



# ANNUAL FINANCIAL REPORT

30 JUNE 2008

ABN 40 052 468 569

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## CORPORATE DIRECTORY

### Directors

Dr Robert Hawley – Chairman  
Mr Matthew Syme – Managing Director  
Mr Scott Yelland – Executive Director  
Dr James Ross  
Senor Jose Ramon Esteruelas  
Mr Sean James

### Company Secretary

Mr Clint McGhie

### Registered Office

Level 9, BGC Centre  
28 The Esplanade  
Perth WA 6000  
Australia  
Telephone: +61 8 9322 6322  
Facsimile: +61 8 9322 6558

### Spanish Office

Minera de Rio Alagón  
Carretera de Madrid, 13  
Santa Marta de Tormes  
37900 - Salamanca  
Spain  
Telephone: +34 923 193903

### Website

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

### Email

[info@berkeleyresources.com.au](mailto:info@berkeleyresources.com.au)

### Auditor

Stantons International  
Level 1  
1 Havelock Street  
West Perth WA 6005

### Bankers

Australia and New Zealand Banking Group Ltd  
77 St Georges Terrace  
Perth WA 6000

### Share Registry

#### Australia

Computershare Investor Services Pty Ltd  
Level 2  
45 St Georges Terrace  
Perth WA 6000  
Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

#### United Kingdom

Computershare Investor Services Plc  
PO Box 82  
The Pavillions  
Bridgwater Road  
Bristol BS99 7NH  
Telephone: +44 870 889 3105

### Stock Exchange Listings

#### Australia

Australian Securities Exchange Limited  
Home Branch – Perth  
2 The Esplanade  
Perth WA 6000

#### United Kingdom

London Stock Exchange - AIM  
10 Paternoster Square  
London EC4M 7LS

### Nominated Advisor and Broker

RBC Capital Markets  
71 Queen Victoria Street  
London EC4V 4DE

### ASX/AIM Code

BKY - Fully paid ordinary shares

## DIRECTORS' REPORT

The Directors of Berkeley Resources Limited submit their report on the Consolidated Entity consisting of Berkeley Resources Limited ("Company" or "Berkeley" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2008 ("Consolidated Entity" or "Group").

### DIRECTORS

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

Dr Robert Hawley  
 Mr Matthew Syme  
 Mr Scott Yelland – appointed 1 February 2008  
 Dr James Ross  
 Senor Jose Ramon Esteruelas  
 Mr Sean James

Unless otherwise disclosed, Directors held their office from 1 July 2007 until the date of this report.

### CURRENT DIRECTORS AND OFFICERS

#### **Robert Hawley**

*Non-Executive Chairman*

*Qualifications – CBE, DSc, FRSE, FREng, Hon FIET, FIMechEng, FInstP*

Dr Hawley is based in London and has extensive technical qualifications and substantial expertise in the nuclear energy industry as well as broader public company management. He was Chief Executive of British Energy Plc from 1995 to 1997, Chief Executive of Nuclear Electric Plc from 1992 to 1996 and prior to this enjoyed a long career in senior engineering and management positions with CA Parsons & Co Ltd, Northern Engineering Industries Plc and Rolls-Royce Plc. Dr Hawley has been Managing Director of CA Parsons & Co Ltd, Managing Director of Northern Engineering Industries Plc, a Director of Rolls-Royce Plc, Chairman of Taylor Woodrow Plc, an Advisor Director of HSBC Bank Plc and is presently a director of Colt Telecom Group Ltd, Rutland Trust Plc, Carron Acquisition Co Ltd and Lister Petter Investment Holdings Ltd. He was awarded the CBE in 1997 for services to the Energy Industry and to Engineering.

Dr Hawley's experience in managing Nuclear Electric Plc, the largest nuclear generator in the United Kingdom, and British Energy Plc, the United Kingdom's leading electricity supplier, gives him a unique understanding of the nuclear generation sector in Europe and he is acknowledged as an international expert on power generation and energy.

During the three year period to the end of the financial year, Dr Hawley has held directorships in Rutland Trust Plc (September 2000 – July 2007), Colt Telecom Group Ltd (August 1998 – present), Carron Acquisition Co Ltd (April 2006 – present) and Lister Petter Investment Holdings Ltd (September 2006 – present).

Dr Hawley was appointed a director of Berkeley Resources Limited on 20 April 2006.

#### **Matthew Syme**

*Managing Director*

*Qualifications – B.Com, CA*

Mr Syme is a Chartered Accountant and has over 20 years' experience as a senior executive of a number of companies in the Australian resources and media sectors. He was a Manager in a major international Chartered Accounting firm before spending 3 years as an equities analyst in a large stockbroking firm. He was then Chief Financial Officer of Pacmin Mining Limited, a successful Australian gold mining company, as well as a number of other resources companies.

Mr Syme was appointed a director of Berkeley Resources Limited on 27 August 2004. Mr Syme has not held any other directorships of listed companies in the last three years.

**DIRECTORS' REPORT****CURRENT DIRECTORS AND OFFICERS (continued)****Scott Yelland**

*Chief Operating Officer / Executive Director*  
*Qualifications – MSc CEng FIMMM*

Mr Yelland is a mining engineer with over 25 years in the mining industry and has a Masters degree in Mining Engineering from the Camborne School of Mines. He is a Chartered Engineer and Fellow of the Institute of Mining, Mineral and Materials.

Mr Yelland's experience as a mining engineer includes senior appointments in Russia, Australia, Spain, South America and Africa. Prior to joining Berkeley in April 2007, he was most recently COO of Highland Gold, a leading gold producer in Russia, and spent 4 years as Mines Manager of Navan Resources in Spain.

Mr Yelland joined Berkeley in April 2007 as the Group's Chief Operating Officer and was appointed a director of Berkeley Resources Limited on 1 February 2008. Mr Yelland has not held any other directorships of listed companies in the last three years.

**James Ross**

*Technical Director*  
*Qualifications – B.Sc. (Hons.), Hon.DSc (W.Aust), PhD, FAusIMM, FAICD*

Dr Ross is a leading international geologist whose technical qualifications include an honours degree in Geology at UWA and a PhD in Economic Geology from UC Berkeley. He first worked with Western Mining Corporation Limited for 25 years, where he held senior positions in exploration, mining and research. Subsequent appointments have been at the level of Executive Director, Managing Director and Chairman in a number of small listed companies in exploration, mining, geophysical technologies, renewable energy and timber. His considerable international experience in exploration and mining includes South America, Africa, South East Asia and the Western Pacific.

Dr Ross is a Director of Kimberley Foundation Australia Inc, and chairs its Science Advisory Council. He also chairs the Boards of a geoscience research centre and two foundations concerned with geoscience education in Western Australia.

He was appointed a director of Berkeley Resources Limited on 4 February 2005 and has not been a director of another listed company in the three years prior to the end of the financial year.

**Jose Ramon Esteruelas**

*Non-Executive Director*

Senor Esteruelas is an experienced Spanish executive whose senior executive roles have included Director General of Correos y Telegrafos (the Spanish postal service), President of Minas de Almaden y Arrayanes SA (formerly the world's largest mercury producer) and Chief Executive Officer of Compania Espanola de Tabaco en Rama S.A., the leading tobacco transforming company in Spain.

Senor Esteruelas was appointed a Director of Berkeley Resources Limited on 16 November 2006. Senor Esteruelas has not held any other directorships of listed companies in the last three years.

**Sean James**

*Non-Executive Director*  
*Qualifications – B.Sc. (Hons.)*

Mr James is a mining engineer and was formerly the Managing Director of the Rossing Uranium Mine in Namibia which is the world's largest low grade, open pit uranium mine. After 16 years at Rossing, he returned to London as a Group Mining Executive at Rio Tinto Plc in London.

Mr James' experience in managing the Rossing mine is ideally suited for the type of uranium mining operations the Company aims to develop in the Iberian Peninsula.

Mr James was appointed a Director of Berkeley Resources Limited on 28 July 2006. Mr James has not held any other directorships of listed companies in the last three years.

**DIRECTORS' REPORT****CURRENT DIRECTORS AND OFFICERS (continued)****Mr Clint McGhie***Company Secretary**Qualifications – B.Com, CA, ACIS*

Mr McGhie is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm, before moving to commerce in the role of financial controller and company secretary. Mr McGhie now works in the corporate office of a number of public listed companies focussed on the resources sector.

Mr McGhie was appointed Company Secretary of Berkeley Resources Limited on 28 September 2007.

**PRINCIPAL ACTIVITIES**

The principal activities of the Consolidated Entity during the year consisted of mineral exploration. There was no significant change in the nature of those activities.

**EMPLOYEES**

	<b>2008</b>	<b>2007</b>
The number of full time equivalent people employed by the Consolidated Entity at balance date	29	20

**DIVIDENDS**

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2008 (2007: nil).

**EARNINGS PER SHARE**

	<b>2008</b> <b>Cents</b>	<b>2007</b> <b>Cents</b>
Basic loss per share	(6.80)	(7.48)
Diluted loss per share	(6.80)	(7.48)

**CORPORATE STRUCTURE**

Berkeley Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it acquired and controlled during the financial year.

**CONSOLIDATED RESULTS**

	<b>2008</b> <b>\$</b>	<b>2007</b> <b>\$</b>
Loss of the Consolidated Entity before income tax expense	(8,797,137)	(7,430,597)
Income tax expense	-	-
Net loss	(8,797,137)	(7,430,597)
Net loss attributable to minority interest	1,792,681	1,116,026
Net loss attributable to members of Berkeley Resources Limited	<u>(7,004,456)</u>	<u>(6,314,571)</u>

**DIRECTORS' REPORT****REVIEW OF OPERATIONS AND ACTIVITIES**

The year to 30 June 2008 was again a very productive year for Berkeley, with significant progress made towards our objective of becoming a uranium producer in Spain.

Including the period subsequent to the end of the Financial Year, our achievements included:

- Our total resource base more than doubling from 11.9m lbs of U3O8 to over 26.1m lbs.
- Completion of a Scoping Study on the Salamanca I project which supported the viability of a mining operation on the Project, with relatively low strip ratios and operating costs.
- The Salamanca I resource increased from 11.9m lbs to 16.9m lbs U3O8 and subsequent drilling will add further resources in due course. Initial resources were calculated at Santidad, a virgin Berkeley discovery.
- The maiden resource of 9.2m lbs of U3O8 at the Gambuta Project is very encouraging, with strong potential to add further resources in the near future.
- Completion of air surveys and other exploration work to provide a very substantial pipeline of future exploration targets.
- The Company sold a non-core asset, being its shareholding in Atlas Iron Ore Limited, realising a gain on disposal of \$1,934,785.

Subsequent to the end of the Financial Year, Berkeley was chosen by the Spanish State uranium company, ENUSA, as partner to conduct a Feasibility Study on and develop that company's uranium mining assets in Salamanca Province. The ENUSA assets include a number of State Reserve licences which have been very extensively explored and also a uranium processing plant permitted to produce 950t pa of U3O8. More details will be made available when a formal Agreement with ENUSA is finalised.

Berkeley will continue to work for the interests of shareholders by pursuing our core objective of mining uranium in Spain. The Company is very well placed to capitalise on the outstanding foundations it has built to date.

The Company also continues to review other opportunities in the mining and energy sectors in Europe and elsewhere.

The net loss of the Consolidated Entity after minority interests for the year ended 30 June 2008 was \$7,004,456 (2007: \$6,314,571). This loss is largely attributable to:

- (i) The Consolidated Entity's accounting policy of expensing exploration and evaluation expenditure incurred by the Consolidated Entity subsequent to the acquisition of the rights to explore and up to the commencement of feasibility studies. During the year, exploration expenditure totalled \$8,624,391; and
- (ii) The Consolidated Entity's accounting policy of expensing the value (determined using the Binomial option pricing model) of share options granted to Directors, employees, consultants and other advisors. The value is measured at grant date and recognised over the period during which the option holders become unconditionally entitled to the options. During the year, non-cash share-based payment expenses (excluding those classified as exploration costs) totalled \$1,428,178 (2007: \$2,357,250).

**Corporate and Financial Position**

The following material corporate events occurred during the year:

- On 6 August 2007, the Company issued 2,970,000 Unlisted Options to employees in accordance with the Company's Employee Option Scheme. The options are exercisable for \$1.86 each on or before 5 August 2011. Vesting conditions apply.
- On 6 September 2007 the Company announced the new discovery of uranium mineralisation at Santidad, 2km northwest of the Company's main Retortillo deposit.
- On 30 September 2007, 2,000,000 Unlisted Options were exercised which raised approximately \$0.45 million. The resulting shares were issued on 4 October 2007.
- On 19 November 2007, the Company advised the results of an upgraded resource calculation for the flagship Salamanca I project, including the Retortillo deposit and the new Santidad discovery.
- In January 2008, Berkeley disposed of its holding in 1,300,000 shares in Atlas Iron Limited on market. The Company received net proceeds of \$2,584,785 in consideration for these shares.

## DIRECTORS' REPORT

### REVIEW OF OPERATIONS AND ACTIVITIES (continued)

#### Corporate and Financial Position (continued)

- On 1 February 2008, Mr Scott Yelland, the Company's Chief Operating Officer, was appointed a Director of the Company.
- On 5 February 2008, Berkeley presented the interpreted results of the aerial radiometric and magnetic survey flown over the Salamanca I project.
- On 14 February 2008, the Company advised that a Scoping Study on mining at the Salamanca I project, prepared by AMC Consultants, confirmed the potential economic viability of the project.
- On 10 April 2008, Berkeley announced the results of the first stage program of drilling at the Gambuta prospect in Caceres Province, Spain, confirming significant shallow uranium mineralisation.
- On 30 May 2008, the Company announced the initial results of the first stage of exploration at the Ojaranzo prospect in Caceres Province, Spain, confirming historical indications of widespread, shallow uranium mineralisation.
- On 6 June 2008, the Company announced more encouraging results from the drilling program at the Gambuta prospect in Caceres Province, Spain.
- On 20 June 2008, the Company issued 450,000 Unlisted Options to employees in accordance with the Company's Employee Option Scheme. The options are exercisable for \$1.00 each on or before 19 June 2012. Vesting conditions apply.
- During the financial year, Berkeley increased its interest in its main Spanish operating subsidiary, Minera de Rio Alagon SL ("Rio Alagon"), from 77.5% to 99.9%.

#### Business Strategies and Prospects

The Consolidated Entity currently has the following business strategies and prospects over the medium to long term:

- To conduct studies into the feasibility of mining its present assets and those to be acquired from ENUSA in Spain;
- To continue to explore its portfolio of minerals permits in Spain; and
- Continue to examine new opportunities in minerals and energy exploration and development.

#### Risk Management

The Board is responsible for the oversight of the Consolidated Entity's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Arrangements put in place by the Board to monitor risk management include monthly reporting to the Board in respect of operations and the financial position of the Group.

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed below, there were no significant changes in the state of affairs of the Consolidated Entity during the year.

- In January 2008, Berkeley disposed of its holding in 1,300,000 shares in Atlas Iron Limited on market. The Company received net proceeds of \$2,584,785 in consideration for these shares.
- During the financial year, Berkeley increased its interest in its main Spanish operating subsidiary, Minera de Rio Alagon SL ("Rio Alagon"), from 77.5% to 99.9%.



## DIRECTORS' REPORT

### SIGNIFICANT POST BALANCE DATE EVENTS

Since the end of the financial year, the following events have significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years:

- On 16 July 2008, the Company advised that it has been chosen by ENUSA Industrias Avanzadas S.A. as that company's partner to conduct a feasibility study upon and ultimately develop ENUSA's uranium mining assets in Salamanca Province, Spain.
- On 18 July 2008, the Company issued 287,500 Unlisted Options to employees in accordance with the Company's Employee Option Scheme. The options are exercisable for \$1.00 each on or before 19 June 2012. Vesting conditions apply. In addition, the Company advised that the Board has agreed to issue 250,000 Unlisted Options on the same terms and conditions to Mr Scott Yelland, Chief Operating Officer and a Director of the Company. These Incentive Options will be subject to Shareholder approval at the next general meeting of Shareholders.
- On 8 August 2008, Berkeley announced an initial inferred resource estimate of 9.23 million pounds of U3O8, at an average grade of 371ppm U3O8 (at a 200ppm cut-off), for the Gambuta uranium deposit in the Cáceres Province of Spain.

Other than above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2008 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2008, of the Consolidated Entity;
- (b) the results of those operations, in financial years subsequent to 30 June 2008, of the Consolidated Entity; or
- (c) the state of affairs, in financial years subsequent to 30 June 2008, of the Consolidated Entity.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Consolidated Entity during the financial year.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Consolidated Entity will continue with development of its Spanish uranium projects. The Company will also continue to examine new opportunities in mineral exploration, including uranium.

All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly no further information has been disclosed.

## DIRECTORS' REPORT

## INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF BERKELEY

	Interest in Securities at the date of this Report		
	Ordinary Shares <sup>(1)</sup>	\$1.00 Incentive Options <sup>(2)</sup>	\$1.86 Employee Incentive Options <sup>(3)</sup>
Robert Hawley	-	500,000	-
Matthew Syme	2,760,100	1,000,000	-
Scott Yelland	-	-	1,000,000
Sean James	-	250,000	-
James Ross	300,000	250,000	-
Jose Ramon Esteruelas	-	250,000	-

	Interest in Securities issued/granted during the year		
	Ordinary Shares <sup>(1)</sup>	\$1.00 Incentive Options <sup>(2)</sup>	\$1.86 Employee Incentive Options <sup>(3)</sup>
Robert Hawley	-	-	-
Matthew Syme	2,000,000 <sup>(4)</sup>	-	-
Scott Yelland	-	-	1,000,000
Sean James	-	-	-
James Ross	-	-	-
Jose Ramon Esteruelas	-	-	-

## Notes:

- (1) "Ordinary Shares" means fully paid ordinary shares in the capital of the Company.
- (2) "\$1.00 Incentive Options" means an option to subscribe for 1 Ordinary Share in the capital of the Company at an exercise price of \$1.00 each on or before 30 November 2008.
- (3) "\$1.86 Employee Incentive Options" means an option to subscribe for 1 Ordinary Share in the capital of the Company at an exercise price of \$1.86 each on or before 5 August 2011.
- (4) Mr Syme has an interest in the 2,000,000 shares issued during the year following the exercise of 2,000,000 Director Incentive Options.

## SHARE OPTIONS

At the date of this report the following options have been issued over unissued capital:

*Unlisted Options*

- 10,600,000 unlisted options at an exercise price of \$0.70 each that expire on 30 April 2010.
- 2,250,000 unlisted options at an exercise price of \$1.00 each that expire on 30 November 2008.
- 2,280,000 unlisted options at an exercise price of \$1.86 each that expire on 5 August 2011.
- 737,500 unlisted options at an exercise price of \$1.00 each that expire on 19 June 2012.

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate. During the financial year, 2,000,000 shares were issued as a result of the exercise of options. Since 30 June 2008, there have been no further exercises of options.

## MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2008, and the number of meetings attended by each director.

	Board Meetings Number eligible to attend	Board Meetings Number attended
<b>Current Directors</b>		
Robert Hawley	7	7
Matthew Syme	7	7
Scott Yelland	3	3
Sean James	7	7
James Ross	7	6
Jose Ramon Esteruelas	7	7

## DIRECTORS' REPORT

### REMUNERATION REPORT (AUDITED) (30 June 2008 Year End)

This report details the amount and nature of remuneration of each director and executive officer of the Company.

#### Remuneration Policy

The remuneration policy for the Group's Key Management Personnel (including the Managing Director) has been developed by the Board taking into account:

- the size of the Group;
- the size of the management team for the Group;
- the nature and stage of development of the Group's current operations; and
- market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for key management personnel:

- the Company is currently focused on undertaking exploration activities with a view to expanding and developing its resources. In line with the Company's accounting policy, all exploration expenditure prior to a feasibility study is expensed. The Company continues to examine new business opportunities in the energy and resources sector;
- risks associated with resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales (if any), the Company does not expect to be undertaking profitable operations until sometime after the successful commercialisation, production and sales of commodities from one or more of its current projects, or the acquisition of a profitable mining operation.

#### Remuneration Policy for Executives

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (options and a cash bonus, see below). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning Key Management Personnel objectives with shareholder and business objectives.

#### Performance Based Remuneration – Incentive Options

The Board has chosen to issue incentive options to Key Management Personnel as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the Key Management Personnel and to provide an incentive linked to the performance of the Company. The Board considers that each Key Management Personnel's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to Key Management Personnel is commensurate to their value to the Company.

The Board has a policy of granting options to Key Management Personnel with exercise prices at and/or above market share price (at time of agreement). As such, incentive options granted to Key Management Personnel will generally only be of benefit if the Key Management Personnel perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to Key Management Personnel, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the Key Management Personnel and the performance and value of the Company are closely related.

#### Performance Based Remuneration – Cash Bonus

In addition, some Key Management Personnel are entitled to an annual cash bonus upon achieving various key performance indicators, to be determined by the Board. On an annual basis, after consideration of performance against key performance indicators, the Board determines the amount, if any, of the annual cash bonus to be paid to each Key Management Personnel.

#### Impact of Shareholder Wealth on Key Management Personnel Remuneration

The Board does not directly base remuneration levels on the Company's share price or movement in the share price over the financial year. However, as noted above, a number of Key Management Personnel have received options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the incentive options granted.

As a result of the Company's exploration and new business activities, the Board anticipates that it will retain future earnings (if any) and other cash resources for the operation and development of its business. Accordingly the Company does not currently have a policy with respect to the payment of dividends, and as a result the remuneration policy does not take into account the level of dividends or other distributions to shareholders (eg return of capital).

## DIRECTORS' REPORT

## REMUNERATION REPORT (continued)

## Remuneration Policy (continued)

Impact of Earnings on Key Management Personnel Remuneration

As discussed above, the Company is currently undertaking exploration activities, and does not expect to be undertaking profitable operations until sometime after the successful commercialisation, production and sales of commodities from one or more of its current projects.

Accordingly the Board does not consider current or prior year earnings when assessing remuneration of Key Management Personnel.

**Remuneration Policy for Non Executive Directors**

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors have received incentive options in order to secure their services and as a key component of their remuneration.

**General**

Where required, Key Management Personnel receive superannuation contributions (or foreign equivalent), currently equal to 9% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is valued at cost to the company and expensed. Incentive options are valued using the Binomial option valuation methodology. The value of these incentive options is expensed over the vesting period.

**Key Management Personnel Remuneration**

Details of the nature and amount of each element of the remuneration of each Director and executive of the Company or Group for the financial year are as follows:

	<u>Short-Term Benefits</u>					Total	Percentage of total remuneration that consists of options	Percentage Performance Related
	Salary & Fees	Cash Bonus	Post Employment Benefits	Share-Based Payments	Other Non-Cash Benefits <sup>(i)</sup>			
2008	\$	\$	\$	\$	\$	\$	%	%
<b>Directors</b>								
Robert Hawley	127,317	-	-	-	2,917	130,234	-	-
Matthew Syme	250,000	-	22,500	-	4,508	277,008	-	-
Scott Yelland	274,472	23,843	47,125	616,235	1,205	962,880	64.0	66.5
Sean James	45,708	-	-	-	6,675	52,383	-	-
James Ross	97,500	-	2,700	-	4,508	104,708	-	-
Jose Ramon Esteruelas	81,095	-	-	-	2,917	84,012	-	-
<b>Executives</b>								
Shane Cranswick <sup>(ii)</sup>	-	-	-	-	-	-	-	-
Clint McGhie <sup>(iii)</sup>	-	-	-	-	-	-	-	-

## Notes:

- (i) Other Non-Cash Benefits includes payments made for insurance premiums on behalf of the Directors, including Directors & Officers insurance, and in some instances, working directors insurance.
- (ii) Mr Cranswick provided services as the Company Secretary until 28 September 2007 when he was replaced as Company Secretary by Mr McGhie. These services have been provided through a services agreement with Apollo Group Pty Ltd. Under the agreement, Apollo Group Pty Ltd provides administrative, company secretarial and accounting services, and the provision of a fully serviced office to the Company for a monthly retainer of \$12,000. The monthly retainer has increased to \$15,000 from 1 July 2008.

## DIRECTORS' REPORT

## REMUNERATION REPORT (continued)

## Key Management Personnel Remuneration (continued)

2007	Short-Term Benefits					Total \$	Percentage of total remuneration that consists of options %	Percentage Performance Related %
	Salary & Fees \$	Cash Bonus \$	Post Employment Benefits \$	Share- Based Payments \$	Other Non-Cash Benefits <sup>(ii)</sup> \$			
<b>Directors</b>								
Robert Hawley	130,648	-	-	298,500	4,483	433,631	68.8	68.8
Matthew Syme	250,000	-	22,500	1,273,000	8,060	1,553,560	81.9	81.9
Sean James	86,540	-	-	318,250	7,402	412,192	77.2	77.2
James Ross	63,700	-	2,700	149,250	8,060	223,710	66.7	66.7
Jose Ramon								
Esteruelas	46,891	-	-	318,250	2,776	367,917	86.5	86.5
Ian Middlemas	13,500	-	-	-	1,708	15,208	-	-
<b>Executives</b>								
Scott Yelland <sup>(i)</sup>	66,952	-	-	-	-	66,952	-	-
Shane								
Cranswick <sup>(iii)</sup>	-	-	-	-	-	-	-	-

## Notes:

- (i) Mr Yelland was appointed as an executive of the Company on 6 April 2007, and appointed as a Director on 1 February 2008.
- (ii) Other Non-Cash Benefits includes payments made for insurance premiums on behalf of the Directors, including Directors & Officers insurance, and in some instances, working directors insurance.
- (iii) Mr Cranswick provided services as the Company Secretary through a services agreement with Apollo Group Pty Ltd. Under the agreement, Apollo Group Pty Ltd provides administrative, company secretarial and accounting services, and the provision of a fully serviced office to the Company for a monthly retainer of \$12,000.

## Options Granted to Key Management Personnel

Details of options granted to each Director and executive of the Company or Group during the financial year are as follows:

2008	Issuing entity	Grant Date	Expiry Date	Exercise price \$	Grant date fair value \$	No. granted	No. vested
<b>Director</b>							
Scott Yelland	Berkeley Resources Ltd	6-Aug-07	5-Aug-11	1.86	1.121	1,000,000	-

2007	Issuing entity	Grant date	Expiry date	Exercise price \$	Grant date fair value \$	No. granted	No. vested
<b>Directors</b>							
Robert Hawley	Berkeley Resources Ltd	30-Nov-06	30-Nov-08	1.00	0.597	500,000	500,000
Matthew Syme	Berkeley Resources Ltd	21-Jun-07	30-Nov-08	1.00	1.273	1,000,000	1,000,000
Sean James	Berkeley Resources Ltd	21-Jun-07	30-Nov-08	1.00	1.273	250,000	250,000
James Ross	Berkeley Resources Ltd	30-Nov-06	30-Nov-08	1.00	0.597	250,000	250,000
Jose Ramon							
Esteruelas	Berkeley Resources Ltd	21-Jun-07	30-Nov-08	1.00	1.273	250,000	250,000

## Notes:

- (i) For details on the valuation of the options, including models and assumptions used, please refer to Note 18 to the financial statements.

## DIRECTORS' REPORT

## REMUNERATION REPORT (continued)

## Options Granted to Directors and Executives (continued)

Details of the value of options granted, exercised or lapsed for each Director and executive of the Company or Group during the financial year are as follows:

2008	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total 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 %
<b>Directors</b>						
Matthew Syme	-	2,930,000	-	2,930,000	-	-
Scott Yelland	1,121,000	-	-	1,121,000	616,235	64.7

2007	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Total 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 %
<b>Directors</b>						
Robert Hawley	298,500	-	-	298,500	298,500	68.8
Matthew Syme	1,273,000	920,000	-	2,193,000	1,273,000	81.9
Sean James	318,250	-	-	318,250	318,250	77.2
James Ross	149,250	-	-	149,250	149,250	66.7
Jose Ramon Esteruelas	318,250	-	-	318,250	318,250	86.5

## Notes:

- (i) For details on the valuation of the options, including models and assumptions used, please refer to Note 18 to the financial statements.
- (ii) The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

## Employment Contracts with Directors and Executive Officers

Mr Matthew Syme, Managing Director, has a contract of employment with Berkeley Resources Limited dated 27 August 2004. The terms of this contract were revised effective from 1 May 2006. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The contract has a rolling term and may be terminated by the Company by giving three months notice. No amount is payable in the event of termination for neglect of duty or gross misconduct. Mr Syme receives a fixed remuneration component of \$250,000 per annum exclusive of superannuation. The contract also provides for the payment of a cash bonus which the Board may determine at its discretion which reflects the contribution of Mr Syme towards the Company's achievement of its overall objectives. As at the date of this report no cash bonus has been paid or is payable.

Following shareholder approval, on 21 June 2007 Mr Syme was granted 1,000,000 director incentive options exercisable at \$1.00 each on or before 30 November 2008 in accordance with his employment terms.

Mr Scott Yelland was appointed Chief Operating Officer of the Company on 6 April 2007 and was subsequently appointed a Director of the Company on 1 February 2008. Mr Yelland has a letter of employment with Berkeley Resources Limited dated 27 March 2007. The letter specifies the duties and obligations to be fulfilled by the Chief Operating Officer. The letter of employment may be terminated by either party by giving three months notice. No amount is payable by the Company in the event of termination for neglect of duty or gross misconduct. Mr Yelland receives a fixed remuneration component of £125,000 per annum exclusive of employer National Insurance Contributions (United Kingdom).

**DIRECTORS' REPORT****REMUNERATION REPORT (continued)****Employment Contracts with Directors and Executive Officers (continued)**

Prior to his appointment as a Director and in accordance with his engagement terms Mr Yelland was granted 1,000,000 options, with an exercise price of \$1.86 each, on 6 August 2007 under the Employee Option Scheme approved by shareholders on 21 June 2007. The options will vest in 3 equal tranches every 12 months from the date of commencement and will expire on 5 August 2011.

Following his appointment as a Director, the Board has agreed to grant Mr Yelland with an additional 500,000 unlisted options with an exercise price of \$1.00 each. The options will vest in 3 equal tranches every 12 months from the date of commencement and will expire on 19 June 2012. The issue of these options is subject to shareholder approval.

Dr James Ross, Technical Director, has a letter of engagement with Berkeley Resources Limited dated 4 February 2005. The letter specifies the duties and obligations to be fulfilled by the Technical Director. Dr Ross receives a fixed remuneration component of \$30,000 per annum exclusive of superannuation. The letter also includes a consultancy arrangement which provides for a consultancy fee at the rate of \$800 per day, with a minimum of 1 day per week. The consultancy arrangement has a rolling term and may be terminated by the company by giving 1 months notice.

Following shareholder approval, on 30 November 2006, Dr Ross was granted 250,000 director incentive options exercisable at \$1.00 each on or before 30 November 2008 in accordance with his employment terms.

Dr Robert Hawley, Non Executive Chairman, was appointed a Director of the Company on 20 April 2006. Dr Hawley has a letter of engagement with Berkeley Resources Limited dated 19 April 2006. The letter specifies a fixed remuneration component of £55,000 per annum.

Following shareholder approval on 30 November 2006, Dr Hawley was granted 500,000 incentive options exercisable at \$1.00 each on or before 30 November 2008 in accordance with his engagement terms.

Mr Sean James, Non Executive Director, was originally appointed an Executive Director of the Company on 28 July 2006. Mr James had a letter of employment with Berkeley Resources Limited dated 28 July 2006 and was to receive a fixed remuneration component of £100,000 per annum exclusive of employer National Insurance Contributions (United Kingdom). On 17 November 2006, Mr James relinquished his executive role but remained as a Non Executive Director and consultant to the Company. Mr James receives a fixed remuneration of £18,000 per annum. The letter also includes a consultancy agreement which provides for a consultancy fee of £400 per day. The consultancy agreement has a rolling term and may be terminated by Mr James or by the Company giving one month's notice.

Following shareholder approval on 21 June 2007, Mr James was granted 250,000 incentive options exercisable at \$1.00 each on or before 30 November 2008 in accordance with his engagement terms.

Senor Jose Ramon Esteruelas, Non Executive Director, was appointed a Director of the Company on 1 November 2006. Senor Esteruelas has a letter of employment with Berkeley Resources Limited dated 16 November 2006. Senor Esteruelas receives a fixed remuneration component of €48,000 per annum. The letter also includes a consultancy agreement which provides for a consultancy fee of €1,000 per day. The consultancy agreement has a rolling term and may be terminated by Senor Esteruelas or by the Company by giving one month's notice.

Following shareholder approval on 21 June 2007, Senor Esteruelas was granted 250,000 incentive options exercisable at \$1.00 each on or before 30 November 2008.

**Exercise of options granted as remuneration**

During the financial year ended 30 June 2008, Mr Syme was issued 2,000,000 shares following the exercise of 1,000,000 options at \$0.20 per share and 1,000,000 options at \$0.25 per share.

During the financial year ended 30 June 2007, Mr Syme was issued 1,000,000 shares following the exercise of 1,000,000 options at \$0.15 per share.

There are no amounts unpaid on the shares issued as a result of the exercise of the options in the 2008 financial year.

## DIRECTORS' REPORT

### AUDITORS AND OFFICERS' INDEMNITIES AND INSURANCE

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

During the financial year, the Company has paid an insurance premium to insure Directors and officers of the Company against certain liabilities arising out of their conduct while acting as a Director or Officer of the Company. The net premium paid was \$15,790. Under the terms and conditions of the insurance contract, the nature of liabilities insured against cannot be disclosed.

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

### NON-AUDIT SERVICES

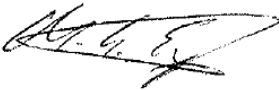
There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on page 60 of the Annual Financial Report.

This report is made in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

For and on behalf of the Directors



**MATTHEW SYME**  
Managing Director

Madrid, Spain  
26 September 2008



**INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Revenue from continuing operations</b>	<b>2</b>	<b>1,473,848</b>	<b>569,126</b>	<b>1,473,427</b>	<b>569,126</b>
Other Income	2	1,934,785	998,200	1,934,785	998,200
Administration costs		(1,806,818)	(1,815,527)	(1,806,173)	(1,815,527)
Business development costs		(284,498)	(415,878)	(284,498)	(415,878)
Exploration costs		(8,624,391)	(4,409,268)	(656,500)	(2,145,752)
Other share based payments expense	3	(1,428,177)	(2,357,250)	(1,428,177)	(2,357,250)
Foreign exchange loss		(61,886)	-	(62,845)	-
<b>Loss before income tax expense</b>		<b>(8,797,137)</b>	<b>(7,430,597)</b>	<b>(829,981)</b>	<b>(5,167,081)</b>
Income tax expense	4	-	-	-	-
<b>Loss after income tax expense</b>		<b>(8,797,137)</b>	<b>(7,430,597)</b>	<b>(829,981)</b>	<b>(5,167,081)</b>
<b>Loss attributable to minority interest</b>		<b>(1,792,681)</b>	<b>(1,116,026)</b>	-	-
<b>Loss attributable to members of Berkeley Resources Limited</b>		<b>(7,004,456)</b>	<b>(6,314,571)</b>	<b>(829,981)</b>	<b>(5,167,081)</b>
<b>Loss after income tax expense</b>		<b>(8,797,137)</b>	<b>(7,430,597)</b>	<b>(829,981)</b>	<b>(5,167,081)</b>
Basic loss per share (cents per share)	22	(6.80)	(7.48)		
Diluted loss per share (cents per share)	22	(6.80)	(7.48)		

Notes to and forming part of the Income Statement are set out on pages 22 to 58.

**BALANCE SHEET  
AS AT 30 JUNE 2008**

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	23(b)	18,171,171	25,535,846	17,485,427	25,329,172
Trade and other receivables	5	1,289,281	327,538	121,474	19,587
<b>Total Current Assets</b>		<b>19,460,452</b>	<b>25,863,384</b>	<b>17,606,901</b>	<b>25,348,759</b>
<b>Non-current Assets</b>					
Exploration expenditure	6	5,938,391	4,135,220	137,000	137,000
Property, plant and equipment	7	509,497	232,184	16,166	21,297
Trade and other receivables	8	-	-	493,899	318,877
Other financial assets	9	119,228	1,802,015	14,310,715	6,993,062
<b>Total Non-current Assets</b>		<b>6,567,116</b>	<b>6,169,419</b>	<b>14,957,780</b>	<b>7,470,236</b>
<b>TOTAL ASSETS</b>		<b>26,027,568</b>	<b>32,032,803</b>	<b>32,564,681</b>	<b>32,818,995</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	10	978,010	642,182	170,941	336,358
Provisions	11	44,295	34,432	44,295	34,432
<b>Total Current Liabilities</b>		<b>1,022,305</b>	<b>676,614</b>	<b>215,236</b>	<b>370,790</b>
<b>TOTAL LIABILITIES</b>		<b>1,022,305</b>	<b>676,614</b>	<b>215,236</b>	<b>370,790</b>
<b>NET ASSETS</b>		<b>25,005,263</b>	<b>31,356,189</b>	<b>32,349,445</b>	<b>32,448,205</b>
<b>EQUITY</b>					
<b>Equity attributable to equity holders of the Company</b>					
Issued capital	12	41,444,842	40,560,013	41,444,842	40,560,013
Reserves	13	4,449,269	4,604,619	4,472,973	4,626,581
Accumulated losses	14	(20,890,335)	(13,885,879)	(13,568,370)	(12,738,389)
<b>Parent Interests</b>		<b>25,003,776</b>	<b>31,278,753</b>	<b>32,349,445</b>	<b>32,448,205</b>
<b>Minority Interests</b>	15	<b>1,487</b>	<b>77,436</b>	-	-
<b>TOTAL EQUITY</b>		<b>25,005,263</b>	<b>31,356,189</b>	<b>32,349,445</b>	<b>32,448,205</b>

Notes to and forming part of the Balance Sheet are set out on pages 22 to 58.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(11,045,850)	(6,592,292)	(2,890,739)	(4,348,536)
Interest received		1,364,784	569,126	1,364,363	569,126
<b>Net cash inflow/(outflow) from operating activities</b>	<b>23(a)</b>	<b>(9,681,066)</b>	<b>(6,023,166)</b>	<b>(1,526,376)</b>	<b>(3,779,410)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of exploration projects		-	348,200	-	348,200
Payments for exploration		(78,313)	(156,567)	-	-
Payment for investment in related entity		-	-	(8,846,230)	(1,998,612)
Security bond deposit		(110,730)	-	-	-
Amounts advanced to related parties		-	-	(491,722)	(320,094)
Proceeds on sale of investment		2,584,784	-	2,584,783	-
Payments for property, plant and equipment		(458,755)	(141,036)	(11,244)	(21,877)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,936,986</b>	<b>50,597</b>	<b>(6,764,413)</b>	<b>(1,992,383)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		450,000	26,667,275	450,000	26,667,275
Transaction costs from issue of shares and options		(2,956)	(1,410,701)	(2,956)	(1,410,701)
<b>Net cash inflow from financing activities</b>		<b>447,044</b>	<b>25,256,574</b>	<b>447,044</b>	<b>25,256,574</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>(7,297,036)</b>	<b>19,284,005</b>	<b>(7,843,745)</b>	<b>19,484,781</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>25,535,846</b>	<b>6,295,162</b>	<b>25,329,172</b>	<b>5,844,391</b>
<b>Effects of exchange rate changes</b>		<b>(67,639)</b>	<b>(43,321)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>23(b)</b>	<b>18,171,171</b>	<b>25,535,846</b>	<b>17,485,427</b>	<b>25,329,172</b>

Notes to and forming part of the Cash Flow Statement are set out on pages 22 to 58.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

**CONSOLIDATED**

	Note	Attributable to equity holder of the parent					Total	Minority Interest	Total equity
		Issued Capital	Option Premium Reserve	Foreign Currency Translation Reserve	Net Unrealised Gains Reserve	Accumulated Losses			
		\$	\$	\$	\$	\$			
<b>As at 1 July 2006</b>		<b>14,258,232</b>	<b>2,170,538</b>	-	-	<b>(7,571,308)</b>	<b>8,857,462</b>	<b>321,421</b>	<b>9,178,883</b>
Net loss for the period		-	-	-	-	(6,314,571)	(6,314,571)	(1,116,026)	(7,430,597)
<i>Total recognised income and expense</i>		-	-	-	-	(6,314,571)	(6,314,571)	(1,116,026)	(7,430,597)
Issue of shares		23,125,000	-	-	-	-	23,125,000	-	23,125,000
Exchange differences arising on translation of foreign operations		-	-	(21,962)	-	-	(21,962)	(21,358)	(43,320)
Net unrealised gain on held for sale financial assets		-	-	-	1,144,000	-	1,144,000	-	1,144,000
Step up acquisition of minority interest		-	-	-	-	-	-	893,399	893,399
Exercise of options		4,587,482	(1,045,207)	-	-	-	3,542,275	-	3,542,275
Cost of share based payments		-	2,357,250	-	-	-	2,357,250	-	2,357,250
Share issue costs		(1,410,701)	-	-	-	-	(1,410,701)	-	(1,410,701)
<i>Amounts recognised directly in equity</i>		26,301,781	1,312,043	(21,962)	1,144,000	-	28,735,862	872,041	29,607,903
<b>As at 30 June 2007</b>		<b>40,560,013</b>	<b>3,482,581</b>	<b>(21,962)</b>	<b>1,144,000</b>	<b>(13,885,879)</b>	<b>31,278,753</b>	<b>77,436</b>	<b>31,356,189</b>
<b>As at 1 July 2007</b>		<b>40,560,013</b>	<b>3,482,581</b>	<b>(21,962)</b>	<b>1,144,000</b>	<b>(13,885,879)</b>	<b>31,278,753</b>	<b>77,436</b>	<b>31,356,189</b>
Net loss for the period		-	-	-	-	(7,004,456)	(7,004,456)	(1,792,681)	(8,797,137)
<i>Total recognised income and expense</i>		-	-	-	-	(7,004,456)	(7,004,456)	(1,792,681)	(8,797,137)
Exchange differences arising on translation of foreign operations		-	-	(1,742)	-	-	(1,742)	(227)	(1,969)
Net unrealised gain on held for sale financial assets		-	-	-	1,326,000	-	1,326,000	-	1,326,000
Net realised gain on held for sale financial assets	2(b)	-	-	-	(2,470,000)	-	(2,470,000)	-	(2,470,000)
Step up acquisition of minority interest		-	-	-	-	-	-	1,716,959	1,716,959
Exercise of options		887,000	(437,000)	-	-	-	450,000	-	450,000
Expiry of options		785	(785)	-	-	-	-	-	-
Cost of share based payments		-	1,428,177	-	-	-	1,428,177	-	1,428,177
Share issue costs		(2,956)	-	-	-	-	(2,956)	-	(2,956)
<i>Amounts recognised directly in equity</i>		884,829	990,392	(1,742)	(1,144,000)	-	729,479	1,716,732	2,446,211
<b>As at 30 June 2008</b>		<b>41,444,842</b>	<b>4,472,973</b>	<b>(23,704)</b>	<b>-</b>	<b>(20,890,335)</b>	<b>25,003,776</b>	<b>1,487</b>	<b>25,005,263</b>

Notes to and forming part of the Statement of Changes in Equity are set out on pages 22 to 58.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008**

**PARENT**

Note	Issued Capital	Option Premium Reserve	Net Unrealised Gains Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2006</b>	<b>14,258,232</b>	<b>2,170,538</b>	-	<b>(7,571,308)</b>	<b>8,857,462</b>
Issue of shares	23,125,000	-	-	-	23,125,000
Net unrealised gain on held for sale financial assets	-	-	1,144,000	-	1,144,000
Exercise of options	4,587,482	(1,045,207)	-	-	3,542,275
Cost of share based payments	-	2,357,250	-	-	2,357,250
Share issue costs	(1,410,701)	-	-	-	(1,410,701)
<i>Amounts recognised directly in equity</i>	26,301,781	1,312,043	1,144,000	-	28,757,824
Net loss for the year	-	-	-	(5,167,081)	(5,167,081)
<i>Total recognised income and expense</i>	-	-	-	(5,167,081)	(5,167,081)
<b>Balance at 30 June 2007</b>	<b>40,560,013</b>	<b>3,482,581</b>	<b>1,144,000</b>	<b>(12,738,389)</b>	<b>32,448,205</b>
<b>Balance at 1 July 2007</b>	<b>40,560,013</b>	<b>3,482,581</b>	<b>1,144,000</b>	<b>(12,738,389)</b>	<b>32,448,205</b>
Exercise of options	887,000	(437,000)	-	-	450,000
Expiry of options	785	(785)	-	-	-
Cost of share based payments	-	1,428,177	-	-	1,428,177
Net unrealised gain on held for sale financial assets	-	-	1,326,000	-	1,326,000
Net realised gain on held for sale financial assets	2(b) -	-	(2,470,000)	-	(2,470,000)
Share issue costs	(2,956)	-	-	-	(2,956)
<i>Amounts recognised directly in equity</i>	884,829	990,392	(1,144,000)	-	731,221
Net loss for the year	-	-	-	(829,981)	(829,981)
<i>Total recognised income and expense</i>	-	-	-	(829,981)	(829,981)
<b>Balance at 30 June 2008</b>	<b>41,444,842</b>	<b>4,472,973</b>	-	<b>(13,568,370)</b>	<b>32,349,445</b>

Notes to and forming part of the Statement of Changes in Equity are set out on pages 22 to 58.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparing the financial report of Berkeley Resources Limited ("Berkeley" or "Company" or "Parent") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2008 are stated to assist in a general understanding of the financial report.

Berkeley is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange, and the Alternative Investment Market (AIM) at the London Stock Exchange.

The financial report of the Company for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 26 September 2008.

#### (a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and other financial assets, which have been measured at fair value.

The financial report is presented in Australian dollars.

#### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The Group has also adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2008. These are outlined in the table below:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards.	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassification of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009
AASB 3 (revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (revised) and AASB 127 (revised) above.	1 July 2009



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Statement of Compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associated to be recognised in profit or loss in an entity's separate financial statements (i.e. parent company accounts). The distinction between pre- and post- acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009		1 July 2009
Amendments to International Financial Reporting Standards	Improvements to IFRSs.	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Berkeley Resources Limited as at 30 June 2008 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, income and expenses and profits and losses between Group companies, are eliminated.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries are accounted for at cost in the balance sheet of the Company.

**(d) Significant accounting judgements, estimates and assumptions*****Significant accounting judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

***Exploration and evaluation expenditure***

The Group's accounting policy for exploration and evaluation expenditure is set out below. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is determined that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

***Significant accounting estimates and assumptions***

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

***Share based payments***

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or Black-Scholes model.

**(e) Segment Reporting**

A business segment is a distinguishable component of an entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of an entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (f) Foreign Currency Translation

Both the functional and presentation currency of Berkeley at 30 June 2008 was Australian Dollars.

The following table sets out the functional currency of the subsidiary (unless dormant) of the Group:

Company Name	Functional Currency
Minera de Rio Alagon SL	Euro

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement with the exception of differences in foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. Tax charges and tax credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Where the functional currency of a subsidiary of Berkeley Resources Limited is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of Berkeley at the rate of exchange ruling at the balance sheet date and the income statements are translated by applying the weighted average exchange rate for the year.

Any exchange differences arising on this retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity and relating to that particular foreign operation is recognised in the Income Statement.

## (g) Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of Goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Interest revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying value amount of the financial asset.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(h) Income Tax**

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose on goodwill or in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority.

The Board of Berkeley Resources Limited has not yet resolved to consolidate eligible entities within the Group for tax purposes. The Board will review this position annually, before lodging of that years income tax return.

**(i) Business Combinations**

The purchase method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The cost of a business combination is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the business combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) Impairment of Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increase amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(k) Cash and Cash Equivalents**

"Cash and cash equivalents" includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(l) Trade and Other Receivables**

Trade receivables are initially recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(m) Investments and Other Financial Assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loan and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

*(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset at fair value through profit or loss if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Investments and Other Financial Assets (continued)***(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet

*(iii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets designated through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the net unrealised gains reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously reported in equity are included in the income statement as gains and losses on disposal of investment securities.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is transferred from equity to the income statement. Impairment losses recognised in the income statement on equity instruments classified as held for sale are not reversed through the income statement.

**(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(n) Fair value estimation (continued)**

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

**(o) Property, Plant and Equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Group 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.

Plant and equipment are depreciated on a reducing balance or straight line basis at rates based upon their effective lives as follows:

**Life**

Plant and Equipment	2 - 5 years
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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 (Note 1(j)).

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the net disposal proceeds with carrying amount of the asset. These are included in the profit or loss in the period the asset is derecognised.

**(p) Trade and Other Payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for the goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

**(q) Employee Leave Benefits**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (r) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (s) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

#### (t) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after 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.

#### (u) Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method and with AASB 6 *Exploration for and Evaluation of Mineral Resources*, which is the Australian equivalent of IFRS 6.

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (1) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
  - (2) 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.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred.

A provision for unsuccessful exploration and evaluation is created against each area of interest by means of a charge to the income statement.

The recoverable amount of each area of interest is determined on a bi-annual basis and the provision recorded in respect of that area adjusted so that the net carrying amount does not exceed the recoverable amount. For areas of interest that are not considered to have any commercial value, or where exploration rights are no longer current, the capitalised amounts are written off against the provision and any remaining amounts are charged against profit.

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(v) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

**(w) Share Based Payments***(i) Equity settled transactions:*

The Group provides benefits to directors, employees, consultants and other advisors of the Group in the form of share-based payments, whereby the directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model or Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Berkeley (market conditions) if applicable.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 22).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (x) Provisions

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

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

Consolidated		Parent	
2008	2007	2008	2007
\$	\$	\$	\$

## 2. REVENUE FROM CONTINUING OPERATIONS

## Revenue

Interest revenue	1,473,848	569,126	1,473,427	569,126
	<u>1,473,848</u>	<u>569,126</u>	<u>1,473,427</u>	<u>569,126</u>

## Other Income

Gain on disposal of exploration property	(a)	-	998,200	-	998,200
Gain on disposal of listed shares	(b)	1,934,785	-	1,934,785	-
		<u>1,934,785</u>	<u>998,200</u>	<u>1,934,785</u>	<u>998,200</u>

## (a) Gain on disposal of exploration property

In November 2006 the Company disposed of its Strelley and Kangan North Properties in Western Australia to Atlas Iron Ltd. In consideration for the sale the Company received \$350,000 cash and 1.3 million Atlas Iron Ltd ordinary shares valued at \$650,000 resulting in a gain of \$998,200 net of expenses.

## (b) Gain on disposal of listed shares

In January 2008 the Company disposed of 1.3 million Atlas Iron Ltd ordinary shares on market for \$2,584,783 resulting in a gain of \$1,934,785 net of expenses, comprising:

Loss on disposal	(535,215)	-	(535,215)	-
Gain transferred from revaluation reserve	2,470,000	-	2,470,000	-
Net gain	<u>1,934,785</u>	<u>-</u>	<u>1,934,785</u>	<u>-</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 3. EXPENSES AND LOSSES FROM CONTINUING OPERATIONS

Loss from ordinary activities before income tax expense includes the following specific expenses:

## (a) Expenses

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Depreciation and amortisation - Plant and equipment	188,411	29,818	16,375	15,134
Net movement in provisions for - Employee entitlements	10,097	9,752	10,097	9,752
AIM admission costs	-	404,603	-	404,603
Acquisition of ENUSA's exploration database	-	845,912	-	845,912
Other share based payments (refer Note 18)	1,428,177	2,357,250	1,428,177	2,357,250

## 4. INCOME TAX EXPENSE

## (a) Recognised in the income statement

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Current income tax</i>				
Current income tax expense/(benefit)	(1,224,947)	(141,721)	-	(141,721)
Adjustments in respect of current income tax of previous years	(1,447,836)	-	675,181	-
<i>Deferred income tax</i>				
Origination and reversal of temporary differences	501,503	(4,426)	501,503	(4,426)
Temporary differences not previously brought to account	-	(440,165)	(1,176,684)	(440,165)
Tax losses not brought to account	2,171,280	586,312	-	586,312
Income tax expense reported in the income statement	-	-	-	-

## (b) Recognised directly in equity

*Deferred income tax related to items charged or credited directly to equity*

Unrealised gain on available for sale financial assets	237,236	343,200	237,236	343,200
Transfer from equity to profit and loss on sale	(580,436)	-	(580,436)	-
Temporary differences not brought to account	343,200	-	343,200	-
Income tax expense reported in equity	-	343,200	-	343,200

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 4. INCOME TAX EXPENSE (continued)

## (c) Reconciliation between tax expense and accounting profit/(loss) before income tax

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounting profit/(loss) before income tax	(8,797,137)	(7,430,597)	(829,981)	(5,167,081)
At the domestic income tax rate of 30% (2007: 30%)	(2,639,141)	(2,229,179)	(248,994)	(1,550,124)
Expenditure not allowable for income tax purposes	1,897,132	2,194,326	731,644	1,515,271
Foreign currency exchange gains and other translation adjustments	18,565	-	18,853	-
Adjustments in respect of current income tax of previous years	(1,447,836)	-	675,181	-
Temporary differences not previously brought to account	-	(440,165)	(1,176,684)	(440,165)
Capital allowances	-	(111,294)	-	(111,294)
Deferred tax assets not brought to account	2,171,280	586,312	-	586,312
Income tax expense reported in the income statement	-	-	-	-

## (d) Deferred income tax

Deferred income tax at 30 June 2008 relates to the following:

<i>Deferred Tax Liabilities</i>				
Accrued Interest	32,719	-	32,719	-
Exploration and evaluation assets	41,100	41,100	41,100	41,100
Available-for-sale financial assets	-	343,200	-	343,200
Deferred tax assets used to offset deferred tax liabilities	(73,819)	(384,300)	(73,819)	(384,300)
	-	-	-	-
<i>Deferred Tax Assets</i>				
Accrued expenditure	17,100	15,600	17,100	15,600
Provisions	13,289	10,330	13,289	10,330
Capital allowances	860	388,880	860	388,880
Tax losses available to offset against future taxable income	3,462,170	874,610	114,206	874,610
Deferred tax assets used to offset deferred tax liabilities	(73,819)	(384,300)	(73,819)	(384,300)
Deferred tax assets not brought to account	(3,419,600)	(905,120)	(71,636)	(905,120)
	-	-	-	-

This future income tax benefit will only be obtained if:-

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Company in realising the benefit.

## (e) Tax Consolidations

The Board has not yet resolved to consolidate eligible entities within the Group for tax purposes. The Board will review this position annually, before lodging of that year's income tax return.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 5. CURRENT ASSETS – Trade and other receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
GST and other taxes receivable	1,179,201	324,370	11,394	17,353
Interest receivable	109,064	-	109,064	-
Other	1,016	3,168	1,016	2,234
	<u>1,289,281</u>	<u>327,538</u>	<u>121,474</u>	<u>19,587</u>

## 6. NON-CURRENT ASSETS – Exploration expenditure

The Company has mineral exploration costs carried forward in respect of areas of interest:

**Areas in Exploration at cost:**

Balance at the beginning of year	4,135,220	3,085,253	137,000	137,000
Additions	1,803,171	1,049,967	-	-
	<u>5,938,391</u>	<u>4,135,220</u>	<u>137,000</u>	<u>137,000</u>
Capitalised exploration expenditure written off	-	-	-	-
Balance at end of year (i) (ii)	<u>5,938,391</u>	<u>4,135,220</u>	<u>137,000</u>	<u>137,000</u>

Notes:

- (i) The value of the exploration interests is dependent upon the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The Group's exploration properties may at some future time be subject to claims by indigenous people. In the event of any such claim being made, the Group's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensations. This may impact on the commercial viability and/or carrying value of the respective tenements.
- (ii) Capitalised costs (consolidated) include the excess cost of acquisition in the subsidiary, Minera de Rio Alagon over the net assets acquired. The excess cost of acquisition was \$3,760,370 as at 30 June 2007; a further \$1,716,478 was included when the investment in the subsidiary increased from 77.5% to 99.9% on 30 June 2008, taking the total excess cost of acquisition to \$5,476,848.

## 7. NON-CURRENT ASSETS – Property, Plant and Equipment

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<i>Plant and equipment</i>				
At beginning of financial year, net of accumulated depreciation and impairment	232,184	120,966	21,297	14,554
Additions	458,755	141,036	11,244	21,877
Depreciation charge for the year	(188,411)	(29,818)	(16,375)	(15,134)
Foreign exchange differences	6,969	-	-	-
At end of financial year, net of accumulated depreciation and impairment	<u>509,497</u>	<u>232,184</u>	<u>16,166</u>	<u>21,297</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 7. NON-CURRENT ASSETS – Property, Plant and Equipment (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>At beginning of financial year</b>				
Cost or fair value	280,634	139,598	55,063	33,186
Accumulated depreciation and impairment	(48,450)	(18,632)	(33,766)	(18,632)
Net carrying amount	232,184	120,966	21,297	14,554
<b>At end of financial year</b>				
Cost or fair value	746,358	280,634	66,307	55,063
Accumulated depreciation and impairment	(236,861)	(48,450)	(50,141)	(33,766)
Net carrying amount	509,497	232,184	16,166	21,297

## 8. NON-CURRENT ASSETS – Other receivables

Loans to controlled entities	-	-	493,899	318,877
Allowance for doubtful debts	-	-	-	-
	-	-	493,899	318,877

The Company advanced to its subsidiary Minera de Rio Alagon SL a further €5,850,000 (A\$9,285,457). On 30 June 2008, €5,549,907 (A\$9,111,652) was converted into equity in Minera de Rio Alagon SL.

**Terms & Conditions:**

The loans to controlled entities were undertaken on commercial terms and conditions, except that:

- There is no fixed time for repayment of loans between the parties; and
- No interest is payable on the loans.

## 9. NON-CURRENT ASSETS – Other financial assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investments in subsidiary (i)	-	-	14,307,715	5,196,062
Investment in Atlas Iron Limited (ii)	-	1,794,000	-	1,794,000
Security bonds	101,506	3,000	3,000	3,000
Other	17,722	5,015	-	-
	119,228	1,802,015	14,310,715	6,993,062

## Notes:

- Investment in Minera de Rio Alagon (see Notes 8 and 16).
- The Company acquired 1,300,000 shares in Atlas Iron Limited as part of the consideration for the sale of the Strelley and Kangan North properties and was originally valued at \$650,000 (\$0.50 a share). The shares were sold in January 2008 with a realised gain of \$1,934,785 being recognised in the profit and loss.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 10. CURRENT LIABILITIES – Trade and other payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade creditors	921,010	530,182	113,941	224,358
Accrued expenses	57,000	112,000	57,000	112,000
	<u>978,010</u>	<u>642,182</u>	<u>170,941</u>	<u>336,358</u>

## 11. CURRENT LIABILITIES – Provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Employee benefits	44,295	34,432	44,295	34,432

## 12. ISSUED CAPITAL

## (a) Issued and paid up capital:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
103,591,695 (2007: 101,591,695) fully paid ordinary shares	41,444,842	40,560,013	41,444,842	40,560,013

Note:

(i) Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent Entity does not have authorised capital nor par value in respect of its issued shares.

## (b) Movements in ordinary share capital during the past two years

Date	Details	Number of Shares	Issue Price	\$
<b>1 Jul 06</b>	<b>Opening Balance</b>	<b>71,130,321</b>	-	<b>14,258,232</b>
7 Jul 06 - 5 Dec 2006	Exercise of Listed Options	12,111,374	0.20	2,422,275
	Transfer from option reserve	-	-	60,557
5 Sep 06 - 5 Dec 2006	Exercise of Unlisted \$0.20 Options	4,850,000	0.20	970,000
	Transfer from option reserve	-	-	732,650
	Share issue expenses	-	-	(6,737)
4 Dec 2006	Exercise of Director Incentive Options	1,000,000	0.15	150,000
	Transfer from option reserve	-	-	252,000
	Share issue expenses	-	-	(1,554)
26 Apr 2007	Share placement	12,500,000	1.85	23,125,000
	Share issue costs	-	-	(1,402,410)
<b>30 Jun 2007</b>	<b>Closing Balance</b>	<b>101,591,695</b>		<b>40,560,013</b>
<b>1 Jul 2007</b>	<b>Opening Balance</b>	<b>101,591,695</b>		<b>40,560,013</b>
4 Oct 2007	Exercise of Unlisted \$0.20 Options	1,000,000	0.20	200,000
	Exercise of Unlisted \$0.25 Options	1,000,000	0.25	250,000
	Transfer from option reserve	-	-	437,785
	Share issue expenses	-	-	(2,956)
<b>30 Jun 2008</b>	<b>Closing Balance</b>	<b>103,591,695</b>		<b>41,444,842</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 12. ISSUED CAPITAL (continued)

#### (c) Terms and conditions of Ordinary Shares

##### *General*

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

##### *Reports and Notices*

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

##### *Voting*

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a Company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a Company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

##### *Variation of Shares and Rights Attaching to Shares*

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

##### *Unmarketable Parcels*

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than \$500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

##### *Changes to the Constitution*

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

##### *Listing Rules*

Provided the Company remains admitted to the Official List of the Australian Securities Exchange Ltd, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. The Company's Constitution will be deemed to comply with the Listing Rules as amended from time to time.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 13. RESERVES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>a) Balances</b>				
<b>Option premium reserve</b>				
Nil (30 June 2007: Nil) listed options	-	785	-	785
Nil (30 June 2007: 1,000,000) \$0.20 director incentive options	-	229,000	-	229,000
Nil (30 June 2007: 1,000,000) \$0.25 director incentive options	-	208,000	-	208,000
10,600,000 (30 June 2007: 10,600,000) \$0.70 unlisted options	687,546	687,546	687,546	687,546
2,250,000 (30 June 2007: 2,250,000) \$1.00 incentive options	2,357,250	2,357,250	2,357,250	2,357,250
2,280,000 (30 June 2007: Nil) \$1.86 employee incentive options	1,405,017	-	1,405,017	-
450,000 (30 June 2007: Nil) \$1.00 employee incentive options	23,160	-	23,160	-
	<u>4,472,973</u>	<u>3,482,581</u>	<u>4,472,973</u>	<u>3,482,581</u>
<b>Foreign currency translation reserve</b>	<u>(23,704)</u>	<u>(21,962)</u>	<u>-</u>	<u>-</u>
<b>Net unrealised gains reserve</b>	<u>-</u>	<u>1,144,000</u>	<u>-</u>	<u>1,144,000</u>
	<u>4,449,269</u>	<u>4,604,619</u>	<u>4,472,973</u>	<u>4,626,581</u>

**Nature and Purpose of reserves***Option Premium Reserve*

The option premium reserve records the fair value of share based payments made by the Company.

*Foreign currency translation reserve*

Exchange differences arising on translation of a foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(f). The reserve is recognised in profit and loss when the net investment is disposed of.

*Net unrealised gains reserve*

Changes in the fair value and exchange differences arising on translation of investments classified as available-for-sale financial assets are taken to the net unrealised gains reserve as described in Note 1(m). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 13. RESERVES (continued)

## (b) Movements during the past two years:

## Option Premium Reserve

Date	Details	Number of Listed Options	Number of \$0.20 Unlisted Options	Number of Director Incentive Options (\$ various)	Number of \$0.70 Unlisted Options	Number of \$1.00 Incentive Options	Number of \$1.86 Employee Incentive Options	Number of \$1.00 Employee Incentive Options	Fair Value \$	Fair Value \$
<b>1 Jul 2006</b>	<b>Opening Balance</b>	<b>12,268,374</b>	<b>4,850,000</b>	<b>3,000,000</b>	<b>10,600,000</b>	-	-	-	-	<b>2,170,538</b>
7 Jul 2006 -										
5 Dec 2006	Exercise of Options	(12,111,374)	-	-	-	-	-	-	-	(60,557)
30 Nov 2006	Expiry of Options	(157,000)	-	-	-	-	-	-	-	-
5 Sep 2006 -										
5 Dec 2006	Exercise of Options	-	(4,850,000)	-	-	-	-	-	-	(732,650)
4 Dec 2006	Exercise of Options	-	-	(1,000,000)	-	-	-	-	-	(252,000)
5 Dec 2006	Grant to Directors	-	-	-	-	750,000	-	-	0.597	447,750
22 Jun 2007	Grant to Directors	-	-	-	-	1,500,000	-	-	1.273	1,909,500
<b>30 Jun 07</b>	<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>10,600,000</b>	<b>2,250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,482,581</b>
<b>1 Jul 2007</b>	<b>Opening Balance</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>	<b>10,600,000</b>	<b>2,250,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,482,581</b>
6 Aug 2007	Grant to Employees	-	-	-	-	-	2,970,000	-	1.121	1,830,219
30 Sep 2007	Exercise of Options	-	-	(2,000,000)	-	-	-	-	-	(437,000)
20 Jun 2008	Grant to Employees	-	-	-	-	-	-	450,000	0.491	23,160
	Cancellation of Options	-	-	-	-	-	(690,000)	-	-	(425,987)
<b>30 Jun 08</b>	<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,600,000</b>	<b>2,250,000</b>	<b>2,280,000</b>	<b>450,000</b>	<b>-</b>	<b>4,472,973</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 13. RESERVES (continued)

## (b) Movements during the past two years: (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Foreign Currency Translation reserve</b>				
Opening balance	(21,962)	-	-	-
Translation of foreign operations	(1,742)	(21,962)	-	-
Closing balance	(23,704)	(21,962)	-	-
<b>Net Unrealised Gains reserve</b>				
Opening balance	1,144,000	-	1,144,000	-
Unrealised gain on available for sale financial assets	-	1,144,000	-	1,144,000
Realisation of available for sale financial assets	(1,144,000)	-	(1,144,000)	-
Closing balance	-	1,144,000	-	1,144,000

## 14. ACCUMULATED LOSSES

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at the beginning of year	(13,885,879)	(7,571,308)	(12,738,389)	(7,571,308)
Net loss	(7,004,456)	(6,314,571)	(829,981)	(5,167,081)
Balance at end of year	(20,890,335)	(13,885,879)	(13,568,370)	(12,738,389)

## (a) Dividends

No dividends were declared or paid during or since the end of the financial year.

## (b) Franking Credits

In respect to the payment of dividends by Berkeley in subsequent reporting periods (if any), no franking credits are currently available, or are likely to become available in the next 12 months.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>15. MINORITY INTERESTS</b>				
Interest in:				
Capital	13,586	1,006,888	-	-
Reserves	(85)	(18,944)	-	-
Accumulated losses	(12,014)	(910,508)	-	-
	1,487	77,436	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 16. RELATED PARTY DISCLOSURES

## (a) Subsidiaries

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

Name of controlled entity	Place of incorporation	Equity Interest		Investment	
		2008 %	2007 %	2008 \$	2007 \$
Berkeley Exploration Ltd	UK	100	100	-	-
Minera de Rio Alagon SL	Spain	99.9	77.5	14,307,715	5,196,062
North Asia Metals Pty Ltd	Australia	100 <sup>(2)</sup>	100	-	-
				<u>14,307,715</u>	<u>5,196,062</u>

Notes:

- (1) In the opinion of the directors the above named investments in controlled entities have a carrying value by the Company at balance date of \$14,307,715 (2007: \$5,196,062), being the cost of the investment.
- (2) The Company applied to de-register North Asia Metals Pty Ltd in June 2008 and this registration was approved by the Australian Securities & Investment Commission with effect from 27 August 2008.

## (b) Ultimate parent

Berkeley Resources Limited is the ultimate parent of the Group.

## (c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included at Note 17.

## (d) Transactions with related parties in the Consolidated Group

During the years ended 30 June 2008 and 30 June 2007, loans were advanced on an inter-company account to Minera de Rio Alagon SL. The loans were made on commercial terms and conditions, except that there was no fixed repayment of the loans, and no interest was payable on the loans.

## 17. DIRECTOR AND EXECUTIVE DISCLOSURES

## (a) Details of Key Management Personnel

The Key Management Personnel of the Group during or since the end of the financial year were as follows:

**Directors**

Robert Hawley	Non-Executive Chairman
Matthew Syme	Managing Director
Scott Yelland	Chief Operating Officer / Executive Director (Appointed 1 February 2008)
Sean James	Non-Executive Director
Jose Ramon Esteruelas	Non-Executive Director
James Ross	Non-Executive Director

**Executives**

Shane Cranswick	Company Secretary (resigned 28 September 2007)
Clint McGhie	Company Secretary (appointed 28 September 2007)

There were no other key management personnel of the Company or the Group. Unless otherwise disclosed, the Key Management Personnel held their position from 1 July 2007 until the date of this report.

Mr Yelland was originally appointed as an executive of the Company on 6 April 2007, and appointed as a Director on 1 February 2008.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 17. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

## (b) Key Management Personnel Compensation

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term benefits	899,935	658,231	899,935	658,231
Post-employment benefits	72,325	25,200	72,325	25,200
Share-based payments	616,235	2,357,250	616,235	2,357,250
Other Non-Cash Benefits	22,730	32,489	22,730	32,489
	<u>1,611,225</u>	<u>3,073,170</u>	<u>1,611,225</u>	<u>3,073,170</u>

Key Management Personnel disclosures previously required by AASB 124 *Related Party Disclosures* paragraphs Aus25.2 to Aus25.6 and Aus25.7.1 and Aus25.7.2 are included the Remuneration Report section of the Directors' Report.

## (c) Optionholdings of key management personnel

2008	Held at 1 July 2007	Granted as compen- sation	Options exercised	Net other changes	Held at 30 June 2008	Vested and exercisable at 30 June 2008 (#)
	(#)	(#)	(#)	(#)	(#)	
<b>Directors</b>						
Robert Hawley	500,000	-	-	-	500,000	500,000
Matthew Syme	3,000,000	-	(2,000,000)	-	1,000,000	1,000,000
Scott Yelland	-	1,000,000	-	-	1,000,000	-
Sean James	250,000	-	-	-	250,000	250,000
James Ross	250,000	-	-	-	250,000	250,000
Jose Ramon Esteruelas	250,000	-	-	-	250,000	250,000
<b>Executives</b>						
Shane Cranswick	-	-	-	-	-	-
Clint McGhie	-	-	-	-	-	-
2007	Held at 1 July 2006	Granted as compen- sation	Options exercised	Net other changes	Held at 30 June 2007	Vested and exercisable at 30 June 2007 (#)
	(#)	(#)	(#)	(#)	(#)	
<b>Directors</b>						
Robert Hawley	-	500,000	-	-	500,000	500,000
Matthew Syme	3,000,000	1,000,000	(1,000,000)	-	3,000,000	3,000,000
Sean James	-	250,000	-	-	250,000	250,000
James Ross	-	250,000	-	-	250,000	250,000
Jose Ramon Esteruelas	-	250,000	-	-	250,000	250,000
<b>Executives</b>						
Scott Yelland	-	-	-	-	-	-
Shane Cranswick	-	-	-	-	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 17. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

## (d) Shareholdings of Key Management Personnel

2008	Held at 1 July 2007	Granted as compensation	On exercise of options	Sales	Held at 30 June 2008
	(#)	(#)	(#)	(#)	(#)
<b>Directors</b>					
Robert Hawley	-	-	-	-	-
Matthew Syme	760,100	-	2,000,000	-	2,760,100
Scott Yelland	-	-	-	-	-
Sean James	-	-	-	-	-
James Ross	300,000	-	-	-	300,000
Jose Ramon Esteruelas	-	-	-	-	-
<b>Executives</b>					
Shane Cranswick	55,000	-	-	(30,000)	25,000 <sup>(1)</sup>
Clint McGhie	-	-	-	-	-

Notes:

(1) Mr Cranswick ceased to be Company Secretary on 28 September 2007 and this balance refers to the number of Shares held as at 28 September 2007.

2007	Held at 1 July 2006	Granted as compensation	On exercise of options	Sales	Held at 30 June 2007
	(#)	(#)	(#)	(#)	(#)
<b>Directors</b>					
Robert Hawley	-	-	-	-	-
Matthew Syme	760,100	-	1,000,000	(1,000,000)	760,100
Sean James	-	-	-	-	-
James Ross	300,000	-	-	-	300,000
Jose Ramon Esteruelas	-	-	-	-	-
<b>Executives</b>					
Scott Yelland	-	-	-	-	-
Shane Cranswick	80,000	-	-	(25,000)	55,000

## 18. SHARE-BASED PAYMENTS

## (a) Recognised share-based payment expense

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Expense arising from equity-settled share-based payment transactions to:				
Employees	(1,428,177)	(2,357,250)	(1,428,177)	(2,357,250)
Total expense arising from share-based payment transactions	(1,428,177)	(2,357,250)	(1,428,177)	(2,357,250)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**18. SHARE-BASED PAYMENTS (continued)****(b) Summary of options granted**

The following share-based payment arrangements were in existence during the past two years:

<b>2008 Option series</b>	<b>Number</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price \$</b>	<b>Grant date fair value \$</b>
Series 1	2,970,000	6-Aug-07	5-Aug-11	1.86	1.121
Series 2	450,000	21-Apr-08	19-Jun-12	1.00	0.491
<b>2007 Option series</b>	<b>Number</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price \$</b>	<b>Grant date fair value \$</b>
Series 1	750,000	30-Nov-06	30-Nov-08	\$1.00	0.597
Series 2	1,500,000	21-Jun-07	30-Nov-08	\$1.00	1.273

The following table illustrates the number and weighted average exercise prices (WAEP) of share options at the beginning and end of the financial year:

	<b>2008 Number</b>	<b>2008 WAEP</b>	<b>2007 Number</b>	<b>2007 WAEP</b>
Outstanding at beginning of year	14,850,000	\$0.68	30,718,374	\$0.37
Granted by the Company during the year	3,420,000	\$1.75	2,250,000	\$1.00
Exercised during the year	(2,000,000)	\$0.225	(17,961,374)	\$0.20
Expired during the year	-	-	(157,000)	\$0.20
Forfeited during the year	(690,000)	\$1.86	-	-
Outstanding at end of year	<u>15,580,000</u>	<u>\$0.92</u>	<u>14,850,000</u>	<u>\$0.68</u>

The outstanding balance of options on issue as at 30 June 2008 is represented by:

- 10,600,000 unlisted options at an exercise price of \$0.70 each that expire on 30 April 2010.
- 2,250,000 unlisted options at an exercise price of \$1.00 each that expire on 30 November 2008.
- 2,280,000 unlisted options at an exercise price of \$1.86 each that expire on 5 August 2011.
- 450,000 unlisted options at an exercise price of \$1.00 each that expire on 19 June 2012.

**(c) Weighted average remaining contractual life**

The weighted average remaining contractual life for share options outstanding as at 30 June 2008 is 1.88 years (2007: 2.24 years).

**(d) Range of exercise price**

The range of exercise prices for share options outstanding as at 30 June 2008 was \$0.70 to \$1.86 (2007: \$0.20 to \$1.00).

**(e) Weighted average fair value**

The weighted average fair value of options granted by the Group during the year ended 30 June 2008 was \$1.038 (2007: \$1.05).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 18. SHARE-BASED PAYMENTS (continued)

## (f) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Binomial option valuation model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the valuation model used for share options granted by the Group during the years ended 30 June 2008 and 30 June 2007:

2008 Inputs	2008 option series	
	Series 1	Series 2
Exercise price	\$1.86	\$1.00
Grant date share price	\$1.75	\$0.75
Dividend yield	-	-
Volatility	85%	85%
Risk-free interest rate	6.16%	6.78%
Grant date	6-Aug-07	21-Apr-08
Expiry date	5-Aug-11	19-Jun-12
Expected life of option	4.00 years	4.00 years
Fair value at grant date	\$1.121	\$0.491

2007 Inputs	2007 option series	
	Series 1	Series 2
Exercise price	\$1.00	\$1.00
Grant date share price	\$1.09	\$2.00
Dividend yield (i)	-	-
Volatility (ii)	95%	90%
Risk-free interest rate	5.89%	6.43%
Grant date	30-Nov-06	21-Jun-07
Expiry date	30-Nov-08	30-Nov-08
Expected life of option (iii)	1.989 years	1.447 years
Fair value at grant date	\$0.597	\$1.273

Notes:

- (i) The dividend yield reflects the assumption that the current dividend payout will remain unchanged.
- (ii) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.
- (iii) The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>19. REMUNERATION OF AUDITORS</b>				
Amounts received by Stantons International for:				
- an audit or review of the financial reports of the Company	44,118	30,156	44,118	30,156
- other services in relation to the Company	-	-	-	-
	44,118	30,156	44,118	30,156
Other auditors for:				
- an audit or review of the financial reports	13,933	9,836	-	-
- other services	-	-	-	-
<b>Total Auditors' Remuneration</b>	<b>58,051</b>	<b>39,992</b>	<b>44,118</b>	<b>30,156</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 20. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Exploration Expenditure</b>				
Not longer than 1 year <sup>(i)</sup>	-	1,438,995	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	-	1,438,995	-	-

## Notes:

- (i) The Consolidated Entity is not contractually bound to meet the above expenditure commitments; however these amounts were required under the agreement to acquire 100% of Minera de Rio Alagon SL.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 21. SEGMENT INFORMATION

The Group operates in the mineral exploration industry in the following geographical segments:

Geographical Segment	Australia		Spain		Consolidated Entity	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
<b>Revenue</b>						
Other revenues	3,408,212	1,567,326	421	-	3,408,633	1,567,326
Unallocated revenue					-	-
Total revenue					<u>3,408,633</u>	<u>1,567,326</u>
<b>Results</b>						
Segment result	709,947	(2,605,451)	(9,507,398)	(4,409,268)	(8,797,451)	(7,014,719)
Unallocated expenses					314	(415,878)
Loss before income tax expense					(8,797,137)	(7,430,597)
Income tax expense					-	-
Loss attributable to minority interests					1,792,681	1,116,026
Net loss					<u>(7,004,456)</u>	<u>(6,314,571)</u>
<b>Assets</b>						
Segment assets	17,760,067	27,304,056	8,267,501	4,728,747	26,027,568	32,032,803
Unallocated assets					-	-
Total assets					<u>26,027,568</u>	<u>32,032,803</u>
<b>Liabilities</b>						
Segment liabilities	215,236	370,790	807,069	305,824	1,022,305	676,614
Unallocated liabilities					-	-
Total liabilities					<u>1,022,305</u>	<u>676,614</u>
<b>Other</b>						
Acquisition of property, plant and equipment	11,244	21,876	454,480	119,160	465,724	141,036
Depreciation of segment assets	16,375	15,135	172,036	14,683	188,411	29,818

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 22. EARNINGS PER SHARE

	Consolidated	
	2008	2007
	Cents per Share	Cents per Share
<b>(a) Basic profit/(loss) per share:</b>		
From continuing operations	(6.80)	(7.48)
From discontinued operations	-	-
Total basic profit/(loss) per share	<u>(6.80)</u>	<u>(7.48)</u>
<b>(b) Diluted profit/(loss) per share:</b>		
From continuing operations	(6.80)	(7.48)
From discontinued operations	-	-
Total diluted profit/(loss) per share	<u>(6.80)</u>	<u>(7.48)</u>

**(c) Earnings used in calculating earnings per share**

The following reflects the income data used in the calculations of basic and diluted earnings per share:

	Consolidated	
	2008	2007
	\$	\$
Net loss used in calculating basic and diluted earnings per share	<u>(7,004,456)</u>	<u>(6,314,571)</u>

**(d) Weighted average number of shares**

The following reflects the share data used in the calculations of basic and diluted earnings per share:

	Number of Shares 2008	Number of Shares 2007
Weighted average number of ordinary shares used in calculating basic earnings per share	103,072,569	84,388,774
Effect of dilutive securities (i)	-	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted earnings per share	<u>103,072,569</u>	<u>84,388,774</u>

Notes:

- (i) At 30 June 2008, 15,580,000 options (which represent 15,580,000 potential ordinary shares) were considered not dilutive as they would decrease the loss per share for the year ended 30 June 2008.

**(e) Conversions, calls, subscriptions or issues after 30 June 2008**

Since 30 June 2008, 287,500 Employee Incentive Options have been issued which represent 287,500 potential ordinary shares.

Other than the above, there have been no conversions 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 23. CASH FLOW STATEMENT

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>(a) Reconciliation of net loss before income tax expense to net cash flows from operating activities</b>				
Net loss before income tax expense	(8,797,137)	(7,430,597)	(829,981)	(5,167,081)
<b>Adjustment for non-cash income and expense items</b>				
Provision for employee entitlements	10,097	9,752	10,097	9,752
Depreciation	188,411	29,818	16,375	15,135
Foreign exchange movement	51,304	-	52,263	-
Profit on disposal of assets	(1,934,785)	(998,200)	(1,934,785)	(998,200)
Share based payments expensed	1,428,177	2,357,250	1,428,177	2,357,250
<b>Changes in assets and liabilities net of acquisition of subsidiaries</b>				
Increase in trade and other receivables	(962,960)	(289,712)	(103,105)	(6,206)
Increase/(decrease) in trade and other payables	335,827	298,523	(165,417)	9,940
Net cash(outflow)/inflow from operating activities	<u>(9,681,066)</u>	<u>(6,023,166)</u>	<u>(1,526,376)</u>	<u>(3,779,410)</u>
<b>(b) Reconciliation of Cash and cash equivalents</b>				
Cash at bank and on hand	2,192,253	1,349,812	1,506,509	1,143,138
Bank short term deposits	15,978,918	24,186,034	15,978,918	24,186,034
	<u>18,171,171</u>	<u>25,535,846</u>	<u>17,485,427</u>	<u>25,329,172</u>

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

At balance date, the Company had no used or unused financing facilities.

**(d) Non-cash Financing and Investment Activities**

30 June 2008

During the year ended 30 June 2008, there were no non-cash financing or investment activities.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 23. CASH FLOW STATEMENT (continued)

## (d) Non-cash Financing and Investment Activities (continued)

30 June 2007

During year ended 30 June 2007, the Company disposed of its interest in the Strelley and Kangan North exploration projects in the Pilbara region of Western Australia to Atlas Iron Limited. In consideration for the sale, the Company received \$350,000 in cash, 1.3 million Atlas Iron Limited shares valued at \$650,000 and a pro-rata reimbursement of tenement holding expenses of \$14,332.

<i>Consideration</i>	\$
Cash received	350,000
Atlas Iron shares received (1,300,000) @ \$0.50 each	650,000
	<u>1,000,000</u>
Less non-cash consideration	(650,000)
Net cash inflow upon disposal	<u><u>350,000</u></u>
 <i>Net Assets Disposed</i>	
Consideration received and reimbursement of costs	1,014,332
Less reimbursement of tenement costs	(14,332)
Less expenses	(1,800)
	<u>998,200</u>
Less book value of assets on disposal	-
Gain on disposal of exploration projects	<u><u>998,200</u></u>

## 24. FINANCIAL INSTRUMENTS

## (a) Overview

The Group's principal financial instruments comprise receivables, payables, available-for-sale investments, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (continued)

## (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from cash and cash equivalents and trade and other receivables.

There are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Current assets</b>				
Cash and cash equivalents	18,171,171	25,535,846	17,485,427	25,329,172
Trade and other receivables	1,289,281	327,538	121,474	19,587
	<u>19,460,452</u>	<u>25,863,384</u>	<u>17,606,901</u>	<u>25,348,759</u>
<b>Non-current assets</b>				
Other receivables	-	-	493,899	318,877
Other financial assets	119,228	1,802,015	3,000	3,000
	<u>119,228</u>	<u>1,802,015</u>	<u>496,899</u>	<u>321,877</u>
	<u>19,579,680</u>	<u>27,665,399</u>	<u>18,103,800</u>	<u>25,670,636</u>

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts.

Trade and other receivables comprise intercompany receivables, GST/VAT receivable, accrued interest and other miscellaneous receivables. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

## (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2007 and 2008, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial assets and financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

2008	≤ 6 months	6 - 12 months	1 - 5 years	≥ 5 years	Total
Group	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	18,171,171	-	-	-	18,171,171
Trade and other receivables	1,289,281	-	-	-	1,289,281
Other financial assets	-	-	119,228	-	119,228
	<u>19,460,452</u>	<u>-</u>	<u>119,228</u>	<u>-</u>	<u>19,579,680</u>
<b>Financial Liabilities</b>					
Trade and other payables	978,010	-	-	-	978,010
	<u>978,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>978,010</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (continued)

## (c) Liquidity risk (continued)

2008	≤ 6 months	6 - 12 months	1 - 5 years	≥ 5 years	Total
Company	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	17,485,427	-	-	-	17,485,427
Trade and other receivables	121,474	-	-	493,899	615,373
Other financial assets	-	-	3,000	14,307,715	14,310,715
	<u>17,606,901</u>	<u>-</u>	<u>3,000</u>	<u>14,801,614</u>	<u>32,411,515</u>
<b>Financial Liabilities</b>					
Trade and other payables	170,941	-	-	-	170,941
	<u>170,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,941</u>
<b>2007</b>	<b>≤ 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>≥ 5 years</b>	<b>Total</b>
<b>Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>					
Cash and cash equivalents	25,535,846	-	-	-	25,535,846
Trade and other receivables	327,538	-	-	-	327,538
Other financial assets	1,794,000	-	8,015	-	1,802,015
	<u>27,657,384</u>	<u>-</u>	<u>8,015</u>	<u>-</u>	<u>27,665,399</u>
<b>Financial Liabilities</b>					
Trade and other payables	642,182	-	-	-	642,182
	<u>642,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>642,182</u>
<b>2007</b>	<b>≤ 6 months</b>	<b>6 - 12 months</b>	<b>1 - 5 years</b>	<b>≥ 5 years</b>	<b>Total</b>
<b>Company</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>					
Cash and cash equivalents	25,329,172	-	-	-	25,329,172
Trade and other receivables	19,587	-	-	318,877	338,464
Other financial assets	1,794,000	-	3,000	5,196,062	6,993,062
	<u>27,142,759</u>	<u>-</u>	<u>3,000</u>	<u>5,514,939</u>	<u>32,660,698</u>
<b>Financial Liabilities</b>					
Trade and other payables	336,358	-	-	-	336,358
	<u>336,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336,358</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 24. FINANCIAL INSTRUMENTS (continued)

## (d) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, security deposits, investments in securities, and payables are non-interest bearing.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>Interest-bearing financial instruments</b>				
Cash at bank and on hand	2,192,253	1,349,812	1,506,509	1,143,138
Bank short term deposits	15,978,918	24,186,034	15,978,918	24,186,034
	<u>18,171,171</u>	<u>25,535,846</u>	<u>17,485,427</u>	<u>25,329,172</u>

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 7.38% (2007: 6.23%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

*Interest rate sensitivity*

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amounts shown below based on the average amount of interest bearing financial instruments held. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
<b>2008</b>				
<b>Group</b>				
Cash and cash equivalents	161,279	(161,279)	161,279	(161,279)
<b>Company</b>				
Cash and cash equivalents	157,986	(157,986)	157,986	(157,986)
	Profit or loss		Equity	
	10% increase	10% decrease	10% increase	10% decrease
<b>2007</b>				
<b>Group</b>				
Cash and cash equivalents	99,154	(99,154)	99,154	(99,154)
<b>Company</b>				
Cash and cash equivalents	97,106	(97,106)	97,106	(97,106)



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**24. FINANCIAL INSTRUMENTS (continued)****(e) Foreign currency risk**

As a result of activities overseas, the Company's and Group's balance sheet can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions denominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current and prior year primarily arose from the Group's controlling interest in Minera de Rio Alagon SL whose functional currency is the Euro. Foreign currency risk arises on translation of the net assets of Minera de Rio Alagon SL to Australian dollars. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve. There is no hedging of this risk.

The Company has a foreign currency exposure in relation to intercompany loans to Minera de Rio Alagon SL which are denominated in Euros. In the Group accounts, the exchange movements on these loans are taken to the foreign currency translation reserve. The carrying value of these loans at balance date is AUD 492,681 (2007: AUD 318,877).

*Sensitivity analysis for currency risk*

A sensitivity of 10 per cent has been selected as this is considered reasonable given historic and potential future changes in foreign currency rates. This has been applied to the net assets of Minera de Rio Alagon SL. This sensitivity analysis is prepared as at balance date.

A 10% strengthening/weakening of the Australian dollar against the Euro at 30 June 2008 would have decreased/increased the net assets of Minera de Rio Alagon SL by A\$135,212 (2007: A\$31,287).

There would be no impact on profit or loss arising from these changes in the currency risk variables as all changes in value are taken to a reserve.

The above analysis assumes that all other variables, in particular interest rates and equity prices, remain constant. The analysis for 2007 has been performed on the same basis.

**(f) Equity price risk**

The Group is exposed to equity price risk arising from its equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments and no hedging or derivative transactions have been used to manage equity price risk. Following disposal in January 2008, the Group does not have any equity investments in listed entities.

*Equity price sensitivity*

The sensitivity analyses below have been determined based on the exposure to equity price risks arising from financial assets at fair value through profit or loss held at the reporting date. At reporting date, if the equity prices had been 20% higher or lower:

- Equity reserves at 30 June 2007 would increase/decrease by \$358,800 for the Group and the Company as a result of the changes in fair value of available-for-sale investments.

There is no effect on the net loss or equity reserves as at 30 June 2008 as the group does not have an exposure to equity price risk from equity investments at that date.

The Group's sensitivity to equity prices has not changed significantly from the prior years.

**(g) Commodity Price risk**

The Group is exposed to uranium, gold and other base metal commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****24. FINANCIAL INSTRUMENTS (continued)****(h) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares. The Group is currently examining new business opportunities where acquisition/working capital requirements of a new project may involve additional funding in some format (which may include debt where appropriate).

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

**(i) Fair Value**

The net fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

**25. CONTINGENT LIABILITIES**

The Company is not aware of any contingent liabilities as at 26 September 2008.

**26. SUBSEQUENT EVENTS**

Since the end of the financial year, the following events have significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years:

- On 16 July 2008, the Company advised that it has been chosen by ENUSA Industrias Avanzadas S.A. as that company's partner to conduct a feasibility study upon and ultimately develop ENUSA's uranium mining assets in Salamanca Province, Spain.
- On 18 July 2008, the Company issued 287,500 Unlisted Options to employees in accordance with the Company's Employee Option Scheme. The options are exercisable for \$1.00 each on or before 19 June 2012. Vesting conditions apply. In addition, the Company advised that the Board has agreed to issue 250,000 Unlisted Options on the same terms and conditions to Mr Scott Yelland, Chief Operating Officer and a Director of the Company. These Incentive Options will be subject to Shareholder approval at the next general meeting of Shareholders.
- On 8 August 2008, Berkeley announced an initial inferred resource estimate of 9.23 million pounds of U3O8, at an average grade of 371ppm U3O8 (at a 200ppm cutoff), for the Gambuta uranium deposit in the Cáceres Province of Spain.

Other than above, as at the date of this report there are no matters or circumstances, which have arisen since 30 June 2008 that have significantly affected or may significantly affect:

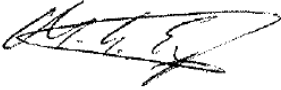
- (a) the operations, in financial years subsequent to 30 June 2008, of the Consolidated Entity;
- (b) the results of those operations, in financial years subsequent to 30 June 2008, of the Consolidated Entity; or
- (c) the state of affairs, in financial years subsequent to 30 June 2008, of the Consolidated Entity.

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Berkeley Resources Limited, I state that:

- (1) In the opinion of the Directors:
  - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited of the Company and of the Consolidated Entity are 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 2008 and of their performance for the year ended on that date; and
    - (ii) complying with accounting standards and the Corporations Act 2001; and
  - (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

On behalf of the Board.



**MATTHEW SYME**  
Managing Director

Madrid, Spain  
26 September 2008

26 September 2008

Board of Directors  
Berkeley Resources Limited  
9<sup>th</sup> Floor BGC Centre  
28 The Esplanade  
PERTH WA 6000

Dear Sirs

**RE: BERKELEY 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 Berkeley Resources Limited.

As Audit Director for the audit of the financial statements of Berkeley Resources Limited for the year ended 30 June 2008, 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)**



**Keith Lingard**  
**Director**

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

### **Report on the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report**

We have audited the accompanying financial report of Berkeley Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' Report under the heading "remuneration report" on pages 11 to 15.

#### *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 Group, 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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' Report based on our audit.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 on the financial report*

In our opinion:


- (a) the financial report of Berkeley Resources Limited 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 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in note 1.

#### *Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report*

In our opinion the remuneration disclosures that are contained in pages 11 to 15 of the Directors' Report comply with section 300 A of the *Corporations Act 2001*.

#### **STANTONS INTERNATIONAL (An Authorised Audit Company)**

*Stantons International*



**Keith Lingard**  
Director

West Perth, Western Australia  
26 September 2008