



TRUSCOTT

MINING CORPORATION LIMITED

ABN: 31 116 420 378

FINANCIAL REPORT

FOR THE PERIOD

27 SEPTEMBER, 2005 TO 30 JUNE, 2006

TRUSCOTT MINING CORPORATION LIMITED
ABN: 31 116 420 378
DIRECTORS' REPORT

The Board of Directors has pleasure in presenting its report on the company for the period from the company's incorporation on 27th September, 2005 to 30th June, 2006.

1. Directors

(i) Names, Qualifications and Experience

The names and details of the company's directors in office at any time during the period 27 September, 2005 and 30 June, 2006 and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated

Peter N Smith (Non-Executive Chairman) **52 years**
 BSc (Min), PG Dip (M Tech), M Min Tech
 FAustMM, CP, MAICD

Experience in Australia and overseas in mine development and management including positions with Normandy Poseidon, Gwalia Consolidated, Broken Hill Proprietary Limited and Ivanhoe Mines. Previously Director of Strategic Minerals Corporation and CEO for Giants Reef Mining Limited, and now a director of a number of private exploration companies.

Derrick Sufredo (Non-Executive Director) **42 years**
 B App Sc, B Bus

Operational experience including the provision of technical services on mine sites within the Australian gold mining sector. Commercial and management expertise in business development functions within the futures and stock broking industry. Derrick was the founding managing director and is presently a co-owner of C.K. Locke and Partners, an Australian Financial Services Licensee.

Ian D Cowden (Non-Executive Director) **55 years** **Appointed 20 October, 2005**
 BSc (Geol/Geophys), FAustMM, CP, MAIG

Experience in exploration and the mining industry world wide, with emphasis on feasibility studies and development to mining. Specific operational experience in relation to a number of commodities that is inclusive of gold and base metals. He has served on the boards of a number of public listed companies, recently Liberty Gold NL and Legend Mining Limited.

Michael J Povey (Non-Executive Director & Company Secretary) **54 years**
 B Bus, CA, FTIA.

Public Accounting experience with major accounting firms including Deloitte and KPMG. Mike has subsequently worked to establish an independent business concentrating on taxation, auditing and company reporting. Specialised additional background in the delivery of training courses for consolidations, mergers & acquisitions and accounting standards.

Interests in the Shares of the Company as 30 June, 2006

	Number of Shares	
	Direct	Indirect
P N Smith	1	16,550,000
D Sufredo	1	1,500,000
I D Cowden	-	250,000
M J Povey	-	250,000
	2	18,550,000

As at the date of this report the company has not issued any options.

2. Principal Activities

The principal activities of the company are the exploration and development of gold projects in the Northern Territory and Western Australia. No significant changes in the nature of these activities occurred during the period 27th September, 2005 to 30th June, 2006.

3. Dividends

No dividend has been declared or paid by the company during the period 27th September, 2005 to 30th June, 2006 and the directors do not at present recommend a dividend

4. Review of Operations

The review of operations of the company and the results of those operations are:

Project Area One

Eastern Tennant Creek Mineral Field– E1.23897 - (Truscott 90%)

The company is exploring on a project area located twenty five kilometres east of the Tennant Creek Township. The project area has been selected following a regional structural analysis and from knowledge of the location of historical mines and mineral occurrences.

Within the project area there is a large fault flexure that has the potential to create a dilation environment favourable to mineral deposition. The vendor of the property conducted a ground based gravity survey to investigate the potential target area within the tenement. The survey identified a major anomaly (Ewan Edward). Modelling based on density differentials provided a number of features for initial drilling. A drilling program was undertaken in July 2006. Follow-up geophysical modelling after the drilling program was done to factor in new information in relation to regolith and weathering profiles

Investigative drilling conducted in July 2006 served to show that:

1. Quartz porphyry was located adjacent to the confluence of some bodies and dips at 80 degrees to the southwest. Commonly, porphyry lenses are in place as hanging wall structures associated with mineralisation in the Tennant Creek mineral field.
2. The porphyry is discordant to the surrounding metasediments and exhibits characteristics of shearing and metamorphic alteration. The form and the orientation of the porphyry are consistent with the overall dilation environment when considered in three dimensions.
3. Analysis of core samples showed that higher than background geochemistry levels of Au, Cu and Zn on the footwall side of the porphyry demonstrate an increasing trend to depth. Peak values, though low at Au 0.12ppm, Cu 231ppm and Zn 102ppm, are significant in this setting.

Mineralisation in the field is thought to be a multiphase process with incoming fluids influenced by the orientation of resultant directions of shear. A review of known ore bodies in the Eastern Tennant Creek field has provided a measure of the likely resultant directions and therefore the favourable orientations and relationship of mineralised bodies.

Whilst the target zones have principally been defined by utilising gravity data a detailed review of underlying magnetic signatures in close proximity to the target zones will be concluded in the near future. Drill testing of the intersection zone is scheduled for commencement following the intended listing on an exchange.

The combined target bodies exhibit the potential to host mineralised ironstone larger than that which was mined at the adjacent Nobles Nob operation.

Project Area Two

East Pilbara Mineral Field – Eastern Creek – E46/598 – (Truscott 90%)

The company's second project area is located 50 kilometres northeast of the Nullagine Township in the eastern Pilbara and has been selected on the basis of the geological and structural setting and the location of proximal gold mineralisation. The region is however receiving renewed interest from a number of nearby explorers (Wedgetail Resources/Northwest Resources) who are achieving ongoing success and building up the regional gold resource base.

The current tenement holding of sixteen blocks has been reduced in size from an original holding of 28 blocks following photographic interpretation, an initial geophysics assessment of regional aeromagnetics and the completion of a helicopter supported regional stream sediment sampling program.

Two areas of anomalous soil geochemistry were delineated as a consequence of previous work programmes. The northern anomalous area was followed up in October 2005 with mapping, stream sediment, rock chip and soil sampling but no significant anomalism was defined.

It is planned to carry out further work later this year on other targets, initially the more southerly zone, which shows a high arsenic response. Initial wide spaced (400 metre) soil sample lines have defined a broad region of arsenic anomalism that includes an area of low level gold anomalism. The arsenic concentrations trend north-south, sub-parallel to major fault structures which cut and displace both the basement greenstones and overlying Mosquito Creek Formation sediments.

The level of arsenic anomalism is similar to that found by other explorers within the region to be associated with defined gold resources. It is therefore proposed to both infill and extend the previous sample area, to better define the anomalies which remain open to both the north and south.

Project Area Three

Eastern Tennant Creek Mineral Field – ELA25374 – (Truscott 100%)

The company has moved to increase its regional holdings in the Tennant Creek mineral field by making application for an area of 57 blocks adjoining and east of EL23897. Part of the tenement straddles the transition between the prospective Warramunga sediments and granite intrusions on the eastern extremity. Ten kilometres further to the north east, the listed explorer, Red Metal is planning to drill a combined magnetic and gravity target in the near future. This target is estimated to be at a depth of 100-200 metres and appears to have similar characteristics to those of Truscott's project area one. The new tenement ELA25374 is therefore central to the area's currently being explored by the two companies.

5. Future Developments, Prospects and Business Strategies

The Company is seeking a capital raise of AUD\$250,000 to AUD\$300,000 through the issue of up to 3,000,000 fully paid shares at 10 cents per share.

The focus of the board upon raising the AUD\$300,000 will be to:

- Further Geophysical Analysis EL23897.
- Design of Target Drilling and Statutory Reporting EL23897.
- Acquisition and initial work in an additional Project Area.
- Continued Exploration at Nullagine of E46/598.
- Preparation and associated costs of a prospectus for public listing.

The Directors are satisfied that upon raising the AUD\$250,000 to AUD\$300,000 via this Information Memorandum, the Company will have sufficient capital to meet its stated objectives. If fully subscribed, it is anticipated the company will have an additional \$70,000 that will be used for working capital and exploration, which may include drilling.

6. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company that occurred during the period 27 September, 2005 to 30 June, 2006 not otherwise disclosed in this report or the financial statements.

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DIRECTORS' REPORT

7. After Balance Date Events

As detailed in the review of operations at items 4 and 5 above, the company undertook a drilling and geophysical evaluation of EL23897 and is currently undertaking a capital raising of up to AUD\$300,000 at 10 cents a share.

8. Financial Position

The net assets of the company was \$459,791 at 30 June, 2006 after acquiring mining prospects and an initial seed capital raising of \$250,000.

9. Remuneration Report

This report details the nature and amount of remuneration for each director of Truscott Mining Corporation Limited. As at the date of this report the company does not have any executives

Remuneration Policy

The policy of the company is to attract the right team members by paying market based remuneration that is commensurate with the skills and experience of the directors and future executives

Details of remuneration

Directors of Truscott Mining Corporation Limited

The remuneration for each director of the company during the period 27 September, 2005 to 30 June, 2006 was as follows:

Name	Short Term employees benefit		Post-employment benefit	Termination benefit	Share based payment	Other	Total
	Director's Fees \$	Salary \$	Superannuation \$	Termination Benefits \$	Shares \$	Consulting Fees \$	
P N Smith	0	0	0	0	25,000	2,500	27,500
D Sufredo	0	0	0	0	25,000	18,750	43,750
I D Cowden	0	0	0	0	25,000	3,000	28,000
M J Povey	0	0	0	0	25,000	0	25,000
Totals	0	0	0	0	100,000	24,250	124,250

The above share based payments and consulting fees were paid to entities associated with the respective directors.

As the company was incorporated on the 27th September, 2005 there was no remuneration paid by the company during the previous year.

SHARES

Director	Op. Balance	Acquired	Disposed	Cl. Balance
P N Smith	0	16,550,001	0	16,550,001
D Sufredo	0	1,500,001	0	1,500,001
I D Cowden	0	250,000	0	250,000
M J Povey	0	250,000	0	250,000
Totals	0	18,550,002	0	18,550,002

The above shareholdings include both direct and indirect holdings as at 30 June, 2006.

Non-Audit Services

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

- all material non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor, and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

There were no fees for non-audit services paid/payable to the external auditors during the period 27th September, 2005 to 30 June, 2006

Auditors' Independence Declaration

The auditors' independence declaration for the period 27th September, 2005 to 30 June, 2006 has been received and can be found on page 5 of the Directors' Report.

10. Share Options

At the date of this report there were no options to acquire ordinary shares in Truscott Mining Corporation Ltd and no options were exercised.

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DIRECTORS' REPORT

11. Directors' Meetings

Director	No. of Meetings Director Eligible to Attend	No. of Meetings Attended
P N Smith	2	2
D Suftedo	2	2
I D Cowden	-	-
M J Povey	2	2

In accordance with the Constitution, Mr Povey retires as a director at the Annual General Meeting and being eligible, offers himself for reelection

12. Insurance and Indemnity of Officers

The Company has not in respect of any person who is or has been an officer of the company or a related body corporate paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings

The Company has not indemnified officers of the company against liability incurred as an officer including costs and expenses in successfully defending legal proceedings.

13. Audit

Maxim Audit was appointed the initial auditors and continues in office as auditor in accordance with section 327 of the Corporations Act 2001. As at the date of this report, the company, due to its size and regular consultation with its auditors, did not have an audit committee of the Board of Directors.

14. Environmental Regulations and Native Title

Environmental

For exploration license EL23897 the primary legislation in force is the Northern Territory Mining Management Act 2002, section 35 of which requires the application for authorisation of a Mine Management Plan on an annual basis

For exploration License E46/598 the primary legislation in force is the Mining Act 1978 (WA) which allows the grant of tenure subject to standard conditions inclusive of environmental protection legislation

Native Title

For exploration license EL23897 an authority has been issued by the Aboriginal Areas Protection Authority, Ref D89/199/89/2044(Doc No 508170) for mining exploration and mining, including the construction of infrastructure.

For exploration License E46/598 an Assignment of Rights has been entered into with the Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation regarding the Nyamal Heritage Agreement.

This report is made in accordance with a resolution of the directors.

DIRECTOR

Signed at Nedlands this 2nd day of October, 2006

TRUSCOTT MINING CORPORATION LIMITED
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DIRECTORS' REPORT

AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF TRUSCOTT MINING CORPORATION LIMITED

I declare that, to the best of my knowledge and belief, during the period 27th September 2005 to 30 June 2006 there have been

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MAXIM AUDIT
Chartered Accountants

M A Lester

Perth, WA

Dated this ____ day of October 2006

TRUSCOTT MINING CORPORATION LIMITED
ABN: 31 116 420 378
INCOME STATEMENT

FOR THE PERIOD 27TH SEPTEMBER, 2005 TO 30TH JUNE, 2006

	NOTES	2006 \$	2005 \$
Revenues from continuing operations	2	7,212	0
Incorporation costs		(1,210)	0
Directors' remuneration		(100,000)	0
Administration expenses	3	(3,859)	0
		<hr/>	<hr/>
Loss before income tax expense		(97,857)	0
Income tax expense	4	0	0
		<hr/>	<hr/>
Loss from continuing operations		(97,857)	0
		<hr/>	<hr/>

The above Income Statement should be read in conjunction with the accompanying notes

TRUSCOTT MINING CORPORATION LIMITED
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BALANCE SHEET

AS AT 30TH JUNE, 2006

	NOTES	2006 \$	2005 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		194,438	0
Trade and other receivables	5	<u>24,755</u>	<u>0</u>
TOTAL CURRENT ASSETS		<u>219,193</u>	<u>0</u>
NON-CURRENT ASSETS			
Deferred exploration, evaluation and development expenditure	6	<u>243,950</u>	<u>0</u>
TOTAL NON-CURRENT ASSETS		<u>243,950</u>	<u>0</u>
TOTAL ASSETS		<u>463,143</u>	<u>0</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	7	<u>3,352</u>	<u>0</u>
TOTAL CURRENT LIABILITIES		<u>3,352</u>	<u>0</u>
TOTAL LIABILITIES		<u>3,352</u>	<u>0</u>
NET ASSETS		<u>459,791</u>	<u>0</u>
EQUITY			
Issued capital	8	557,648	0
Accumulated losses		<u>(97,857)</u>	<u>0</u>
TOTAL EQUITY		<u>459,791</u>	<u>0</u>
Commitments	13		
Contingent liabilities	14		

The above Balance Sheet is to be read in conjunction with the accompanying notes.

TRUSCOTT MINING CORPORATION LIMITED
ABN: 31 116 420 378
STATEMENT OF CHANGES IN EQUITY

AS AT 30TH JUNE, 2006

	Ordinary Shares	Retained Earnings	Total
Balance at incorporation	0	0	0
Issue of shares	577,502	0	577,502
Transaction costs	(19,854)	0	(19,854)
Loss	0	(97,857)	(97,857)
Balance at 30 June, 2006	<u>557,648</u>	<u>(97,857)</u>	<u>459,791</u>

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes

TRUSCOTT MINING CORPORATION LIMITED
ABN: 31 116 420 378
CASH FLOW STATEMENT

FOR THE PERIOD 27TH SEPTEMBER, 2005 TO 30TH JUNE, 2006

	NOTES	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		7,212	0
Payments to suppliers and employees (inclusive of GST)		<u>11</u>	<u>0</u>
NET CASH INFLOWS FROM OPERATING ACTIVITIES	9	<u>7,223</u>	<u>0</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration, evaluation and development expenditure		(24,356)	0
Payment for security bond		(2,000)	0
Payments for interests in mining tenements		<u>(27,091)</u>	<u>0</u>
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		<u>(53,447)</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		250,002	0
Costs of share issues		<u>(9,340)</u>	<u>0</u>
NET CASH INFLOWS FROM FINANCING ACTIVITIES		<u>240,662</u>	<u>0</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		194,438	0
Cash and cash equivalents at the incorporation of the company		<u>0</u>	<u>0</u>
Cash and cash equivalents at the end of the financial year	9	<u>194,438</u>	<u>0</u>

The above Cash Flow Statement is to be read in conjunction with the accompanying notes.

TRUSCOTT MINING CORPORATION LIMITED
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD 27TH SEPTEMBER, 2005 TO 30TH JUNE, 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial report are set out below. As the company was incorporated on 27th September, 2005 there are no comparative figures.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes of Truscott Mining Corporation Limited comply with International Financial Reporting Standards (IFRSs).

Early adoption of standard

The Company has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual report.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 18.

(b) Going concern

For the period 27th September, 2005 to 30 June, 2006, the Company has incurred losses of \$97,857, as disclosed in the income statement. As a result of the losses from operations the Directors have assessed the Company's ability to continue as a going concern and to pay its debts as and when they fall due.

The Company's ability to fund exploration commitments and for use as working capital is dependent upon raising additional capital or deriving revenue from existing operations.

As a result of the difficulty in predicting the timing and quantum of raising additional capital or deriving revenue from its existing operations there is significant uncertainty that the Company will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. However, the Directors are confident that the Company's planned initiatives will be successfully achieved during the next 12 months providing access to adequate financial resources.

Accordingly, the Directors have prepared the financials on a going concern basis. As such, the financial statements do not include any adjustments as to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(c) Segment reporting

A business segment is a Company of assets and operations 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 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. The company operates in a single business segment, being the exploration for precious and base metals in one geographical segment being Australia.

(d) Foreign currency translation

As the company only operates in Australia there is no need for any foreign currency translation.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

All revenue is stated net of Goods and Services Tax ("GST").

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate 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. 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

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FOR THE PERIOD 27TH SEPTEMBER, 2005 TO 30TH JUNE, 2006

arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose 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 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.

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

(g) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost 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 acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price 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.

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.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Fair value estimation

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

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 Company for similar financial instruments.

(k) Deferred exploration, evaluation and development expenditure carried forward

Costs incurred in the exploration, evaluation and development stages of specific areas of interest are accumulated. Such costs are written off unless the Directors consider that the costs are expected to be fully recouped through the successful development and exploitation of the areas, or where activities to date have not reached a stage to allow reasonable assessment regarding existence of economically recoverable reserves. Costs are written off as soon as an area has been abandoned or is considered to be non-commercial. Expenditure is not carried forward in respect of any area of interest/mineral resource unless the company's rights of tenure to that area of interest are current.

Each year the Directors consider the recoverable value of the area being carried forward and where they believe those values to be lower than the costs, write down the costs accordingly. In determining recoverable amount, the expected net cash flow have not been discounted to their present value. Once production commences, expenditure accumulated in respect of areas of interest is amortised on a unit of production basis against the total proven and probable economically recoverable reserves.

(l) Trade and other payables

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

(m) Employee benefits

As at the reporting date the company had no employees and no liability to make provisions for future employees.

Share-based Payments

Share-based compensation benefits were provided to the directors in lieu of cash payments.

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(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, for the acquisition of mining properties, are not included in the cost of the acquisition as part of the purchase consideration.

(o) Goods and services tax (GST)

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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 is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Joint venture

Interests in joint venture operations are brought to account by including in the respective classifications, the company's share of individual assets employed, liabilities and expenses incurred. Details of the joint ventures are set out in Note 15. The company's interests in joint ventures are brought to account using the cost method.

(q) Restoration, rehabilitation and environmental expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure. Costs are estimated on the basis of current undiscounted costs, current legal requirements and current technology.

2. REVENUE

	2006	2005
	\$	\$
Revenue from continuing operations	7,212	0
Interest received from other persons	7,212	0
	7,212	0

3. EXPENSES AND LOSSES/(GAINS)

Loss before income tax includes the following specific expenses:

Auditors' remuneration for audit or review of the financial reports of the company	2,727	0
Remuneration for other services	0	0
Total remuneration	2,727	0

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 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE PERIOD 27TH SEPTEMBER, 2005 TO 30TH JUNE, 2006

4. INCOME TAX EXPENSE

	2006	2005
	\$	\$
(a) Income tax expense		
Current income tax credit	(35,817)	0
Deferred tax	5,585	0
Income tax not recognised	<u>30,232</u>	<u>0</u>
	<u>0</u>	<u>0</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(97,857)	0
Tax at the Australian tax rate of 30%	(29,357)	0
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Blackhole expenditure	(1,191)	0
Incorporation expenses	290	0
Sundry items	26	0
	<u>(30,232)</u>	<u>0</u>
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	119,390	0
Potential Tax Benefit at 30%	<u>35,817</u>	<u>0</u>

All unused tax losses were incurred by the company, which is an Australian entity.

	Balance Sheet		Income Statement	
	2006	2005	2006	2005
	\$	\$	\$	\$
(d) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities</i>				
Deferred exploration expenditure	6,403	0	6,403	0
<i>Deferred tax assets</i>				
Accrued expenses	(818)	0	(818)	0
Net deferred tax liabilities not recognised	<u>5,585</u>	<u>0</u>		
Deferred tax expense			<u>5,585</u>	<u>0</u>

5. TRADE AND OTHER RECEIVABLES - CURRENT

GST credit due	<u>24,755</u>	<u>0</u>
	<u>24,755</u>	<u>0</u>

6. DEFERRED EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Tenement acquisition costs	221,982	0
Deferred exploration expenditure (at cost)	21,968	0
	<u>243,950</u>	<u>0</u>

The ultimate recoupment of the above deferred exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest. All of the above expenditure relates to exploration phase.

7. TRADE AND OTHER PAYABLES - CURRENT

Trade payables and accrued expenses	<u>3,352</u>	<u>0</u>
	<u>3,352</u>	<u>0</u>

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8. ISSUED CAPITAL

a) Ordinary Shares

- (i) Issued and paid-up capital
 27,750,002 (2005: 0) fully paid ordinary shares

	2006		2005	
	No. of Shares	\$	No. of Shares	\$
(ii) Movements in shares on issue				
Opening balance	0	0	0	0
Issue on 27/09/05 at \$1 each	2	2	0	0
Issue on 7/11/05 at 1 cent each for the acquisition of 90% of Northern Territory EL23897 and 90% of Western Australia E46/598	19,200,000	192,000	0	0
Placement on 21/11/05 at 5 cents each	5,000,000	250,000	0	0
Issue on 21/11/05 at 5 cents each for capital raising costs	250,000	12,500	0	0
Issue on 22/11/05 at 10 cents each on behalf of the directors for directors fees	1,000,000	100,000	0	0
Issue on 9/2/06 at 1 cent each to complete consideration payable for the acquisition of 90% of EL23897	2,300,000	23,000	0	0
	<u>27,750,002</u>	<u>577,502</u>	<u>0</u>	<u>0</u>
Less Costs of issue		<u>19,854</u>	<u>0</u>	<u>0</u>
Closing balance	<u>27,750,002</u>	<u>\$57,648</u>	<u>0</u>	<u>0</u>

- (iii) Holders of ordinary shares have the right to receive dividends as declared and in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held and the amount paid up. Shareholders are entitled to one vote per share held either in person or by proxy at a meeting of the company.

b) Options Over Ordinary Shares

The company has not issued any options.

	2006	2005
	\$	\$
9. CASH FLOW INFORMATION		
(a) Reconciliation of the loss from continuing operations after income tax to the net cash flows used in operating activities		
Loss from continuing operations	(97,857)	0
Directors' fees satisfied by the issue of shares	100,000	0
GST refundable on acquisition of interests in mining tenements	26,483	0
Changes in assets and liabilities:		
(Increase)/Decrease in receivables	(24,755)	0
Increase/(Decrease) in payables	3,352	0
Net cash flows used in operating activities	<u>7,223</u>	<u>0</u>
(b) Reconciliation of cash and cash equivalents:		
Cash and cash equivalents	<u>194,438</u>	<u>0</u>
Closing Balance per Cash Flow Statement	<u>194,438</u>	<u>0</u>

(c) Non-cash Financing and Investing Activities

There were no non-cash financing and investing activities during the financial year other than, the acquisition of mining properties

10. FINANCIAL REPORTING BY SEGMENTS

(a) Primary Reporting - Geographical Segments

The whole of the Company's operations were in the single geographical segment of Australia

(b) Secondary Reporting - Business Segments

The company was involved in a single business segment, being the exploration for precious and base metals

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11. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

Peter N Smith is a director of Resource Investments & Consulting Pty Ltd which provided mining engineering services totalling \$2,500.
 Peter N Smith is a director of Resource Investments & Consulting Pty Ltd from which was purchased a 90% interest in WA F46/598 by the issue of 6,500,000 shares at an issue price of 1 cent for a total of \$65,000.
 Peter N Smith is a director of Resource Holdings (WA) Pty Ltd from which was purchased a 90% interest in NT EL23897 by the issue of 9,800,000 shares at an issue price of 1 cent for a total of \$98,000. NT EL23897 was jointly owned by another entity that is not associated with the directors.
 Ian D Cowden is a director of Iana Pty Ltd which provided geological services totalling \$3,000.
 Derrick Sufredo is a shareholder of C K Locke & Partners Pty Ltd which provided share advisory and capital raising services totalling \$18,750, of which \$6,250 was in cash and \$12,500 was satisfied by the issue of 250,000 shares at 5 cents.

(b) Remuneration Report

This report details the nature and amount of remuneration for each director of Truscott Mining Corporation Limited. As at the date of this report the company does not have any executives.

Remuneration Policy

The policy of the company is to attract the right team members by paying market based remuneration that is commensurate with the skills and experience of the directors and future executives.

(i) Directors

The names of the company's directors in office at any time during the period 27 September, 2005 to 30 June, 2006 are as follows. Directors were in office for the entire period unless otherwise stated.

Peter N Smith
 Ian D Cowden appointed 20 October, 2005
 Derrick Sufredo
 Michael J Povey

(ii) Details of Remuneration

The remuneration for each director of the company during the period 27 September, 2005 to 30 June, 2006 was as follows:

Name	Short Term employees benefit		Post-employment benefit	Termination benefit	Share based payment	Other	Total
	Director's Fees \$	Salary \$	Superannuation \$	Termination Benefits \$	Shares \$	Consulting Fees \$	
P N Smith	0	0	0	0	25,000	2,500	27,500
D Sufredo	0	0	0	0	25,000	18,750	43,750
I D Cowden	0	0	0	0	25,000	3,000	28,000
M J Povey	0	0	0	0	25,000	0	25,000
Totals	0	0	0	0	100,000	24,250	124,250

The above share based payments and consulting fees were paid to entities associated with the respective directors.

As the company was incorporated on the 27th September, 2005 there was no remuneration paid by the company during the previous year.

SHARES				
Director	Op. Balance	Acquired	Disposed	Cl. Balance
P N Smith	0	16,550,001	0	16,550,001
D Sufredo	0	1,500,001	0	1,500,001
I D Cowden	0	250,000	0	250,000
M J Povey	0	250,000	0	250,000
Totals	0	18,550,002	0	18,550,002

The above shareholdings include both direct and indirect holdings as at 30 June, 2006

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12. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk on financial assets of the company which have been recognised on the Balance Sheet is generally the carrying amount.

(b) Interest Rate Risk Exposures

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

	Notes	Floating Interest Rate		Fixed interest Maturing in 1 year or less		Non-Interest Bearing		Total	
		\$	\$	\$	\$	\$	\$	\$	\$
		2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets:									
Cash at bank	9(b)	177,212	0	0	0	13,224	0	194,438	0
Trade and other receivables- Current		0	0	0	0	24,755	0	24,755	0
		<u>177,212</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>37,979</u>	<u>0</u>	<u>219,193</u>	<u>0</u>
Weighted average interest rate		5.27%							
Financial Liabilities:									
Payables	7	0	0	0	0	3,352	0	3,352	0
		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,352</u>	<u>0</u>	<u>3,352</u>	<u>0</u>
Weighted average interest rate		5.27%							
Net financial assets (liabilities)		<u>177,212</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>34,627</u>	<u>0</u>	<u>215,841</u>	<u>0</u>
Reconciliation of Net Financial Assets to Net Assets									
Net financial assets as above								215,841	0
Non financial assets and liabilities									
Deferred exploration expenditure								243,950	0
Net Assets								<u>459,791</u>	<u>0</u>

(c) Net Fair Value of Financial Assets and Liabilities

On Balance Sheet

The net fair value of financial assets and financial liabilities of the company approximates their carrying values.

13. COMMITMENTS

Estimated commitments for which no provisions were included in the financial statements are as follows:

Exploration Expenditure Commitments

The company has certain obligations to perform minimum annual exploration work totalling \$160,000 on its properties

14. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at the date of this report.

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15. INTERESTS IN JOINT VENTURE OPERATIONS

The company has entered into the following joint venture operations:

Joint Venture Operation	Percentage Interest	Principal Activities	Exploration Expenditure \$
E1.23897	90%	Gold exploration	5,289
E46/598	90%	Gold exploration	16,678

The joint venture operations are not separate legal entities but are contractual arrangements between the participants for sharing costs and output and do not in themselves generate revenue or profit. Exploration expenditure is the only asset of the joint venture operations and there are no liabilities. This exploration expenditure has been included under Note 6.

16. EVENTS OCCURRING AFTER BALANCE DATE

Other than as listed below, the directors are not aware of any matter or circumstance since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

The Company is seeking a capital raise of AUD\$250,000 to AUD\$300,000 through the issue of up to 3,000,000 fully paid shares at 10 cents per share

The focus of the board upon raising the AUD\$300,000 will be to:

- Further Geophysical Analysis E1.23897.
- Design of Target Drilling and Statutory Reporting E1.23897.
- Acquisition and initial work in an additional Project Area.
- Continued Exploration at Nullagine of E46/598.
- Preparation and associated costs of a prospectus for public listing.

The Directors are satisfied that upon raising the AUD\$250,000 to AUD\$300,000 via this Information Memorandum, the Company will have sufficient capital to meet its stated objectives. If fully subscribed, it is anticipated the company will have an additional \$70,000 that will be used for working capital and exploration, which may include drilling.

The Company undertook a drilling program on E1.23897 in July 2006 with full details of the results disclosed in the Directors Report

17. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price and commodity price risk, and liquidity risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the Board of Directors

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency

The Company only operates in Australia and as yet is not exposed to foreign exchange risk arising from any specific foreign currency exposures.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold any investments

(iii) Commodity Price Risk

The Company is exposed to Commodity Price risk. This risk arises from its activities directed at exploration, development and ultimately mining of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

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18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment of deferred exploration expenditure

The Company tests annually whether deferred exploration expenditure has suffered any impairment, in accordance with the accounting policy.

DIRECTORS' DECLARATION

The directors of the Company declare that the financial statements and notes of the company as set out on pages 6 to 18 are in accordance with the Corporations Act 2001 and:

- a) comply with Accounting Standards and Corporations Regulations 2001; and
- b) give a true and fair view of the company's financial position as at 30 June, 2006 and of it's performance for the period 27th September, 2005 to 30 June, 2006.

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

DIRECTOR

Nedlands, WA

Dated this 2nd day of October 2006

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF TRUSCOTT MINING CORPORATION LIMITED

Scope

We have audited the financial report of Truscott Mining Corporation Limited for the period 27 September 2005 to 30 June 2006 as set out on pages 6 to 19. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance, as represented by the results of its operations and its cash flows.

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

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditors' independence declaration set out on page 5 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Truscott Mining Corporation Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the period 27 September 2005 to 30 June 2006; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(b), there is a significant uncertainty whether the company will be able to continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business and at the amounts stated in the financial statements.

Maxim Audit

Maxim Audit
Chartered Accountants

M A Lester
M A Lester

Perth, WA

Dated this 3rd day of October 2006



Chartered
Accountants

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