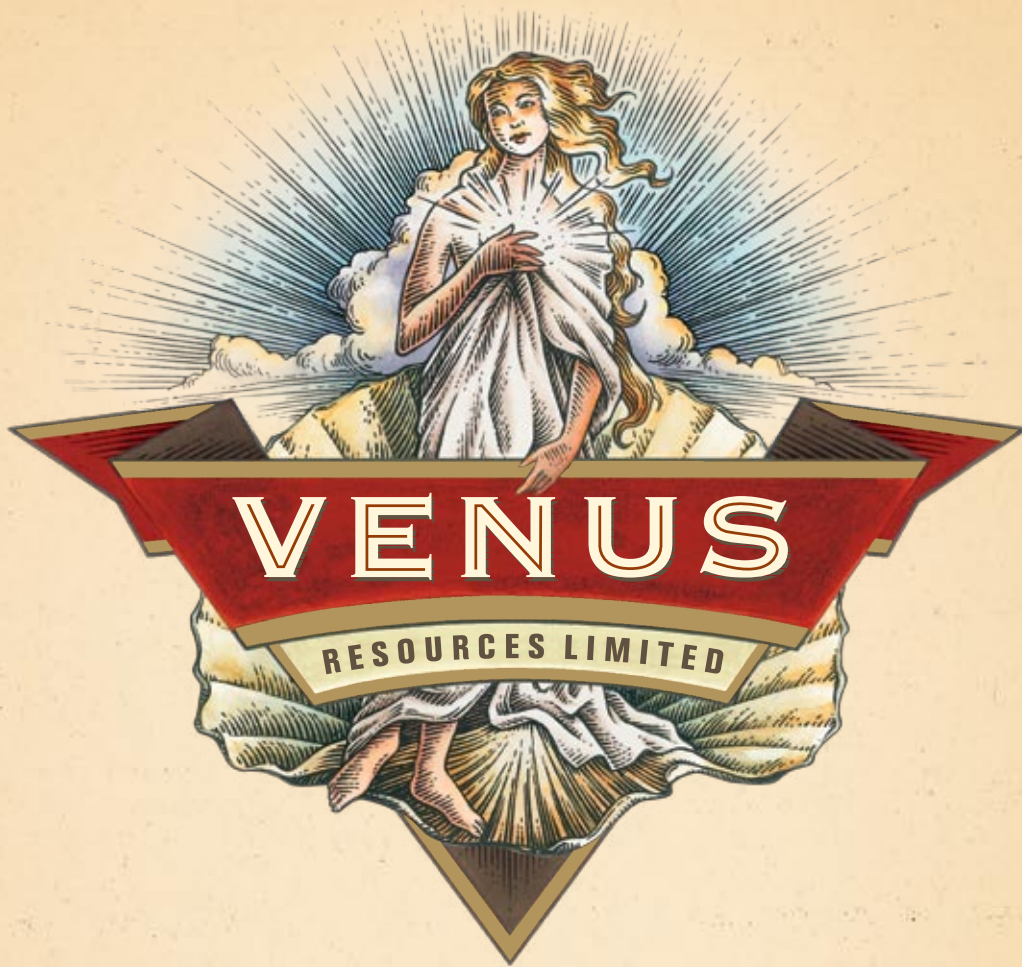


ANNUAL REPORT 2007



ABN 99 123 250 582

## CORPORATE DIRECTORY

### DIRECTORS

**Terence William Hogan, OAM**  
Non-Executive Chairman

**Simon Coxhell**  
Executive Director

**Matthew Vernon Hogan**  
Non-Executive Director

**Craig Richard Rosendorff**  
Non-Executive Director

**COMPANY SECRETARY**  
**Edmund Czechowski**

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Mezzanine Level, BGC Centre  
28 The Esplanade  
Perth, WA, 6000

Tel: +61 8 9321 7541

Fax: +61 8 9486 9587

Email: [info@venusresources.com.au](mailto:info@venusresources.com.au)

### SOLICITORS

#### **Blakiston & Crabb**

1202 Hay Street  
West Perth, WA, 6005

### AUDITORS

#### **Stantons International**

Level 1, 1 Havelock Street  
West Perth, WA, 6005

### SHARE REGISTRY

**Security Transfer Registrars Pty Ltd**  
Suite 1, 770 Canning Highway  
Applecross, WA 6153

### AUSTRALIAN SECURITIES EXCHANGE

2 The Esplanade  
Perth, WA 6000

**ASX CODE:** VNS

### WEBSITE

[www.venusresources.com.au](http://www.venusresources.com.au)



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**CHAIRMAN'S REPORT**

**Dear Shareholder,**

On behalf of my fellow Directors, I am pleased to present Venus Resources Limited first report for the financial period ended 30 June 2007.

During the period, the Company successfully completed its Initial Public Offer of 10 million shares together with oversubscriptions of 237,500 to raise \$2,047,500 and on 12 June 2007 listed on Australian Securities Exchange.

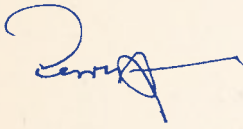
Since listing the Company has worked closely with the four families who are the traditional owners of the ground covered by Exploration License E80/3253 resulting in their support of the planned exploration activities and their agreeance for the exploration work to proceed. The Company has since obtained all regulatory approvals from Department of Industry and Resources and Department of Indigenous Affairs.

Preparations for the drilling for the diamond targets has been completed, a contract has been entered into with a drilling contractor and the drilling is expected to commence in late September 2007.

A lot has been achieved in a short space of time and the results of the initial drilling programme should be known by Christmas.

I offer my thanks to the Board and Management for the solid progress Venus Resources has made since ASX listing.

Yours sincerely,



Terry Hogan OAM

Chairman

10th September 2007



## REVIEW OF OPERATIONS

Venus Resources Limited was formed to explore for buried diamond pipes located along strike from the Argyle Diamond Mine under younger Devonian cover rocks.

The IPO closed over subscribed and the Company successfully listed on the ASX on 12 June 2007.

Between listing and 30 June 2007 the Company has conducted extensive negotiations with the Traditional Aboriginal Elders and has finalized an Access and Heritage agreement. In addition an on ground site clearance survey was completed and the Traditional Owners are happy for the planned exploration work to proceed.

The submission of a Programme of Work (POW) to the Department of Industry and Resources (DOIR) and Department of Indigenous Affairs (DIA) was completed requesting mines department approval to commence the exploration activities of the Company. This could only be completed once the Heritage agreement and on ground site clearance survey was completed.

Subsequent to the 30 June the DIA has confirmed that they have no outstanding issues regarding heritage matters on the proposed exploration drill programme for E80/3253. In addition the POW lodged with the DOIR was approved on the 11th July and the

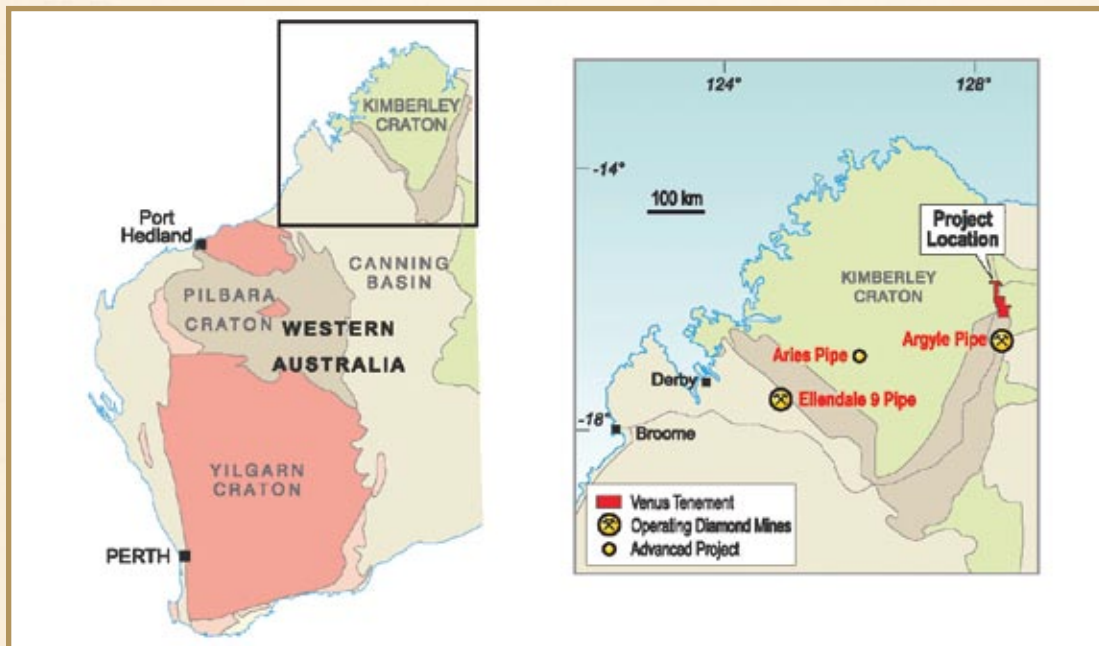
planned exploration and access track and drill site preparation works has commenced.

Approximately 12 kilometres of drill access tracks have been completed as well as a maintenance grade of the existing pastoral tracks within Glenhill Station.

A contract has been signed with a drilling company to commence the first pass deep RC drilling program due to commence on or about the middle of September.

The initial drilling programme will target a number of priority areas with approximately 40 drill holes planned to be drilled to test for the presence of buried Proterozoic lamproite diamond pipes located under Devonian cover rocks.

A new exploration license (E80/3972) has been applied for by Venus in early August. E80/3972 totals 40 square kilometres and lies to the immediate north east of E80/3253. Photogeological interpretation has identified three circular anomalies located within the younger Devonian cover rocks and some preliminary work will be undertaken in the near future to further evaluate these areas.

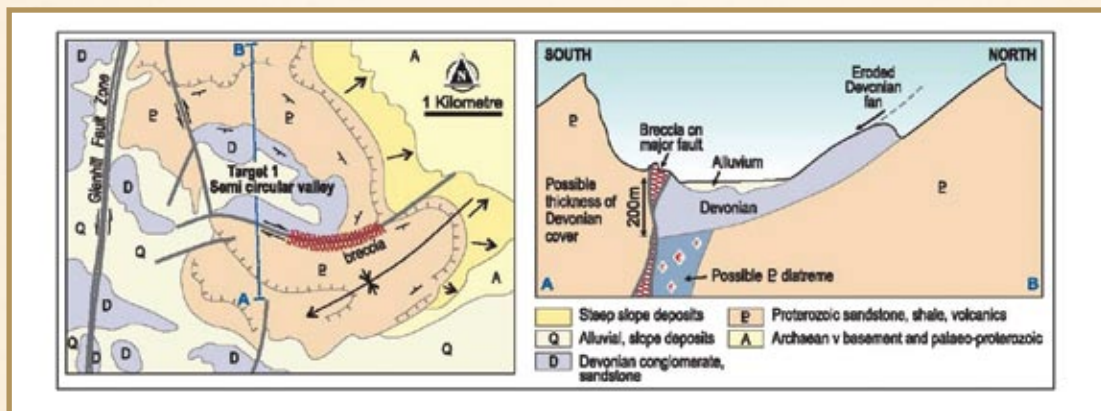


Venus Resources E80/3253 Regional Location Plan.

## REVIEW OF OPERATIONS



Target 1: Landscape

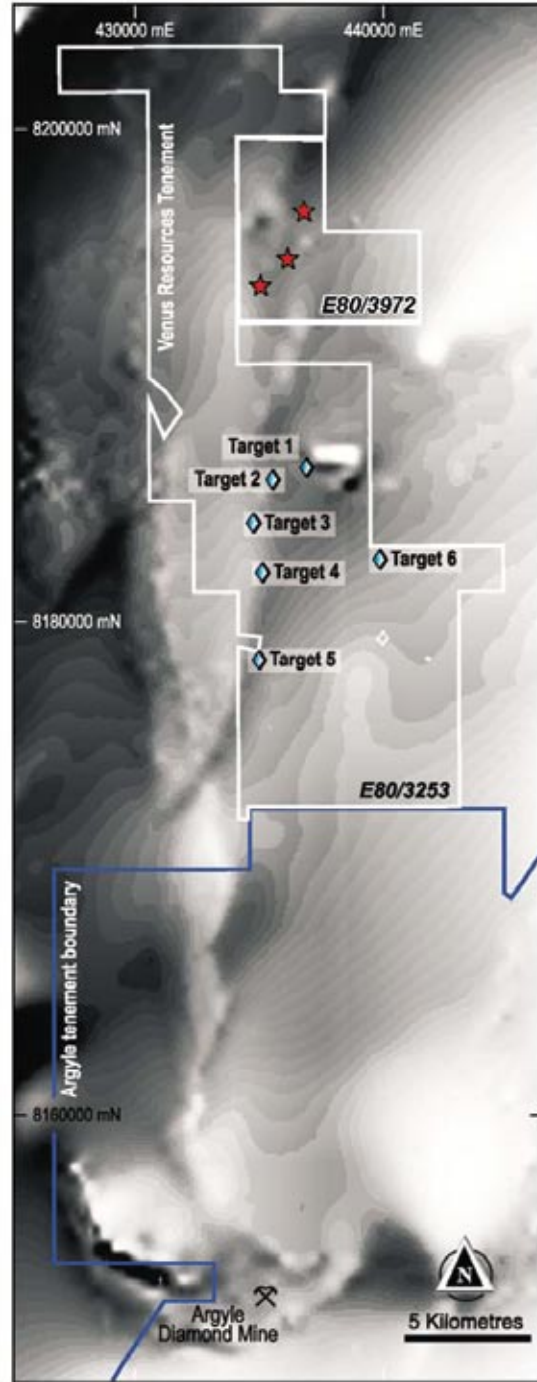


Geological Model: Diamond Pipe Target 1

## REVIEW OF OPERATIONS



Tenement Location on Landsat Plan



Diamond Pipe Targets on Magnetics

## DIRECTORS' REPORT

Your Directors present their report on the Company for the period ended 30 June 2007 (22 December 2006 to 30 June 2007).

The names of Directors in office at any time during or since the end of the year are:

Terence William Hogan (appointed 18/01/07)

Simon Coxhell (appointed 18/01/07)

Matthew Vernon Hogan (appointed 22/12/06)

Craig Richard Rosendorff (appointed 20/04/07)

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

### Company Secretary

The following person held the position of Company Secretary at the end of the financial period: Mr Edmund Czechowski FCPA, FAICD.

### Principal Activities

The principal activities of the Company during the financial period was the exploration of mineral tenements in Western Australia.

There were no other significant changes in the nature of the Company's principal activities during the financial period.

### Operating Results

The loss of the Company amounted to \$174,241.

### Dividends Paid or Recommended

No dividend has been declared or paid by the Company and the Directors do not, at present, recommend a dividend.

### Review of Operations

For details on a Review of Operations, refer to page 4.

### Financial Position and Significant Changes in State of Affairs

From the date of incorporation, the net assets of the Company have increased from \$Nil to \$2,176,317 as at 30 June 2007. This increase has largely resulted from the following factors:

- net proceeds from share issues raising \$2,343,458; and
- continuing exploration of the Company's tenement

### Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial period:

(i) On 29 May 2007 the Company issued 10,237,500 fully paid ordinary shares at \$0.20 each raising \$2,047,500.

### After Balance Date Events

There have been no matters or circumstances which have arisen since the end of the financial period which significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

### Future Developments, Prospects and Business Strategies

Details of any important developments in this current financial period have been covered in the Review of Operations. The Company will continue to actively explore for diamonds.

### Environmental Issues

The Company has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risks of non-compliance is low, and has not identified any compliance breaches during the period.

### Information on Directors

#### Terence William Hogan

Non-Executive Chairman

#### Qualifications

OAM, B.Ec. (UWA), FCPA, FCIS, ASIA

#### Experience

Mr Terence Hogan has been engaged in the stockbroking industry for more than 45 years. He is a Director of Hogan & Partners Stockbrokers Pty Ltd and past Chairman of the former Stock Exchange of Perth Limited.

Mr Terence Hogan is a past Chairman and Director of various public companies and is currently Chairman of the Perth Diocesan Trustees and Anglican Community Fund Inc.

#### Interest in Shares and Options

1,025,000 ordinary shares and options to acquire a further 1,000,000 shares as at 4 September 2007.

## DIRECTORS' REPORT

### Simon Coxhell

Executive Director

#### Qualifications

BSc, MAusIMM

#### Experience

Mr Simon Coxhell is a geologist with 23 years experience in the exploration and mining industry encompassing all facets of the business. He has performed key roles in a number of exploration and mining companies and projects.

Exploration programmes and mining projects in Australia, Papua New Guinea, Indonesia and Sardinia have been managed within time and budget. Mr Simon Coxhell has excellent experience and success in a range of commodities, including diamonds, gold, vanadium, oil shale, base metals, platinum, group metals and mineral sands.

A strong interest in the metallurgical and mining aspects of geology has contributed to the management of a number of scoping, prefeasibility and feasibility studies into a number of projects.

Mr Simon Coxhell was previously Executive Exploration Director for Navigator Resources Ltd.

#### Interest in Shares and Options

500,000 ordinary shares and options to acquire a further 1,000,000 shares as at 4 September 2007.

### Matthew Vernon Hogan MAICD

Non-Executive Director

#### Experience

Mr Matthew Hogan has had over 16 years experience in the stockbroking industry. He joined Hogan & Partners, participant of the Australian Stock Exchange, at its inception in 1992. As a representative of Hogan & Partners, Mr Hogan has been closely involved in bringing a number of Company listings to the ASX, the underwriting of Shareholder entitlement issues and corporate placements. Prior to his stockbroking career, Mr Matthew Hogan worked in the business services division of international accounting firm Ernst & Young.

Mr Matthew Hogan is also an Executive Director/Chief Financial Officer and Company Secretary of United Minerals Corporation NL and Company Secretary of Iron Ore Holdings Ltd.

#### Interest in Shares and Options

7,040,001 ordinary shares and options to acquire a further 4,500,000 shares as at 4 September 2007.

#### Directorships Held in Other Listed Entities

United Minerals Corporation NL

### Craig Richard Rosendorff

Non-Executive Director

#### Experience

Mr Craig Rosendorff is a successful businessman based in Perth, Western Australia.

He established his business, ROSENDORFF, in 1973 and it has developed into one of the leading jewellers in Australia.

Mr Craig Rosendorff is recognised for his ability to source quality diamonds and during the past 30 years has developed a significant international network of major participants in the world diamond industry throughout New York, Antwerp, Moscow and London.

#### Interest in Shares and Options

3,050,000 ordinary shares and options to acquire a further 500,000 shares as at 4 September 2007.

### REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Venus Resources Limited and for the Executives receiving the highest remuneration.

#### Remuneration Policy

The Company's policy for determining the nature and amount of remuneration and amount of emoluments for Board members of the Company is as follows:

The Company's remuneration policy for Executive Directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related.

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior Executives, was developed by the Board after seeking professional advice from independent external consultants.

The Board's policy reflects its obligation to align Executives' remuneration with Shareholders' interests and to retain appropriately qualified Executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates
- individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance

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

## DIRECTORS' REPORT

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

### Company Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and Executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, and the second being the issue of options to the majority of Directors and Executives to encourage the alignment of personal and Shareholder interests.

### Meetings of Directors

During the financial period, six meetings of Directors were held. Attendances by each Director during the period were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Terence William Hogan	6	5
Simon Coxhell	6	6
Matthew Vernon Hogan	6	6
Craig Richard Rosendorff	3	3

### Details of Remuneration for the period ended 30 June 2007

	PRIMARY Salary, Fees & Commissions	POST EMPLOYMENT Superannuation Contribution	EQUITY Options	Total
2007	\$	\$	\$	\$
Key Management Person				
Terence William Hogan	1,885	170	-	2,055
Simon Coxhell	25,465	-	-	25,465
Matthew Vernon Hogan	7,305	-	-	7,305
Craig Richard Rosendorff	1,885	170	-	2,055
	36,540	340	-	36,880

### Options Issued as Part of Remuneration for the Period ended 30 June 2007

There were no Options issued to Directors and Executives as part of their remuneration.

### Indemnifying Officers or Auditor

During or since the end of the financial period the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the following Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$14,236.25 (excluding GST).

- Terence William Hogan
- Simon Coxhell
- Matthew Vernon Hogan
- Craig Richard Rosendorff

### Options

At the date of this report, the unissued ordinary shares of Venus Resources Limited under option are as follows:

Grant Date	Date of expiry	Exercise price	Number under option
22/12/2006	30/06/2012	\$0.20	3,500,000
25/01/2007	30/06/2012	\$0.25	3,000,000
28/03/2007	30/06/2012	\$0.25	600,000
			7,100,000

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

## DIRECTORS' REPORT

### Contracts with Directors

Refer to Note 18 for details of contracts with Directors.

### Proceedings on Behalf of Company

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

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

### Non-Audit Services

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

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the period ended 30 June 2007:

	\$
Investigating Accountants Report	4,414
	<u>4,414</u>

### Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2007 has been received and can be found on page 34 of the Annual Report.

### ASIC Order

On the 26 June 2007 the Australian Securities & Investment Commission ("ASIC") relieved Venus Resources Limited from the requirements in sections 302, 303, 306 and 320 of the *Corporations Act 2001* to prepare and lodge with ASIC the half-year financial and Directors' Reports for the first half-year of the Company ended on 22 June 2007.

### Comparative Figures

As the Company was incorporated on the 22 December 2006 there are no comparative figures.

Director

Simon Coxhell

Dated this 10th day of September 2007

## 2007 CORPORATE GOVERNANCE STATEMENT

### INTRODUCTION

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by ASX Corporate Governance Council.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

The Board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Further information about the Company's corporate governance practices is set out on the Company's website at <http://www.venusresources.com.au>. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

### EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

#### Principle 2 Recommendation 2.4

##### Notification of Departure:

A separate Nomination Committee has not been formed.

##### Explanation for Departure:

The Board of Directors comprises four members each of whom have valuable contributions to make in fulfilling the role of a nomination committee member. A Director will excuse himself where there is a personal interest or conflict.

#### Principle 4 Recommendations 4.2, 4.3, 4.4

##### Notification of Departure:

No formal Audit Committee has been established.

##### Explanation for Departure:

Given the size and nature of the Company, its business interests and the ongoing level of involvement of Directors it is not considered necessary that a formal audit committee be established.

#### Principle 9 Recommendations 9.1, 9.2, 9.3, 9.4

##### Notification of Departure:

The Company does not have a formal remuneration policy and has not established a separate remuneration committee.

##### Explanation for Departure:

The current remuneration of the Directors is disclosed in Note 5. Remuneration is currently in accordance with the general principals recommended by the ASX, that is, Non-Executive Directors receive a fixed fee for their services and do not receive performance based remuneration. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key Executives. The Board considers that it is more appropriate to set aside time at two Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the Directors participate in any deliberations regarding their own remuneration or related issues.

The primary responsibilities of the Board include:

- The establishment of long term goals for the Company and strategic plans to achieve these goals.
- Implementing adequate systems of internal control together with appropriate monitoring of compliance activities and establishment of and adherence to ethical and environmental standards.
- Reviewing the results and findings of the external auditors, the adequacy of internal accounting and financial controls and obtaining feedback on the implementation of recommendations made.
- Reviewing and approving the financial reports of the Company and receiving the audit/review reports.
- Determining the remuneration of the Directors and senior Executives as part of an annual review, having regard to a performance evaluation process, market factors and where necessary, independent remuneration advice.
- Implementing policies and codes of conduct to assist the Company and all its employees in maintaining appropriate standards of behaviour, business ethics and integrity.

## 2007 CORPORATE GOVERNANCE STATEMENT

- Implementing policies and programs aimed at complying with all environmental statutory standards and where standards do not exist, applying appropriate self-regulation.
- Adopting practices designed to identify and monitor significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The strategic planning process, which will be updated regularly, is the principle tool in this process.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporation Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.
- Recognising that adherence to corporate governance standards and benchmarks is an evolving process by reviewing and updating the Company's practices periodically or when otherwise appropriate.
- Preparing implementing and monitoring policies to ensure that all major developments affecting the financial position and state of affairs of the Company and any subsidiaries are announced to ASX immediately.

### The Board of Directors

The Company's constitution provides that the number of Directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

If the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities will be determined within the limitations imposed by the constitution and as circumstance demand.

The membership of the Board, its activities and composition will be subject to periodic review. The criteria for determining the identification and application of suitable candidates for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by Shareholders at the next general meeting. Under the Company's constitution, the tenure of a Director (other than the Managing Director) is subject to re-appointment by Shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and

there is no maximum period of service as a Director. A Managing Director may be appointed for the period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

### Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

### OTHER

#### Skills, Experience, Expertise and term of office of each Director

A profile of each Director containing the applicable information is set out in the Directors' Report.

Director	Date of Appointment
Terence William Hogan	18 January 2007
Simon Coxhell	18 January 2007
Matthew Vernon Hogan	22 December 2006
Craig Rosendorff	20 April 2007

#### Identification of Independent Directors

The independent Directors of the Company are Terence Hogan, Matthew Hogan and Craig Rosendorff.

#### Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to a Director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman of the Board and this will not be withheld reasonably.

#### Continuous Review of Corporate Governance

Directors will consider, on an ongoing basis, how management information is presented to them and whether such information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in the light of changing circumstances and economic conditions. The Directors recognise diamond exploration is a business with inherent risks and the operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any formal corporate governance committees will be given further consideration.

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

	<b>Note</b>	2007
		\$
Revenue	2	23,914
Administration expense		(85,259)
Exploration expense		(111,158)
Depreciation and amortisation expense		(1,738)
Loss before income tax	3	(174,241)
Income tax expense	4	-
Loss for the period		<u>(174,241)</u>
Attributable to Members of the entity		<u>(174,241)</u>
Basic loss per share (cents per share)	7	(0.007)
Diluted loss per share (cents per share)	7	(0.007)

The accompanying notes form part of these financial statements.

**BALANCE SHEET AS AT 30 JUNE 2007**

	<b>Note</b>	2007
		\$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	8	2,123,958
Trade and other receivables	9	43,434
Other current assets	10	22,704
<b>TOTAL CURRENT ASSETS</b>		<u>2,190,096</u>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	11	13,673
<b>TOTAL NON-CURRENT ASSETS</b>		<u>13,673</u>
<b>TOTAL ASSETS</b>		<u><u>2,203,769</u></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	12	27,452
<b>TOTAL CURRENT LIABILITIES</b>		<u>27,452</u>
<b>TOTAL LIABILITIES</b>		<u>27,452</u>
<b>NET ASSETS</b>		<u><u>2,176,317</u></u>
<b>EQUITY</b>		
Issued capital	13	2,343,458
Reserves	14	7,100
Accumulated losses		(174,241)
<b>TOTAL EQUITY</b>		<u><u>2,176,317</u></u>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2007**

	Share Capital Ordinary	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
<b>Balance at 22 December 2006</b>	-	-	-	-
Shares issued during the period	2,592,501	-	-	2,592,501
Costs associated with the offer	(249,043)	-	-	(249,043)
Options issued during the period	-	-	7,100	7,100
Loss attributable to members of entity	-	(174,241)	-	(174,241)
<b>Balance at 30 June 2007</b>	<b>2,343,458</b>	<b>(174,241)</b>	<b>7,100</b>	<b>2,176,317</b>

The accompanying notes form part of these financial statements.

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

	<b>Note</b>	2007
		\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received		23,914
Payments to suppliers and employees		(81,532)
Exploration expenditure		(111,158)
GST & TFN Tax		(31,579)
Net cash flows used in operating activities	16	<u>(200,355)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of plant and equipment		(15,794)
Security Bond		(10,451)
Net cash flows used in investing activities		<u>(26,245)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares		2,592,501
Proceeds from issue of options		7,100
Costs associated with the offer		(249,043)
Net cash flows from financing activities		<u>2,350,558</u>
Net increase in cash and cash equivalents		2,123,958
Cash and equivalents at beginning of financial period		-
Cash and equivalents at end of financial period	8	<u><u>2,123,958</u></u>

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007



#### Note 1 Statement of Significant Accounting Policies

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

The financial report covers Venus Resources Limited. Venus Resources Limited is a listed public company, incorporated and domiciled in Australia.

#### Adoption of New and Revised Accounting Standards

In the current period, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these revised Standards and Interpretations has not resulted in any material changes to the Company's accounting policies.

At the date of the financial report, the following Standards and Interpretations were in issue but not yet effective:

- AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue.	Effective for annual reporting periods beginning on or after 1 January 2007.
- AASB 101 'Presentation of Financial Statements' - revised standard.	Effective for annual reporting periods beginning on or after 1 January 2007.
- Interpretation 10 'Interim Financial reporting and Impairment'.	Effective for annual reporting periods beginning on or after 1 November 2006.

#### Basis of Preparation

The accounting policies set out below have been consistently applied during the presented period.

#### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### Accounting Policies

##### (a) Income Tax

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

#### (b) Plant and Equipment

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

##### Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

##### Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

#### (c) Exploration and Development Expenditure

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007



Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

#### (d) Financial Instruments

##### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### Financial Liabilities

Non-derivative financial liabilities are recognised and amortised at cost, comprising original debt less principal payments and amortisation.

##### Impairment of Assets

At each reporting date, the Company assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

#### (e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

#### (f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### (g) Revenue Recognition

##### Interest Income

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

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



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

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

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (i) Comparative Figures

There are no comparative figures as the Company was only incorporated on 22 December 2006. The results for the period, the Cash Flow Statement and Statement in Changes in Equity are for the period from incorporation to 30 June 2007.

#### (j) Ordinary Share Capital

Ordinary issued share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

#### (k) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. The amounts are unsecured and are generally paid within 30 days of recognition.

#### (l) Earning per Share

##### Basic Earnings per Share

Basic earnings per share is determined by dividing net profits after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares during the period.

##### Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (m) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained externally.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

#### Note 2 Revenue

	2007
Operating activities	\$
(a) Interest revenue from:	
— other persons	23,914
Total interest revenue	23,914

#### Note 3 Loss for the Year

	2007
(a) Expenses	\$
Depreciation	
— plant & equipment	1,738
Total depreciation	1,738
Rental expense on operating leases	
— minimum lease payments	16,905
Exploration expenditure	111,158

#### Note 4 Income Tax Expense

	2007
	\$
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income activities before income tax is reconciled to the income tax as follows:	
Loss from operations	(174,241)
Income tax benefit calculated at 30%	(52,273)
Add:	
Tax effect of:	
— Other non-deductible items	3,703
Less:	
Tax effect of:	
— Other deductible items	(16,316)
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	64,886
Income tax expense from ordinary activities	-
(b) Deferred tax balances not brought to account and carried forward in relation to:	
Tax losses	64,886
Excess accounting over tax depreciation	101
Capital raising costs	60,669
Exploration capital expenditure written off	(1,149)
Provisions	1,800
	126,307

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

- (c) Deferred tax assets of tax losses not brought to account will only be obtained if:
- (i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the tax losses to be realised;
  - (ii) the Company continues to comply with the conditions for deductibility imposed by tax legislation; and
  - (iii) no changes in tax legislation adversely affect the Company realising the benefit from the deductions for the losses.

#### Note 5 Key Management Personnel Compensation

**(a) Names and positions held of Company key management personnel in office at any time during the financial period are:**

Directors	Position
Terence William Hogan (appointed 18/01/07)	Non-Executive Chairman
Simon Coxhell (appointed 18/01/07)	Executive Director
Matthew Vernon Hogan (appointed 22/12/06)	Non-Executive Director
Craig Richard Rosendorff (appointed 20/04/07)	Non-Executive Director

The Company's policy for determining the nature and amount of remuneration and amount of emoluments for Board members of the Company is as follows:

The Company's remuneration policy for Executive Directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related.

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior Executives, was developed by the Board after seeking professional advice from independent external consultants.

The Board's policy reflects its obligation to align Executive's remuneration with Shareholders' interests and to retain appropriately qualified Executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates
- individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance

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

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

**(b) Details of Remuneration for the period ended 30 June 2007**

	PRIMARY	POST EMPLOYMENT	EQUITY	Total
	Salary, Fees & Commissions	Superannuation Contribution	Options	
	\$	\$	\$	\$
Key Management Person				
Terence William Hogan	1,885	170	-	2,055
Simon Coxhell	25,465	-	-	25,465
Matthew Vernon Hogan	7,305	-	-	7,305
Craig Richard Rosendorff	1,885	170	-	2,055
	36,540	340	-	36,880

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007



#### (c) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 22/12/06	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30/6/07	Total Vested 30/6/07	Total Exercisable 30/6/07	Total Unexercisable 30/6/07
<b>2007</b>								
Terence William Hogan	-	-	-	1,000,000	1,000,000	1,000,000	-	-
Simon Coxhell	-	-	-	1,000,000	1,000,000	1,000,000	-	-
Matthew Vernon Hogan	-	-	-	4,500,000	4,500,000	4,500,000	-	-
Craig Richard Rosendorff	-	-	-	500,000	500,000	500,000	-	-
	-	-	-	7,000,000	7,000,000	7,000,000	-	-

#### (d) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 22/12/06	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30/6/07
<b>2007</b>					
Terence William Hogan	-	-	-	750,000	750,000
Simon Coxhell	-	-	-	500,000	500,000
Matthew Vernon Hogan	1	-	-	7,040,000	7,040,001
Craig Richard Rosendorff	-	-	-	3,050,000	3,050,000
	1	-	-	11,340,000	11,340,001

\* Net Change Other refers to shares purchased or sold during the financial period.

#### Note 6 Auditors' Remuneration

	2007
	\$
Remuneration of the auditor of the entity for:	
— auditing or reviewing the financial report	6,000
— investigating accountants report	4,414

#### Note 7 Earnings per Share

	2007
(a) Basic earnings per share (cents per share)	(0.007)
	\$
(b) Reconciliation of earnings used in calculation earnings per share	
Loss attributable to ordinary equity	(174,241)
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	25,237,501
(c) As the options outstanding during the year would reduce the loss per share from continuing ordinary operations on conversion, the potential ordinary shares are not dilutive	

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

#### Note 8 Cash and Cash Equivalents

	2007
	\$
Cash at bank and in hand	39,479
Short-term bank deposits	2,084,479
	2,123,958

The effective interest rate on short-term bank deposits was 6.1%;  
These deposits are at call

#### Reconciliation of Cash Flow Statement

Cash at the end of the financial period as shown in the Cash Flow  
Statement is reconciled to items in the Balance Sheet as follows:

Cash and cash equivalents	2,123,958
	2,123,958

#### Note 9 Trade and Other Receivables

	2007
	\$
CURRENT	
Other receivables	32,983
Security bond	10,451
	43,434

#### Note 10 Other Current Assets

	2007
	\$
CURRENT	
Prepayments	22,704
	22,704

#### Note 11 Plant and Equipment

	2007
	\$
Plant and equipment	
At cost	15,794
Accumulated depreciation	(2,121)
Total plant and equipment	13,673

#### (a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and  
equipment between the beginning and the end of the current financial period.

	Plant and Equipment	Total
	\$	\$
Balance at beginning of period	-	-
Additions	15,794	15,794
Depreciation expense	(2,121)	(2,121)
Carrying amount at end of period	13,673	13,673



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

#### Note 12 Trade and Other Payables

	2007
	\$
CURRENT	
Trade payables	21,452
Accrued expenses	6,000
	27,452

#### Note 13 Issued Capital

	2007
	\$
25,237,501 fully paid ordinary shares	2,592,501
Costs associated with the offer	(249,043)
	2,343,458

#### (a) Ordinary Shares

	2007
	\$
At the beginning of reporting period	-
Shares issued during year	
— 1 on 22 December 2006	1
— 14,000,000 on 25 January 2007	445,000
— 1,000,000 on 22 February 2007	100,000
— 10,237,500 on 29 May 2007	2,047,500
Transaction costs relating to share issues	(249,043)
At reporting date	2,343,458

	2007
	No.
At the beginning of reporting period	-
Shares issued during period	
— 1 on 22 December 2006	1
— 14,000,000 on 25 January 2007	14,000,000
— 1,000,000 on 22 February 2007	1,000,000
— 10,237,500 on 29 May 2007	10,237,500
At reporting date	25,237,501

Ordinary shares entitle the holder to participate in dividends and the process on winding up of the entity in proportion to the number of shares held.

At Shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

#### (b) Options

As at 30 June 2007 there were 7,100,000 unissued ordinary shares for which options were outstanding. 3,500,000 are exercisable at 20 cents each and 3,600,000 are exercisable at 25 cents each. All options expire on 30 June 2012.

- (i) For information relating to the Venus Resources Limited Employee Share & Option Plan, including details of options issued, exercised and lapsed during the financial period and the options outstanding at period end, refer to Note 22.
- (ii) For information relating to share options issued to Directors during the financial period, refer to Note 5. The Directors paid a total of \$7,000 for the options and do not form part of the remuneration of the Directors.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

**Note 14 Reserves**

Note	2007 No.
Option Reserve	13(b) <u>7,100</u>

The option reserve records items recognised as expenses on valuation of employee share options and payment received for the issue of options, net of any costs associated with the issue.

**Note 15 Segment Reporting****Geographical Segments**

The Company operates entirely in Australia and predominantly in the field of mineral exploration with particular emphasis on diamonds.

**Note 16 Cash Flow Information**

	2007 \$
<b>(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities After Income Tax</b>	
Loss after income tax	(174,241)
Cash flows excluded from loss attributable to operating activities	
Non-cash flows in loss from ordinary activities	
Depreciation	2,121
Changes in assets and liabilities	
Increase in trade and other receivables	(55,687)
Increase in trade payables and accruals	<u>27,452</u>
Cash flow from operations	<u>(200,355)</u>

**Note 17 Events After the Balance Sheet Date**

There have been no matters or circumstances that have arisen since 30 June 2007 that have significantly affected or may significantly affect:

- the Company's operations in future years; or
- the results of those operations in future years; or
- the Company's state of affairs in future years.

**Note 18 Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

**(a) Director Related Entities**

- (i) On 18 January 2007 the Company entered into an agreement with Seaward Holdings Pty Ltd ("Seaward") (an entity controlled by Mr Matthew Hogan, a Director of the Company) to purchase a 95% interest in exploration licence 80/3253 ("Tenement") ("Agreement"). In consideration, the Company agreed to pay Seaward the sum of \$10,464 being reimbursement of past expenditure incurred by Seaward in connection with the Tenement. Settlement of the purchase under the Agreement took place on 23 January 2007.

The Agreement also provides that from settlement, the parties shall associate in an unincorporated joint venture for the purposes



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

of exploring and, if warranted, developing and mining the Tenement. The Company holds a 95% interest and Seaward a 5% interest in this joint venture. The Agreement specifically provides that all diamonds recovered from the area of the joint venture until the date on which a decision to mine is made shall be taken by the participants in the following proportions:

The Company 95%

Seaward 5%

The Company is entitled to be the manager of the joint venture whilst it holds a joint venture interest equal to or greater than any other participant. The manager is responsible for preparing programmes and budgets for consideration of the operating committee and carrying out approved programmes and budgets. The manager must pay all outgoings and maintain the Tenement in good standing.

As soon as practicable after settlement the participants are to form and maintain an operating committee and each participant is entitled to appoint a representative to the operating committee.

Seaward's joint venture interest is carried during the life of the joint venture with the intention that Seaward will not be required to provide funding, guarantees or security (other than security limited to recourse over its joint venture interest) to contribute to, to support or facilitate mine development, commencement of mining operations or the continuation of such operations. Upon or after a decision to mine being made, the Company must, at Seaward's request, use its reasonable endeavours to arrange 100% project finance and either:

(i) arrange finance for Seaward's contributions over and above the project finance required for the mine development and ongoing mining operations through a bank or financial institution approved by Seaward;

or

(ii) advance monies to Seaward for Seaward's contributions over and above the project finance as required for mine development and ongoing mining operations on terms no less advantageous to Seaward than if the Company had arranged finance under (i) and at an interest rate equal to or lower than the present project finance rate or, in the absence of project finance, at a rate not greater than 2% above LIBOR.

Subject to the terms of the project finance, monies advanced to Seaward under (i) or (ii) above shall be repaid out of the 80% of the cash flow available to Seaward out of Seaward's interest in the joint venture.

Either participant may assign its interest to a related body corporate on the condition it is assigned back if the assignee ceases to be a related body within three years. Either participant may assign all or part of its joint venture interest to a third party provided it first complies with the pre-emptive right procedure specified in the Agreement. In either case, the assignee must enter into a covenant agreeing to be bound by the Agreement. A party may encumber its interest in specified circumstances.

A participant may withdraw at any time by giving 30 days notice in which case it will forfeit its interest in favour of the other participant. The withdrawing participant shall be released from all future obligations relating to the joint venture.

Venus has withdrawn from two other joint ventures relating to EL's 80/2881 and 80/2882.

- (ii) Mr Terence Hogan is a Director and Shareholder of Hogan & Partners Stockbrokers Pty Ltd ("Hogan & Partners"). Hogan & Partners has acted as Broker to the Issue. For its services the Company has paid Hogan & Partners \$20,000. In addition, Hogan & Partners has been paid a 5% brokerage fee for Applications bearing its stamp and which are accepted by the Company. In addition Hogan & Partners has been paid a fee of \$10,000 for acting as float co-ordinator.
- (iii) Mr Matthew Hogan is a representative of Hogan & Partners Stockbroking Pty Ltd and was entitled to receive a fee of 2.5% (gross)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007

of Applications lodged and accepted by the Company bearing the stamp of Hogan & Partners Stockbrokers Pty Ltd pursuant to Applications arranged by Mr Matthew Hogan.

		2007	
		\$	
(iv)	Fees for geological services paid to Coxrocks Pty Ltd an entity controlled by Mr Simon Coxhell, a Director of the Company	25,465	

#### Note 19 Capital and Leasing Commitments

		2007	
		\$	
(a)	<b>Operating Lease Commitments</b>		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable - minimum lease payments		
	- not later than 1 year	25,897	
	- later than 1 year but not later than 5 years	-	
(b)	<b>Capital Expenditure Commitments</b>	25,897	
	Expenditure on exploration tenement		
	Payable		
	- not later than 1 year	70,000	
	- later than 1 year but not later than 5 years	280,000	
		350,000	

#### Note 20 Contingent Liabilities

The Company's activities in Australia are subject to the Native Title Act of the Commonwealth or State. The Company is not aware of any other matters that cannot be resolved through the normal legal process, should they arise.

The Company is not aware of any other matters that may impact upon its timely access to the land that comprises its project area.

#### Note 21 Financial Instruments

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE PERIOD ENDED 30 JUNE 2007



#### Financial Risk Management

##### (a) Interest Rate Risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

	Fixed Interest Rate Maturing		Non-interest Bearing	Total
	Interest Rate	Floating Interest Rate		
	2007	2007	2007	2007
		\$	\$	\$
<b>Financial Assets:</b>				
Cash and cash equivalents	6.1%	2,123,958	-	2,123,958
Receivables		10,451	32,983	43,434
<b>Total Financial Assets</b>		<b>2,134,409</b>	<b>32,983</b>	<b>2,167,392</b>
<b>Financial Liabilities</b>				
Payables		-	27,452	27,452
<b>Total Financial Liabilities</b>		<b>-</b>	<b>27,452</b>	<b>27,452</b>
<b>Net Financial Assets (Liabilities)</b>		<b>2,134,409</b>	<b>5,531</b>	<b>2,139,940</b>

##### (b) Credit Risk

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

##### (c) Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows.

##### (d) Net Fair Values

The net fair values of cash and non-interest bearing monetary assets and financial liabilities of the Company approximate their carrying value.

#### Note 22 Employee Benefits

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE PERIOD ENDED 30 JUNE 2007**

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#### **Employee Share Option Plan**

On 15 March 2007 the Company established the Venus Resources Limited Employee Share Option Plan. The purpose of the Plan is to:

- (a) recognise the ongoing ability of employees of the Company and their expected efforts and contribution in the long-term to the performance and success of the Company;
- (b) provide an incentive to the employees of the Company to remain in their employment in the long-term;
- (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its employees; and
- (d) provide employees of the Company with the opportunity to acquire Options and ultimately Shares in the Company, in accordance with these rules.

At the date of this report no options have been granted to employees.



## DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 30, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the period ended on that date of the Company;
  
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial period give a true and fair view.
  
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Simon Coxhell

Dated this 10th day of September 2007

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS  
OF VENUS RESOURCES LIMITED**

# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
[www.stantons.com.au](http://www.stantons.com.au)

## Report on the Financial Report

We have audited the accompanying financial report of Venus Resources Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period 22 December 2006 to 30 June 2007, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

*Directors' Responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report*

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

The Directors of the Company are also responsible for the remuneration disclosures contained in the Directors' report.

### *Auditor's Responsibility*

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
VENUS RESOURCES LIMITED**



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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

1. In our opinion:

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

STANTONS INTERNATIONAL  
(An Authorised Audit Company)

J P Van Dieren  
Director

West Perth, Western Australia  
10 September 2007

## AUDITOR'S INDEPENDENCE DECLARATION

# Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET  
WEST PERTH WA 6005, AUSTRALIA  
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204  
www.stantons.com.au

10 September 2007

Board of Directors  
Venus Resources Limited  
Mezzanine Level BGC Centre  
28 The Esplanade  
PERTH WA 6000

Dear Directors

RE: VENUS RESOURCES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Venus Resources Limited.

As Audit Director for the audit of the financial statements of Venus Resources Limited for the period ended 30 June 2007, 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  
STANTONS INTERNATIONAL  
(Authorised Audit Company)



John Van Dieren  
Director



## SHAREHOLDER INFORMATION

### 1. Capital Structure as at 4 September 2007

#### Ordinary Share Capital

- (a) 25,237,501 ordinary fully paid shares held by 408 Shareholders.
- (b) Unlisted Restricted Ordinary Shares:
  - 1,945,000 until 25 January 2008
  - 10,405,000 until 12 June 2009

All issued ordinary shares carry one vote per share and carry the right to receive dividends when declared.

#### Options as at 4 September 2007

7,100,000 unlisted options held by 6 holders.

- (a) 3,500,000 unlisted options held by 1 holder.
  - Options to subscribe for one ordinary share exercisable at \$0.20 each on and up to 30 June 2012
- (b) 3,600,000 unlisted options held by 5 holders.
  - Options to subscribe for one ordinary share exercisable at \$0.25 each on and up to 30 June 2012.

Unlisted options do not entitle the holders to a vote in respect of that option nor participate in dividends until such time as the options are exercised and subsequently registered as an ordinary share.

### 2. Substantial Shareholders as at 4 September 2007

Shareholder Name	Number of Securities	Percentage
Seaward Holdings Pty Ltd	7,040,001	27.90%
Rosendorff, Craig	3,000,000	11.89%
ANZ Executors & Trustee Co Ltd	2,000,000	7.92%

### 3. Distribution of Shareholders as at 4 September 2007

Distribution Analysis	Number
1 - 1,000	10
1,001 - 5,000	49
5,001 - 10,000	203
10,001 - 100,000	118
100,001 +	28
Total Holders	408

### 4. Twenty Largest Shareholders as at 4 September 2007

Fully Paid Ordinary Shares	Number	Percentage
Seaward Holdings Pty Ltd	7,000,000	27.74%
Rosendorff, Craig	3,050,000	12.09%
ANZ Executors & Trustee Co Ltd	1,500,000	5.94%
Traolach Inv Pty Ltd	775,000	3.07%
Wadham Nominees Pty Ltd	610,000	2.42%
Laissez Faire Et Cie Pty Ltd	600,000	2.38%
Coxhell, Simon	500,000	1.98%
ANZ Executor & Trustee Co Ltd	500,000	1.98%
Corridor Nominees Pty Ltd	500,000	1.98%
Icerig Pty Ltd	500,000	1.98%
Bazco Pty Ltd	443,858	1.76%
Ramaree Pty Ltd	350,000	1.39%
Fehlberg B & Lovell SL	300,000	1.19%
Bond Street Custs Ltd	260,000	1.03%
Rene Investments Pty Ltd	250,000	0.99%
Penryth Pty Ltd	250,000	0.99%
Mulato Nom Pty Ltd	250,000	0.99%
Xabregas Pty Ltd	210,000	0.83%
Hogan, Timothy Mark	200,000	0.79%
Armerose Pty Ltd	150,000	0.59%
<b>Top 20 Total</b>	<b>18,198,858</b>	<b>72.11%</b>

### 5. On-Market Buy-Back

There is currently no on-market buy-back

## TENEMENT SUMMARY

### Schedule of Interests in Mining Tenements

Location	Tenement	Date of Grant	Venus Interest
Kimberleys	E80/3253	4/8/06	95%
Kimberleys	E80/3972	-	100%



[www.venusresources.com.au](http://www.venusresources.com.au)



2007