditor				
Other services[1]	12,460	15,053	12,460	–
	42,460	36,053	42,460	21,000

The auditor of Mount Burgess Mining N.L. is Deloitte Touche Tomatsu.

[1]The consolidated entity paid the Deloitte Member Firm in Namibia an amount of $15,053 in 2005 and nil in 2006 for company tax, general accounting advice and certain accounting services. The consolidated entity paid the Deloitte Member Firm in Botswana an amount of $12,460 in 2006 and nil in 2005 for company tax, general accounting advice and certain accounting services. The Directors have considered these services and the safeguards in place and have concluded that there has not been any contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct in relation to the audit.

21 SEGMENT INFORMATION

The Company operates in Australia, Namibia and Botswana in the area of mineral exploration.

In Australia the exploration focus is on gold and base metals.
In Namibia the exploration focus is on diamonds and base metals.
In Botswana the exploration focus is on base metals.

21 SEGMENT INFORMATION *(cont'd)*

Geographical Segments

	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Segment Revenues	External sales		Inter-segment sales		Total	
Australia	–	–	–	–	–	–
Namibia	–	–	–	–	–	–
Botswana	–	–	–	–	–	–
Total of all segments	–	–	–	–	–	–
Unallocated corporate revenue					17,152	38,985
Consolidated total revenue					17,152	38,985

Segment Results	2006 $	2005 $
Australia	(132,572)	(376,873)
Namibia	–	(2,337)
Botswana	–	–
Total of all Segments	(132,572)	(379,210)
Unallocated corporate revenue	17,152	38,985
Unallocated corporate expenses	(1,006,783)	(832,642)
Loss from ordinary activities before income tax expense	(1,122,203)	(1,172,867)
Income tax expense	–	–
Loss/result from ordinary activities after income tax expense	(1,122,203)	(1,172,867)
Extraordinary items	–	–
Net loss	(1,122,203)	(1,172,867)
Segment Assets		
Australia	12,224,795	11,318,181
Namibia	9,734,165	8,855,239
Botswana	1,097,526	273,141
Total of all Segments	23,056,486	20,446,561
Unallocated corporate assets	352,807	509,613
Eliminations	(10,068,929)	(8,850,431)
Consolidated total assets	13,340,364	12,105,743
Segment Liabilities		
Australia	285,017	57,533
Namibia	9,825,777	8,991,522
Botswana	1,788	–
Total of all Segments	10,112,582	9,049,055
Unallocated corporate liabilities	126,340	65,595
Eliminations	(10,068,884)	(8,850,406)
Consolidated total liabilities	170,038	264,244
Acquisition of plant and equipment and exploration expenditure		
Australia	86,832	105,934
Namibia	734,946	1,601,061
Botswana	779,710	12,817
Total of all Segments	1,601,488	1,719,812
Unallocated corporate liabilities	–	–
Consolidated total liabilities	1,601,488	1,719,812
Depreciation/amortisation included in segment result		
Australia	–	–
Namibia	–	–
Botswana	–	–
Total of all Segments	–	–
Unallocated corporate depreciation/amortisation	15,008	19,318
Consolidated total depreciation/amortisation	15,008	19,318

21 SEGMENT INFORMATION *(cont'd)*

Non cash expenses other than depreciation/amortisation	**2006 $**	**2005 $**
Australia	132,572	376,873
Namibia	–	2,337
Botswana	–	–
Total of all Segments	132,572	379,210
Unallocated corporate non cash expenses	–	19,621
Consolidated total non cash expenses	132,572	398,831

22 RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 29 to the financial statements.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed on Note 19 to the financial statements.

(c) Key management personnel equity holdings of Mount Burgess Mining N.L.

Fully Paid Ordinary Shares 2006

Name	Balance as at 1/7/05	Net Other Change	Balance as at 30/6/06	Balance held nominally
N R Forrester	11,064,191	(100,000)	10,964,191	–
G E Taylor	2,247,339	–	2,247,339	–
R W O'Regan	3,550,000	100,000	3,650,000	–
A P Stirling	8,390,694	2,792,509	11,183,203	–
M L Spence	–	–	–	–
D A Scarparolo	–	100,000	100,000	–
J E Forrester	373,155	–	373,155	–
Total	25,625,379	2,892,509	28,517,888	–

None of the above fully paid ordinary shares were either granted during the reporting period as remuneration or received during the reporting period on exercise of options.

22 RELATED PARTY DISCLOSURES *(cont'd)*

Employee Options of Mount Burgess Mining N.L. 2006

Name	Balance as at 1/07/2005	Granted as Remuneration	Other Changes	Balance at 30/06/2006	Balance Vested at 30/6/06	Options vested during year
N R Forrester	1,000,000	1,000,000	(500,000)	1,500,000	1,500,000	1,000,000
G E Taylor	500,000	1,000,000	(500,000)	1,000,000	1,000,000	1,000,000
R O'Regan	500,000	1,000,000	(500,000)	1,000,000	1,000,000	1,000,000
A P Stirling	500,000	500,000	nil	1,000,000	1,000,000	500,000
M L Spence	500,000	500,000	nil	1,000,000	1,000,000	500,000
D A Scarparolo	500,000	500,000	nil	1,000,000	1,000,000	500,000
J E Forrester	500,000	750,000	(250,000)	1,000,000	1,000,000	750,000
Total	4,000,000	5,250,000	(1,750,000)	7,500,000	7,500,000	5,250,000

All options once granted vest in the option holder at the date of their issue and may be exercised at any time from the date of their issue to the date of their expiry. Any share options issued to a director during the financial year were made in accordance with the provisions of the Company's Share Option Plan. No amounts are payable by the recipient of the option. Each option is exercisable at 25 cents. No options were exercised during the year.

Fully Paid Ordinary Shares 2005

Name	Balance as at 1/7/04	Net Other Change	Balance as at 30/6/05	Balance held nominally
N R Forrester	11,063,321	870	11,064,191	–
G E Taylor	2,247,339	–	2,247,339	–
R W O'Regan	3,550,000	–	3,550,000	–
A P Stirling	7,320,000	1,070,694	8,390,694	–
M L Spence	–	–	–	–
D A Scarparolo	–	–	–	–
J E Forrester	373,155	–	373,155	–
Total	24,553,815	1,071,564	25,625,379	–

None of the above fully paid ordinary shares were either granted during the reporting period as remuneration or received during the reporting period on exercise of options.

Employee Options of Mount Burgess Mining N.L. 2005

Name	Balance as at 1/07/2004	Granted as Remuneration	Other Changes	Balance as at 30/06/2006	Balance Vested at 30/6/05	Options vested during year
N R Forrester	1,000,000	nil	nil	1,000,000	1,000,000	nil
G E Taylor	500,000	nil	nil	500,000	500,000	nil
R O'Regan	500,000	nil	nil	500,000	500,000	nil
A P Stirling	500,000	nil	nil	500,000	500,000	nil
M L Spence	500,000	nil	nil	500,000	500,000	nil
D A Scarparolo	500,000	nil	nil	500,000	500,000	nil
J E Forrester	500,000	nil	nil	500,000	500,000	nil
Total	4,000,000	nil	nil	4,000,000	4,000,000	nil

22 RELATED PARTY DISCLOSURES *(cont'd)*

All options once granted vest in the option holder at the date of their issue and may be exercised at any time from the date of their issue to the date of their expiry. Any share options issued to a director during the financial year were made in accordance with the provisions of the Company's Share Option Plan. No amounts are payable by the recipient of the option. Each option is exercisable at 25 cents. No options were exercised during the year.

Further details of options are contained in Note 14 and 19 to the financial statements.

(d) Other transactions with key management personnel (and their related parties) of Mount Burgess Mining N.L.

The Company has a joint venture with Kimberlite Resources Pty Ltd in respect of its diamond exploration project at Tsumkwe in Namibia. Mr Godfrey Taylor is a shareholder and director of both the Company and Kimberlite Resources Pty Ltd. No related party transactions were incurred.

During the year an amount of $29,085 (2005: $14,190) was paid to Astaire & Partners, London in connection with placements. Mr Ronald O'Regan is a Director of both Astaire & Partners and the Company.

(e) Transactions with subsidiary

Amounts receivable from and payable to the subsidiary, MTB (Namibia) (Pty) Ltd are disclosed in Note 6 and 13 to the financial statements. All loans advanced to and payable to MTB (Namibia) (Pty) Ltd are interest free, unsecured and subordinate to other liabilities.

(f) Parent entity

The parent entity in the consolidated entity is Mount Burgess Mining N.L. Equity interests in controlled entities are disclosed in Note 29.

23 JOINTLY CONTROLLED ASSETS

The Company has an interest in the following jointly controlled assets as at the 30 June 2006:

(a) A joint venture in respect of gold and base metal exploration in the Telfer region, with Barrick Gold of Australia Limited, whereby Barrick has the right to earn a 51% interest through the expenditure of A$5 million. Four mining leases out of the nineteen tenements covered by the joint venture with Barrick were previously subject to a joint venture between the Company and Newmont Exploration Pty Ltd. During 2004 Newmont agreed to abate its 38% equity in the four mining leases to a 1% net smelter royalty, thereby leaving the Company with 100% equity in all of the nineteen tenements in the Telfer Project. During the year, Barrick Gold of Australia Ltd withdrew from the joint venture in respect of gold and base metal exploration in the Telfer region.

(b) A joint venture, known as the Tsumkwe Joint Venture, with Kimberlite Resources Pty Ltd, for the exploration and development of mines on Exclusive Prospecting Licences 2012, 2014, 2817, 2818, 2819, 3019 and 3020 in Namibia, where the Company holds 90% and Kimberlite Resources Pty Ltd 10%.

The capital commitments arising from the Company's interests in joint venture operations are disclosed in Note 18(a).

The following amounts represent the consolidated entity's interest in assets employed in the above joint ventures. The amounts are included in the financial statements under their respective asset categories.

	Consolidated	
	2006 $	2005 $
Current Assets		
Cash assets	12,819	61,831
Receivables	5,312	41,712
Total Current Assets	18,131	103,543
Non Current Assets		
Exploration interests	9,456,812	10,328,966
Plant and equipment	13,491	30,918
Total Non Current Assets	9,470,303	10,359,844
Total Assets	9,488,434	10,463,427

24 ECONOMIC DEPENDENCY

The Company is not economically dependent on any other company.

25 SUPERANNUATION COMMITMENT

The Company has ensured that the minimum superannuation levy was contributed to a complying defined contribution fund on behalf of all its employees.

26 SUBSEQUENT EVENTS

No matters or circumstances of which the Directors are aware, other than those referred to in the financial statements or notes thereto, have arisen since the end of the year which significantly affect, or may significantly affect, the operations, results or state of affairs of the consolidated entity in financial years after the financial year, other than as follows:

On 28 August 2006, the Company completed a placement of 7,520,000 fully paid ordinary shares to raise $601,600. The placement was at an issue price of $0.08 per share. The financial effect of the above transaction has not been brought to account at 30 June 2006.

27 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Cash and cash equivalents	340,166	538,040	327,347	476,209
Cash balance as per Statement of Cash Flows	340,166	538,040	327,347	476,209

(b) Reconciliation of Loss from Ordinary Activities after Income Tax to the Net Cash Flows from Operating Activities:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Loss from ordinary activities after income tax	(1,122,203)	(1,172,867)	(1,107,144)	(1,184,529)
Depreciation	9,200	12,344	9,200	12,344
Amortisation	5,808	6,974	5,808	6,974
Write off of exploration and development expenditure	132,572	379,210	132,572	376,873
Profit on sale of investments	–	(5,000)	–	(5,000)
Net exchange differences	(23,187)	(2,132)	(21,412)	–
Profit on sale of fixed assets	–	(19,294)	–	(5,894)
Equity settled share options payments	140,640	–	140,640	–
Changes in operating assets and liabilities				
(Increase)/Decrease in trade receivables	608	784	(19)	784
Increase/(Decrease) in trade payables	59,703	(16,940)	60,784	(15,278)
Increase/(Decrease) in provision for employee entitlements	28,015	(10,151)	28,015	(10,151)
Net cash flows from operations	(768,852)	(827,072)	(751,556)	(823,877)

27 NOTES TO THE STATEMENT OF CASH FLOWS *(cont'd)*

(c) Financing Facilities

As at 30 June 2006 the Company had a Visa Card credit facility to the value of $50,000 (2005: $65,000), an overdraft facility to the value of $150,000 (2005: $150,000) and payroll facility to the value of $56,000 (2005: $56,000). At balance date the total amount unused was $253,000. (2005: $269,000).

(d) Non-Cash Financing and Investing Activities

Acquisition of computers by means of finance lease	–	17,430	–	–

The above is not reflected in the Statement of Cash Flows.

28 FINANCIAL INSTRUMENTS

(i) Significant Accounting Policies

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements. No financial derivative instruments were in place at year end.

(ii) Interest Rate Risk

The following table details the Consolidated Entity's exposure to interest rate risk as at 30 June 2006.

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity			Non-Interest Bearing	Total
			Less than 1 year	1 to 5 Years	More than 5 years		
	%	%	$	$	$	$	$
2006							
Financial Assets							
Cash assets	5.31	–	287,974	–	–	52,192	340,166
Trade receivables	–	–	–	–	–	19	19
			287,974	–	–	52,211	340,185
Financial Liabilities							
Trade payables	–	–	–	–	–	97,527	97,527
Finance lease liabilities	11.61	–	5,922	5,481	–	–	11,403
Employee entitlements	–	–	–	–	–	61,108	61,108
			5,922	5,481	–	158,635	170,038

28 FINANCIAL INSTRUMENTS *(cont'd)*

The following table details the Consolidated Entity's exposure to interest rate risk as at 30 June 2005.

	Average Interest Rate %	Variable Interest Rate %	Fixed Interest Rate Maturity Less than 1 year $	1 to 5 Years $	More than 5 years $	Non-Interest Bearing $	Total $
2005							
Financial Assets							
Cash assets	5.01	–	479,870	–	–	58,170	538,040
Trade receivables	–	–	–	–	–	687	687
			479,870	–	–	58,857	538,727
Financial Liabilities							
Trade payables	–	–	–	–	–	194,208	194,208
Finance lease liabilities	9.2	–	25,540	11,403	–	–	36,943
Employee entitlements	–	–	–	–	–	33,093	33,093
			25,540	11,403	–	227,301	264,244

(iii) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

28 FINANCIAL INSTRUMENTS *(cont'd)*

The consolidated entity does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(iv) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

29 CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest (%)
Parent Entity		
Mount Burgess Mining N.L.	Australia	
Controlled Entity		
MTB (Namibia) (Proprietary) Ltd	Namibia	100%

30 ADDITIONAL COMPANY INFORMATION

	Consolidated		Company	
	2006 No.	2005 No.	2006 No.	2005 No.
Number of employees at the end of the year	31	23	8	7

31 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity changed its accounting policies on 1 January 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition.

. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's financial position financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Consolidated		
	Superseded Policies * $	Effect of Transition To A-IFRS $	A-IFRS $
CURRENT ASSETS			
Cash	92,726	–	92,726
Receivables	51,464	–	51,464
TOTAL CURRENT ASSETS	144,190	–	144,190
NON CURRENT ASSETS			
Plant and equipment	55,183	–	55,183
Exploration interests	10,153,082	–	10,153,082
TOTAL NON CURRENT ASSETS	10,208,265	–	10,208,265
TOTAL ASSETS	10,352,455	–	10,352,455
CURRENT LIABILITIES			
Payables	198,026	–	198,026
Borrowings	8,043	–	8,043
Provisions	43,244	–	43,244
TOTAL CURRENT LIABILITIES	249,313	–	249,313
NON CURRENT LIABILITIES			
Borrowings	20,335	–	20,335
TOTAL NON CURRENT LIABILITIES	20,335	–	20,335
TOTAL LIABILITIES	269,648	–	269,648
NET ASSETS	10,082,807	–	10,082,807
EQUITY			
Share capital	27,182,417	–	27,182,417
Reserves	109,972	–	109,972
	27,292,389	–	27,292,389
Accumulated losses	(17,209,582)	–	(17,209,582)
TOTAL EQUITY	10,082,807	–	10,082,807

* Reported financial position for the financial year ended 30 June 2004.

31 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(cont'd)*

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

		Consolidated 30 Jun 05			Company 30 Jun 05		
	Notes	**Superseded Policies ***	**Effect of Transition To A-IFRS**	**A-IFRS**	**Superseded Policies ***	**Effect of Transition To A-IFRS**	**A-IFRS**
		$	**$**	**$**	**$**	**$**	**$**
Revenue	(a)	38,985	(2,790)	36,195	25,180	(2,788)	22,392
Administration expenses		(808,189)	–	(808,189)	(808,385)	–	(808,385)
Borrowing costs		(2,345)	–	(2,345)	(2,345)	–	(2,345)
Exploration interests written off		(379,210)	–	(379,210)	(376,873)	–	(376,873)
Other expenses		(22,108)	2,790	(19,318)	(22,106)	2,788	(19,318)
Loss before income tax		(1,172,867)	–	(1,172,867)	(1,184,529)	–	(1,184,529)
Income tax expense		–		–	–	–	–
Loss from continuing operations		(1,172,867)	–	(1,172,867)	(1,184,529)	–	–
Net loss for the period		(1,172,867)	–	(1,172,867)	(1,184,529)	–	–
Loss attributable to members of the parent entity		(1,172,867)	–	(1,172,867)	(1,184,529)	–	(1,184,529)

* Reported financial results under previous Australian GAAP.

31 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS *(cont'd)*

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Consolidated 30 Jun 05			Company 30 Jun 05		
	Superseded Policies *	Effect of Transition To A-IFRS	A-IFRS	Superseded Policies *	Effect of Transition To A-IFRS	A-IFRS
	$	$	$	$	$	$
CURRENT ASSETS						
Cash	538,040	–	538,040	476,209	–	476,209
Receivables	44,358	–	44,358	2,646	–	2,646
TOTAL CURRENT ASSETS	582,398	–	582,398	478,855	–	478,855
NON CURRENT ASSETS						
Plant and equipment	82,685	–	82,685	8,850,406	–	8,850,406
Exploration interests	11,440,660	–	11,440,660	55,490	–	55,490
TOTAL NON CURRENT ASSETS	11,523,345	–	11,523,345	2,556,453	–	2,556,453
TOTAL ASSETS	12,105,743	–	12,105,743	11,462,349	–	11,462,349
CURRENT LIABILITIES						
Payables	194,208	–	194,208	53,093	–	53,093
Interest bearing liabilities	25,540	–	25,540	25,539	–	25,539
Provisions	33,093	–	33,093	33,093	–	33,093
TOTAL CURRENT LIABILITIES	252,841	–	252,841	111,725	–	111,725
NON CURRENT LIABILITIES						
Interest bearing liabilities	11,403	–	11,403	11,403	–	11,403
TOTAL NON CURRENT LIABILITIES	11,403	–	11,403	11,403	–	11,403
TOTAL LIABILITIES	264,244	–	264,244	123,128	–	123,128
NET ASSETS	11,841,499	–	11,841,499	11,818,076	–	11,818,076
EQUITY						
Share capital	30,113,976	–	30,113,976	30,113,976	–	30,113,976
Reserves	109,972	–	109,972	109,972	–	109,972
	30,223,948	–	30,223,948	30,223,948	–	30,223,948
Accumulated losses	(18,382,449)	–	(18,382,449)	(18,405,842)	–	(18,405,842)
TOTAL EQUITY	11,841,499	–	11,841,499	11,818,076	–	11,818,076

*Reported financial position under previous Australian GAAP.

Effect of A-IFRS on the cash flow statement for the year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

(a) Revenue

Under superseded policies, the consolidated entity recognised the gain or loss on disposal of property, plant and equipment on a gross basis by recognising the proceeds from sale as revenue, and the carrying amount of the property, plant and equipment disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a net basis, and is classified as income, rather than revenue. Accordingly, the gross amounts have been reclassified within the income statement for A-IFRS reporting purposes. For the financial year ended 30 June 2005 consolidated revenue decreased by $2,790 and Company revenue by $2,788. This is a reclassification and did not impact upon the profit or loss of the consolidated entity.

Directors' Declaration

The Directors declare that:

(a) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

N R Forrester

CHAIRMAN and MANAGING DIRECTOR

Perth, 19th September 2006.

Deloitte.

Deloitte Touche Tohmatsu
A.C.N. 74 490 121 060

Woodside Plaza
Level 14
240 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

DX 206
Tel: +61 (0) 8 9365 7000
Fax: +61 (0) 8 9365 7001
www.deloitte.com.au

Independent audit report to the members of
Mount Burgess Mining N.L.

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Mount Burgess Mining N L (the company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 19 to 49. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 have conducted an independent audit of the financial report in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance 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 controls, 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations, their changes in equity and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and 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.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

(1) the financial report of Mount Burgess Mining N L is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R Jerrard
Partner
Chartered Accountants
Perth, 19 September 2006

Member of
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.

ADDITIONAL INFORMATION INCLUDED IN ACCORDANCE WITH THE LISTING REQUIREMENTS OF THE AUSTRALIAN STOCK EXCHANGE LIMITED

The information set out below was applicable as at 5 September 2006.

1. Distribution of Equity Securities and Voting Rights:

(a) Distribution of Shareholders of Ordinary shares:-

	No. of Holders
1 - 1,000	198
1,001 - 5,000	517
5,001 - 10,000	344
10,001 - 100,000	772
100,000 and over	171
Total No. of Shareholders	2,002

(b) Each shareholder entitled to vote may vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote. On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share.

(c) There existed 753 shareholders who held less than a marketable parcel of shares.

2. Substantial Shareholders

The Company had two substantial shareholders as follows:-

N R Forrester (with associates) 11,237,346 shares

A P Stirling (with associates) 11,183,203 shares

3. Top Twenty Shareholders

Shareholder Name	Units Held	Percentage of Issued Capital
Citicorp Nominees Limited	40,085,373	21.218
ANZ Nominees Australia Ltd	16,922,906	8.957
National Nominees Limited	13,607,562	7.203
Mr Nigel Raymond Forrester	6,873,576	3.638
J P Morgan Nominees Australia Ltd	6,768,280	3.582
Strata Drilling WA Pty Ltd	4,000,000	2.117
Nefco Nominees Pty Ltd	3,328,000	1.761
Beta Management Services (S/F Account)	2,604,000	1.378
Mr Jeremy Bewick Dowler	2,500,000	1.323
HSBC Custody Nominees (Australia) Ltd	2,000,609	1.058
Yandal Investments Pty Ltd	2,000,000	1.058
Ronald William O'Regan	1,963,200	1.039
Jobig Investments Pty Ltd	1,760,000	0.931
Greenstone Investments Pty Ltd	1,504,150	0.796
Mr Oliver Messenger (Messenger Family Account)	1,500,000	0.794
Cen Pty Ltd	1,500,000	0.794
Hadden Hall Pty Ltd	1,415,710	0.747
Bradley Resources	1,200,000	0.635
Platinum Broking Company Ltd	1,160,000	0.614
Jindabyne Pty Ltd	1,148,000	0.607
	113,841,366	60.250

4. Contingent Liabilities in relation to Termination Benefits

There are no service agreements with any directors or officers of the Company.

Tenement No.		% Equity
AUSTRALIA		
Telfer		
E45/854		100
E45/1218		100
E45/1393		100
E45/1946	Under Application	100
E45/2202		100
E45/2243		100
E45/2302		100
E45/2317	Under Application	100
M45/527		100
M45/528		100
M45/542		100
M45/543		100
M45/544		100
M45/550		100
M45/551		100
M45/659		100
M45/661		100
M45/662		100
M45/750	Under Application	100
M45/901	Under Application	100
M45/917	Under Application	100
M45/918	Under Application	100
M45/967	Under Application	100
M45/968	Under Application	100
M45/992	Under Application	100
M45/1129	Under Application	100
M45/1130	Under Application	100
M45/1144	Under Application	100
M45/1145	Under Application	100
P45/2458		100
P45/2460		100
Tabletop		
E45/1741	Under Application	100
E45/1742	Under Application	100
E45/1743	Under Application	100
E45/1744	Under Application	100
E45/1745	Under Application	100
E45/1746	Under Application	100

Tenement No.	% Equity
NAMIBIA	
Tsumkwe	
EPL 2012	90
EPL 2014	90
EPL 2817	90
EPL 2818	90
EPL 2819	90
EPL 3019	90
EPL 3020	90
EPL 3021	100
EPL 3022	100
BOTSWANA	
Kihabe	
PL69/2003	100