



AUSTRALIAN STOCK
EXCHANGE CODE AAM

Current Issued Capital: 89,846,384 Ordinary Fully Paid Shares

Market Cap at 26 cents \$23.3M

Cash at Bank: \$4.7M

25 October 2007

ASX ANNOUNCEMENT

2007 ANNUAL REPORT & NOTICE OF ANNUAL GENERAL MEETING

Please find attached the following documents for immediate release:

- The 2007 Annual Report incorporating the Audited Financial Statements for A1 Minerals Limited and Controlled Entities for the Year ended 30 June 2007; and
- The Notice of Meeting for the Annual General Meeting to be held on 26 November 2007 and the accompanying Proxy Form.

Yours faithfully,

Mark Pitts
Company Secretary



ANNUAL REPORT 2007

Corporate Directory

Directors

Mr Michael Hunt	Chairman (Non-Executive)
Mr John Williams	Managing Director
Mr Tim Hronsky	Director (Non-Executive)
Mr Peter Thomas	Director (Non-Executive)

Company Secretary

Mr Mark Pitts

Registered and Principal Office

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Osborne Park Western Australia 6017
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Email: info@a1minerals.com.au
Website: www.a1minerals.com.au
ABN: 44 100 727 491

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth Western Australia 6000
Telephone: (618) 9323 2000
Facsimile: (618) 9323 2033
Freecall: 1300 557 010

Auditors

K Westaway and Associates
Suite 7, 29 Hood Street
Subiaco Western Australia 6904

Solicitors to the Company

Hunt & Humphry
Level 2, Hyatt Centre
20 Terrace Road
East Perth Western Australia 6004

Australian Stock Exchange

Registered Code AAM

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Managing Director's Report

A1 Minerals' BrightStar Gold Project (BGP) is located in Western Australia's Laverton District, an area with a known gold endowment of 20Moz from such world class ore bodies as Granny Smith, Wallaby and Sunrise Dam.

The Company is currently completing a feasibility study which is evaluating two processing routes: either a modular mobile plant; or toll treating at an established neighbouring plant. Negotiations are underway with neighbouring operators to establish toll treat terms, costs and schedules. This will allow A1 to complete the feasibility study and the results will determine the optimum route to production.

The Company aims to be producing gold from the BGP in 2008.

In addition to its involvement in the feasibility study the A1 Minerals' geological team continues to grow the gold inventory through strategic exploration. The BGP now has a global JORC compliant Resource Estimate of 1.01million oz from 14.2million tonnes at 2.2g/t gold.

A1's discovery cost for gold resources is approximately \$5 per ounce which compares favourably with accepted industry averages.

A1 geologists have developed a gold targeting strategy through acquisition of valuable geophysical data, analysis of historical exploration, and a greatly improved knowledge on gold mineralisation controls in the area. Application of this strategy has contributed to the growth in resources and clearly defines targets for future exploration.

In addition to the BGP, A1 Minerals also owns the Narnoo Exploration Project 100% (Narnoo). This is a very large ground holding of greater than 2500 square kilometres in the Great Victoria Desert of Western Australia.

Narnoo straddles the boundary between Archaean and Proterozoic rocks in a region where gold and uranium prospectivity is highlighted by the discovery of the Anglogold/Independence Tropicana Gold Deposit and the occurrence of the Mulga Rocks Uranium Deposits. Narnoo is undergoing very promising exploration for gold, uranium and base metals including nickel. Consistent with its stated objective of adding shareholder value, A1 Minerals has:

- Explored for gold and other minerals using broad acre geochemistry surveys and drilling;
- Entered into an agreement with Oklo Uranium Limited to explore for uranium on its Narnoo tenements; and
- Ongoing evaluation of the potential for other minerals and different orebody styles such as iron oxide copper gold (IOCG).

A1 Minerals continues create value by building its assets and positioning itself to maximise opportunities and look at new opportunities to improve long term shareholder value.



John Williams

Review of Operations

GOLD - 2007 ACTIVITIES

During the year A1 completed a new JORC compliant Resource Estimate of 1Moz for the BrightStar Gold Project.

The new Resource Estimate was finalised following extensive drilling carried out in early 2007 on a number of resources. The estimate involved geological investigation, previous data interpolation, careful analysis of all assay data and modern economic parameters. (refer Table 3: BrightStar Gold Project Resources)

Project Summary

Epsilon

A1 has expanded its ground holdings in North Laverton by consolidating the area around BrightStar Epsilon (refer Figure 1)

At Epsilon the latest gold intercepts delineate a new strike corridor of near surface, high grade mineralisation. Best results received included 15 metres @ 4.2g/tAu from 24metres depth in BHA010 and 8metres @ 4.2g/tAu from 21metres and 4metres @ 4.8g/tAu from 13metres in BHA008.

Aircore and RC drilling by A1 have resulted in an additional Indicated resource being outlined within Epsilon Project lifting total resources to 208,000oz. This resource includes a high grade component that adds significantly to the overall viability of Epsilon, based on 25m x 20m drill spacing. The resource is geologically well understood and represents a northern splay extending the well documented adjacent Epsilon 1 (previously Ben Hur) Resource. The estimate was conducted using a 1g/t lower cut off grade and 25g/t upper cut.

Eta

The Eta sub-project comprises the Ogilvies Mining Centre, the Mistake and Mistake South prospects totalling 90,000oz. Drilling quartz lodes under old workings at Ogilvies obtained a best intercept of 3metres @ 3.24g/tAu. This result suggests that any resource associated with these lodes is likely to be narrow with extensive strike length. This initial drilling at the Ogilvies Mining Centre by A1 has created an Inferred resource. This estimate was based on aircore drilling through the Main Lode supported by extensive channel sampling and historic drilling. A1 has an agreement to purchase 90% of Mistake South from prospector Steve Millward after taking the project to a decision to mine within 5 years. There is extensive previous RC drilling at No Mistake and Mistake South upon which this resource estimate is largely based. Importantly the geological interpretation by A1 management and the resource estimate is reinforced by the proximity of the Regis Resources Limited (ASX:RRL), Erliston Resource.

A1 considers the No Mistake and Mistake South Resources to be direct north and south extensions of the Erliston Resource, which forms part of the Moolart Well Feasibility Study for RRL.

Further exploration is required to fully evaluate the potential beyond the old workings laterally and at depth.

Zeta

Recent drilling and geological review of previous data at A1 Minerals 100% owned BrightStar Zeta prospect has outlined a significant resource of 287,460 ounces.

The resource is made up of two main components; a high grade component consisting of 77,300tonnes @ 6.5g/t; and a low grade component of nearly 7.3million tonnes averaging 1.1g/t for 270,000 ounces.

The low grade component is an Inferred resource and appears as broad gold mineralised zones up to 200 metres in width occurring contiguously over much of the 7 kilometre strike length of the tenement. Gold mineralisation controls are northerly striking structural contacts most specifically found where there is a competency contrast between rock types such as diorite, basalt or ultramafic rocks. The majority of gold mineralisation identified to date appears in saprolitic oxide which was drilled on average to 80metre depths. The resource is highly encouraging for further potential at depth.



Review of Operations

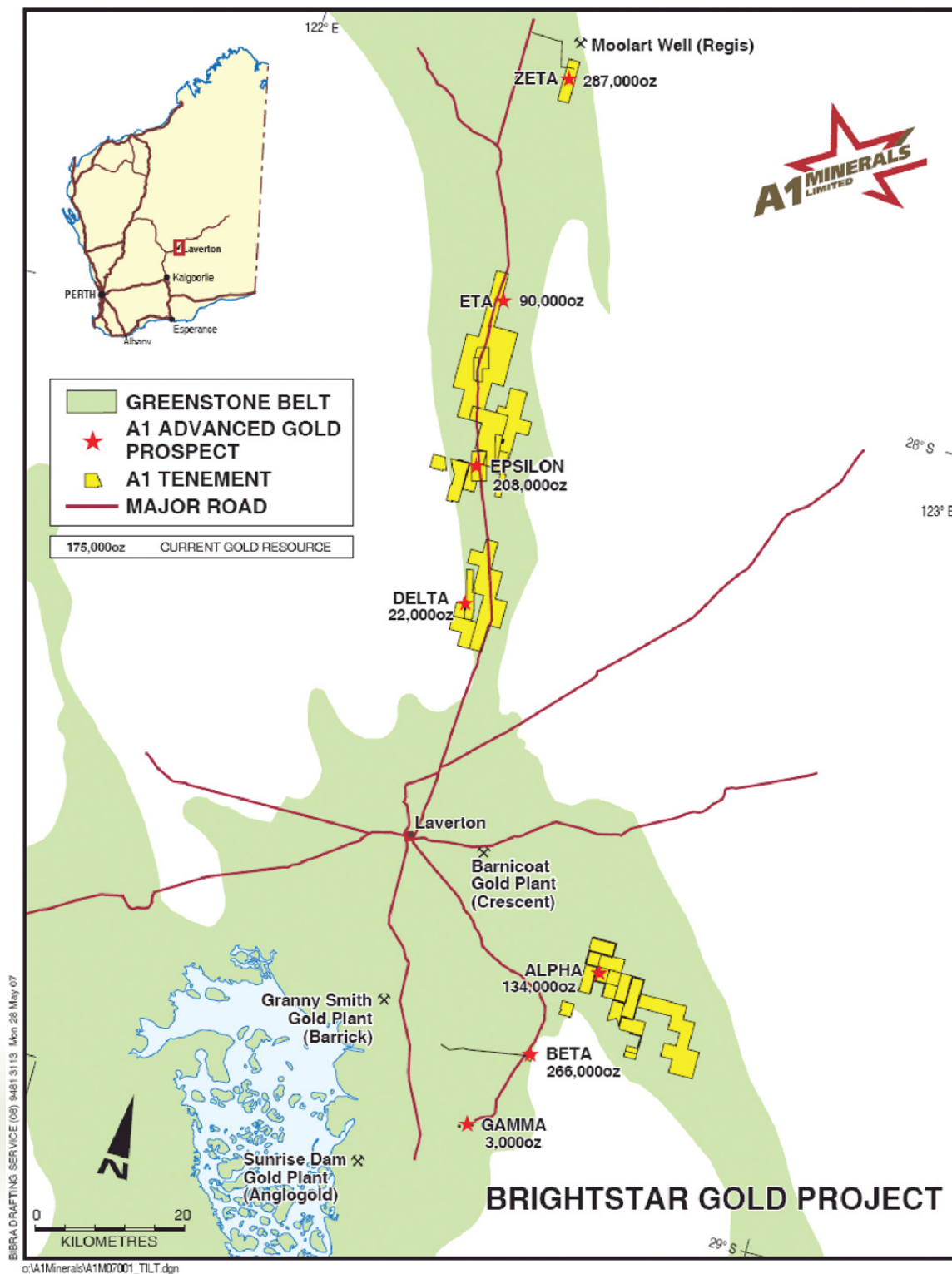


Figure 1 : BrightStar Tenements and Resources and Existing Treatment Plant Locations

Review of Operations

The high grade component is an Indicated resource and a direct down dip extension of mined high grade ore underneath the very high grade 20 metre deep Anchor Pit which produced a reported 29,000t @ 25.8g/t in 2001. A small resource has also been identified at Anchor North. Drilling indicates there is potential for additional high grade deposits along strike to the south. For example, 500m to the south of the Anchor Pit there is a drill intercept of 8m @ 45g/t; and 2 kilometres to the south of the Anchor Pit is a drill intercept of 6m @ 35.6g/t. Further drilling could possibly extend these high grade hits.

A1 is assessing the likely positive impact of this new high grade resource on the BrightStar feasibility study currently underway.

The Zeta prospect is only 2 kilometres south of the recently reported 1+ million ounce Moolart Well deposit owned by Regis Resources Ltd. (refer Figure 1)

Due to its recent exploration success in the area A1 Minerals is reviewing its exploration program for Eta and Zeta.

Gamma

Drilling results at Gamma demonstrate near surface (though relatively narrow) gold intercepts. Best results from current drilling included 3m @ 2.54g/Aut from 19metres in EHA005 and 2metres @ 3.35g/tAu from 7metres in ECA018.

These results indicate a small, near surface resource exists at Gamma. Being within trucking distance, this resource may be viable for milling at Beta.

Delta

Granophyric Dolerite hosted gold mineralisation at Delta is not yet understood from the limited drilling conducted. However wide intercepts of high and low grade mineralisation occur within quartz veining which augurs well for a significant new deposit.

The latest results in drill hole CTC 07 returning 16metres @ 1.0g/t from 89metres show that the wide zone of mineralisation, previously reported, does extend in a north easterly trend. Although much lower grade than the 2006 drill intercept of 15metres @ 4.4g/t structural trends such as an apparent southerly plunge are being elucidated.

Further drilling will better define the geometry of the mineralized zone and thereby assess its potential for a significant new deposit.

Table. 1 Significant Drill Intercepts From Gamma, Delta, Epsilon and Ogilvies

Prospect	Drill hole	mN	mE	Dip	Azimuth	From (m)	To (m)	Thick	Grade g/tAu
Gamma	EHA 02	6798524	460346	60	270	20	23	3	2.10
	EHA 05	6798431	460268	60	270	19	22	3	2.54
	ECA 018	6797880	458716	60	270	7	9	2	3.35
Delta	CTC 07	6867644	441203	60	255	89	105	16	1.0
						111	114	3	2.05
Epsilon	BHA 02	6885491	437334	60	255	38	42	4	1.25
	BHA 05	6885295	437369	60	255	18	23	5	1.80
	BHA 07	6885198	437387	60	255	18	23	5	2.16
	BHA 08	6885163	437418	60	255	13	17	4	4.83
	BHA010	6885010	437482	60	255	24	39	15	4.18
Ogilvies	OGA 09	6895229	434180	60	270	32	35	3	3.24



Review of Operations

Beta

AC and RC drilling programs were conducted at Beta to test potential extensions to the mineralised zones on strike from current pit designs and to ensure there was no mineralisation under the proposed plant and tailings dam areas.

A total of 1200 metres of AC drilling and 960 metres of RC drilling was completed. Aircore drilling returned only minor, narrow, low grade mineralisation in the vicinity of the proposed plant site and the tailings dam, confirming these areas as sterile and therefore suitable for plant and infrastructure.

AC drilling in the north of the tenement returned significant gold and silver mineralisation including 7metres @ 6.73g/tAu and 22.2ppm Ag from 43metres in BBA079 and 2metres @ 11.54g/t Au and 77.8ppm Ag from 42metres in BBA080.

These results represent higher grade depth extensions to previously defined mineralisation and improve the potential for an additional small open pit located 330metres north of the main pit. Drilling returned consistently high silver results up to 145ppm from this northern area.

Further drilling, resource modelling and mining studies are warranted to evaluate the significance of potential silver credits and deeper high grade gold mineralisation.

Seven AC holes drilled on the northern end of the main pit encountered lower grade mineralisation including 6metres @ 2.94g/tAu from 40metres in BBA067 located 25metres north of the pit and 9metres @ 2.00g/tAu and 2metres @ 3.51g/tAu in BBA083 and BBA082 drilled 40metres north of the main pit.

BBA065 intersected high grade mineralisation, 4metres @ 8.85g/tAu from 22metres in a new zone 70metres north of the main pit indicating that the low grade mineralisation modelled to the north of the main pit host potential for high grade lenses and require further drill definition to improve grade estimations and mine feasibility.

RC drilling to evaluate extensions to mineralisation between the main and southern pits encountered a wide heavily quartz veined shear up to 45metres wide extending for 150 metres south of the main pit. The drilling detected narrow zones of modest grade mineralisation within the shear as well as broad zones of low and high grade mineralisation including: -

- 3metres @ 7.81g/tAu from 6metres in BBC058;
- 11metres @ 1.12g/tAu from 53metres in BBC061;
- 10metres @ 7.66g/tAu from 47metres in BBC062;
- 3metres @ 3.89g/t Au from 48metres in BBC064; and
- 14metres @ 2.78g/t Au from 26 metres) in BBC066 which included 3metres @ 9.10g/tAu from 37metres.

The mineralisation encountered (which is outside current pit designs) demonstrates excellent potential to extend the main pit at least a further 60m to the south.

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Table. 2 Significant Drill Intercepts at Beta

HOLE	GDA NORTH	GDA EAST	RESULTS
BBA065	6809819	465442	4m @ 8.85g/t Au from 22m
BBA067	6809783	465408	6m @ 2.94g/t Au from 40m
BBA079	6809973	465612	7m @ 6.73g/t Au, 22.22ppm Ag from 43m
BBA080	6809983	465630	2m @ 11.54g/t Au, 77.81ppm Ag from 42m
BBA081	6809782	465435	3m @ 2.04g/t Au from 27m
BBA082	6809796	465421	2m @ 3.51g/t Au from 48m EOH
BBA083	6809810	465407	9m @ 2.00g/t Au from 61m EOH
BBC061	6809519	465158	11m @ 1.12g/t Au from 53m
BBC062	6809534	465145	10m @ 7.66g/t Au, 5.43ppm Ag from 47m
BBC064	6809514	465134	3m @ 3.89g/t Au from 48m
BBC065	6809478	465117	2m @ 2.64g/t Au from 47m
BBC066	6809457	465110	14m @ 2.78g/t Au from 26m incl 3m @ 9.10g/t Au from 37m
BBC058	6809397	465118	3m @ 7.81g/t Au from 6m
BBC059	6809415	465098	8m @ 1.54g/t Au from 36m

FEASIBILITY STUDY

A feasibility study has been ongoing since 2006 assessing development options. The Feasibility Study is studying the simultaneous development of the Alpha and Beta deposits. It is likely that the Beta deposit will be developed first as it is the larger resource (266,000oz at 4.5g/t gold) and has most of the relevant approvals in place. Ore is already marked out at the surface at Beta.

A new water bore was drilled at Beta to assist in dewatering the ore zone, provide water for a plant and dust suppression. Stage 1 pit designs are complete at Alpha and Beta.

Treatment options are still being assessed and as previously indicated these are:

- a Standalone Mobile Plant: and
- Toll treatment.

Assessment of the standalone plant in parallel with the option of toll treating is providing Directors with the information they need to make an objective judgement for the benefit of Shareholders.

The toll treatment processing route requires negotiation of processing costs and schedules before feeding back into the economic model. These negotiations are well underway and should be completed before the end of the year.

The standalone treatment option involves the construction of a modular mobile plant to suit the processing of high grade ore across six deposits, which are spaced over a strike of 150 kilometres of the Laverton gold belt. Current design for the standalone plant is based on a capacity of 200,000tonne per annum. The plant also offers flexibility for potential underground production from one or more of the BrightStar deposits.

Exploiting existing reserves will generate cash flow to help fund development of other resources north of Laverton.

Further reserves are likely from the latest drilling at Beta. Recent results from Beta drilling included 7metres @ 6.73g/t gold and 22.2ppm silver from 43metres; and 2metres @11.54g/t gold and 77.8ppm silver from 42metres. These results represent high grade depth extensions and improve the potential for an additional small open pit 300m north of the main pit.



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Other results from between the main pit and south pit were 3 metres @ 7.81g/t gold, 10 metres @ 7.66 g/t gold and 14 metres @ 2.78 g/t gold including 3 metres @ 9.10 g/t gold.. The results which are outside current pit designs demonstrate there is excellent potential to increase the pits at least a further 60 metres to the south and even the possibility joining the two pits if more near surface ore can be found in the remaining 120 metres to the south pit.

Directors will finalise a development decision following completion of the treatment study and after adjusting the feasibility study for the recent exploration work noted above.

Table 3 : BrightStar Gold Project Resource Statement June 2007

Sub Project	MEASURED			INDICATED			INFERRED			TOTAL		
	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces	Tonnes	Grade	Ounces
Alpha	178,900	3.8	21,910	311,900	2.7	26,840	631,400	4.2	85,280	1,122,200	3.7	134,030
Beta	68,900	4.0	8,860	628,900	3.9	77,830	1,064,900	5.2	179,570	1,762,700	4.5	266,260
Gamma	0	0	0	0	0	0	27,600	3.4	3,000	27,600	3.4	3,000
Delta	0	0	0	108,400	2.7	9,400	134,300	3.0	13,100	242,700	2.8	22,500
Epsilon	0	0	0	1,774,900	1.8	113,580	1,163,900	2.3	94,000	2,938,800	2.2	207,580
Eta	0	0	0	0	0	0	734,900	3.8	90,040	734,900	3.8	90,040
Zeta	0	0	0	94,461	5.9	17,890	7,275,960	1.1	269,626	7,370,421	1.20	287,516
TOTAL	247,800	3.9	30,770	2,918,561	2.6	245,540	11,032,960	2.1	734,616	14,199,321	2.2	1,010,926

NICKEL – 2007 ACTIVITIES

Geological and geophysical data analysed by A1 Minerals to date indicates an extensive occurrence of ultramafic rocks on the Company's 2,500 square kilometres of ground holdings yet there is very little or no exploration for nickel reported.

Ultramafic rocks are known to host most nickel deposits around the world and A1's tenements are proximal to nickel deposits in the Laverton region.

Recent reports of exploration successes at Windarra (Niagara Mining Limited), Collurabbie (BHP Billiton / Falcon Resources Limited and Regis Resources Limited); and at Irwin Hills (Minara Resources Limited / Yilgarn Mining Limited), have provided Directors with some encouragement.

Although there is more work to do, A1 Minerals sees good potential for the discovery of nickel deposits on its tenements.

URANIUM – 2007 ACTIVITIES

Narnoo Uranium Joint Venture

A1 has recently signed a formal Farmin and Joint Venture agreement (the Agreement) with the new float Oklo Uranium Ltd over A1's 100% owned Narnoo Exploration Project. The project is located in the Great Victoria Desert which is prospective for gold and uranium as shown by the discovery of the large gold, Independence Group's Tropicana gold deposit and the Mulga Rocks uranium deposit. (refer Figure 2.)

Under the Agreement Oklo is earning a 70% interest in the Narnoo tenements by spending \$1.2m on exploration over 2 years. Oklo has already paid \$400,000 and issued 2 million options to A1 Minerals as consideration.

A1 is free carried to the 70% level and can either contribute pro rata to maintain its 30% or dilute for a final 2% royalty.

In addition A1 retains 100% ownership of all other minerals, including gold and nickel on the tenements, and Oklo will pay

Review of Operations

for sampling and assaying of these minerals at A1's election.

A1's directors are very pleased with the Agreement as it provides shareholders with exposure to the uranium sector through A1's 30% holding; utilising the skills and experience of Oklo while allowing A1 to focus on its gold assets.

We believe the Narnoo JV has the potential to deliver future returns to shareholders through A1's shareholding in Oklo.

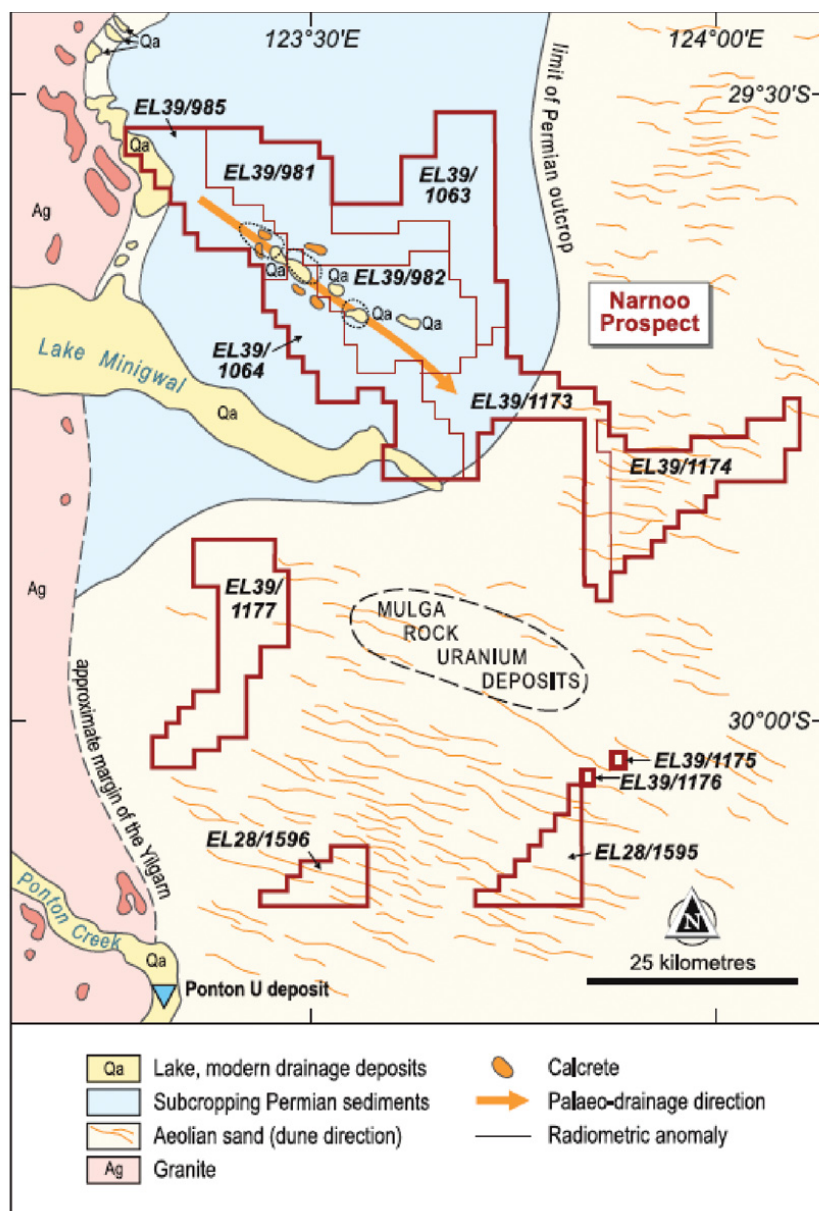


Figure 2 : Location of the Narnoo Uranium Joint Venture Exploration Licences (Oklo Uranium Limited earning 70% in uranium rights)

The information in this report that relates to mineral exploration is based on information compiled by Mr John Williams and Mr Tony Ryall both of whom are members of the Australasian Institute of Mining and Metallurgy. Mr Williams is a Director and full time employee of A1 Minerals Limited and Mr Ryall is a self employed independent geological consultant. Both Mr Williams and Mr Ryall have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person (JORC Code). Mr Williams and Mr Ryall consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Tenement Schedule

As At 30 June 2007

Tenement	Name	Status	Registered Holder	% A1
SOUTH LAVERTON				
E38/900**	Mt McKenna	Granted	Barrick Granny Smith	100
E38/1173	Mt McKenna	Granted	Barrick Granny Smith	100
E38/1174	Mt McKenna	Granted	Barrick Granny Smith	100
E38/970	BrightStar	Granted	Desert (A1)	100
E38/1517	Napier well	Granted	A1	100
E38/1523	Probert Well	Granted	A1	100
E38/1655	Burtville	Granted	Desert (A1)	100
E38/1690	Burtville	Granted	A1	100
E38/1720	Karara well	Granted	A1	100
M38/009	BrightStar Beta	Granted	A1	100
M38/968	BrightStar	Granted	A1	100
M38/1050*	Mt McKenna	<i>Application</i>	Barrick Granny Smith	100
M38/1051*	Mt McKenna	<i>Application</i>	Barrick Granny Smith	100
M38/1052*	Mt McKenna	<i>Application</i>	Barrick Granny Smith	100
M38/1053*	Mt McKenna	<i>Application</i>	Barrick Granny Smith	100
M38/1054*	Mt McKenna	<i>Application</i>	Barrick Granny Smith	100
M38/1055*	Meredith Well	<i>Application</i>	Barrick Granny Smith	100
M38/1056	Meredith Well	<i>Application</i>	Barrick Granny Smith	100
M38/1057	Meredith Well	<i>Application</i>	Barrick Granny Smith	100
M38/1058	Meredith Well	<i>Application</i>	Barrick Granny Smith	100
M38/241	Edinboro Castle	Granted	A1	100
MLA38/549	Edith Hope	Granted	A1	100
P38/2422	Edith Hope	Granted	A1	100
M38/984	Baron Clive	Granted	A1	100
P38/2944	Baron Clive	Granted	A1	100
P38/3204	BrightStar	Granted	Desert (A1)	100
P38/3205	BrightStar	Granted	Desert (A1)	100
P38/3206	BrightStar	Granted	Desert (A1)	100
P38/3208	Burtville	Granted	Desert (A1)	100
P38/3209	Burtville	Granted	Desert (A1)	100
P38/3210	Burtville	Granted	Desert (A1)	100
P38/3214	Burtville	Granted	Desert (A1)	100
P38/3215	Burtville	Granted	A1	100
P38/3216	Burtville	Granted	A1	100
P38/3217	Burtville	Granted	A1	100
L38/100	Beta Haul	Granted	A1	100

* Subject to Reversion to EL applications E38/2023 to E38/2026

** Subject to Reversion to PL applications P38/3553 to P38/3556

Barrick Granny Smith tenements are subject to partial clawback to Barrick under terms of agreement.

Tenement Schedule

As At 30 June 2007

Tenement	Name	Status	Registered Holder	%A1
NORTH LAVERTON				
E38/1368	King of Creation JV	Granted	Heron Resources	Earn 70
E38/1375	King of Creation JV	Granted	Heron Resources	Earn 70
E38/1936	Doris Creek	<i>Application</i>	A1	100
E38/1937	Mt Amy/ Mt Clark	<i>Application</i>	A1	100
M38/302	Anchor	Granted	A1	100
L38/85	Anchor	Granted	A1	100
M38/339	Ben Hur	Granted	A1	100
P38/3165	Camel Hump	Granted	A1	100
E38/1748	Camel Hump	Granted	A1	100
M38/346	Cork Tree Well	Granted	A1	100
G38/4	Cork Tree Well	Granted	A1	100
M38/917	Cork Tree Well	<i>Application</i>	A1	100
M38/918	Cork Tree Well	<i>Application</i>	A1	100
E38/1563	Cork Tree Well	Granted	A1	100
E38/1618	Cork Tree Well	Granted	A1	100
M38/160	King of Creation	Granted	A1	100
P38/2659	No Mistake	Granted	A1	100
M38/802	No Mistake	<i>Application</i>	A1	100
P38/3082	Ogilvies	Granted	A1	100
M38/1241	Ogilvies	<i>Application</i>	A1	100
P38/3159	Mistake South	<i>Application</i>	Millward	90
WEST LAVERTON				
P37/6950	Linger and Die	Granted	A1	100
M39/334	Windsor Well/ Kismet	Granted	A1	100
M39/528	Windsor Well/ Kismet	<i>Application</i>	A1	100
M39/529	Windsor Well/ Kismet	<i>Application</i>	A1	100
M39/530	Windsor Well/ Kismet	<i>Application</i>	A1	100
P39/4522	Windsor Well/ Kismet	<i>Application</i>	A1	100
P39/4523	Windsor Well/ Kismet	<i>Application</i>	A1	100
P39/4479	Abednego Hill	Granted	A1	100
M39/663	Windsor Well/ Kismet	<i>Application</i>	A1	100
NARNOO				
E39/982	Narnoo	Granted	A1	100
E39/981	Narnoo	Granted	A1	100
E39/985	Narnoo	Granted	A1	100
E39/1063	Narnoo East	Granted	A1	100
E39/1064	Narnoo South	Granted	A1	100
E28/1595	Great Victoria Desert	Granted	A1	100
E28/1596	Great Victoria Desert	Granted	A1	100
E39/1173	Great Victoria Desert	Granted	A1	100
E39/1174	Great Victoria Desert	Granted	A1	100
E39/1175	Great Victoria Desert	Granted	A1	100
E39/1176	Great Victoria Desert	Granted	A1	100
E39/1177	Great Victoria Desert	Granted	A1	100



Consolidated Financial Report

For The Year Ended 30 June 2007

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Corporate Governance Statement

Introduction

The Directors of A1 Minerals Limited strongly support the establishment and ongoing development of good corporate governance for the Company and the consolidated entity.

The consolidated entity operates in accordance with the principles of good corporate governance as set out by the Corporate Governance Council and to the extent required by the ASX Listing Rules. The Directors have adopted a number of policies and practices which they believe will focus their attention and that of their senior executives on accountability, risk management and ethical conduct.

This Statement sets out the corporate governance practices in place as at the date of this report and throughout the year which comply with the recommendations of the Corporate Governance Council unless otherwise stated.

Corporate Governance Council Recommendation 1

Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting. The Board has adopted a Charter which formalises existing practices and can be viewed on the Company's web site.

In broad terms the Board Charter clarifies the respective roles of the Board and senior management and assists in decision making processes.

Board Processes

The full Board currently holds six scheduled meetings each year, plus any extraordinary meetings at such other times as may arise.

An agenda for the meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Chairman, the Managing Director and the Company Secretary.

Corporate Governance Council Recommendation 2

Board Composition

The Constitution of the Company provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the consolidated entity, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and may be subject to re election by shareholders at the next general meeting. In any event one third of the Directors are subject to re election by shareholders at each general meeting.

The Board is presently comprised of four members, three non-executives and one executive.

The Board has assessed the independence of its non executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that the three non executive directors are independent.



Corporate Governance Statement

The Non Executive Directors Mr Michael Hunt (Chairman), Mr Peter Thomas and Mr Tim Hronsky are all considered to be independent Directors. The skills, experience and expertise of all Directors is set out in the Directors' Report on page 16 and 17.

The Board does not have a separate Nomination Committee as the selection and appointment process for Directors is carried out by the full Board. The consolidated entity is not of a sufficient size to warrant a separate committee.

Three of the four Directors' are considered to satisfy the test of independence as set out in the best practice recommendations. The Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

Corporate Governance Council Recommendation 3

Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to all employees, consultants, executives and Directors of the Company and the consolidated entity. This Code addresses expectations for conduct in the following areas:

- Confidential Information;
- Rights of Security holders;
- Privacy;
- Security Trading;
- Communications;
- Conflicts of Interest;
- Responsibility to Suppliers and Customers;
- Laws and Regulations;
- Employment; and
- Adherence to Policies and Procedures.

Security Trading Policy

The Board is committed to ensuring that the Company and the consolidated entity its Directors and senior executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. Directors and senior executives (including their immediate family or any entity for which they control investment decisions), must ensure that any trading in securities issued by the Company is undertaken within the framework set out in this Policy.

The Policy does not prevent Directors and senior executives (including their immediate family or any entity for which they control investment decisions) from participating in any share plan or share offers established or made by the Company, provided that at the time the individual is not in possession of any price sensitive information, not otherwise generally available to all security holders.

The Board has had a policy which prohibits trading in the securities of the Company by Directors and senior executives and nominated employees unless notification has been provided to the Company Secretary and prior written consent is obtained from the Chairman or Managing Director.

Corporate Governance Statement

Corporate Governance Council Recommendation 4

Integrity in Financial Reporting

Managing Director and Chief Financial Officer

The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of Company and the consolidated entity present a true and fair view, in all material aspects, of the financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

Audit Committee

The full Board fills the role of an Audit Committee. The relevant experience of Board members is detailed in the Director's section of the Directors Report.

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

The Board does not have a separate Audit Committee with a composition as suggested in the best practice recommendations. The full Board carries out the function of an audit committee. The Board believes that the consolidated entity is not of a sufficient size to warrant a separate committee and that the full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

Financial reporting

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board Meetings.

Corporate Governance Council Recommendation 5

Timely and Balanced Disclosure

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the consolidated entity's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Stock Exchange Listing Rules.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary is appointed as the Company's disclosure officer.

The Board believes that given the size of the Company and its experienced Board and management, that separate written procedures designed to ensure compliance with ASX disclosure requirements are not required at this time.

Corporate Governance Council Recommendation 6

Rights of Security Holders

Communications

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear.

In addition to electronic communication via the ASX web site, the Company publishes all significant announcements together with all quarterly reports. These documents are available in both hardcopy form and on the Company web site at www.a1minerals.com.au



Corporate Governance Statement

Corporate Governance Council Recommendation 7

Recognise and Manage Risk

Risk Management

Security holder value will be optimised where risk and opportunities are matched to financial resources. The Board and senior executives regularly review, where necessary in conjunction with external professional consultants, procedures in respect of compliance with and the maintenance of its statutory, legal, ethical and environmental obligations.

Corporate Governance Council Recommendation 8

Encourage Enhanced Performance

Performance Review

The Board has not undertaken a formal review of its performance for the year ended 30 June 2007.

The Board believes that the competitive environment in which the Company operates will effectively provide a measure of the performance of senior executives and Directors. The Board is considering adopting procedures for the evaluation of the Director's and senior management on a more formal basis.

Education

All executives and Directors are encouraged to attend professional education courses relevant to their roles.

Independent Professional Advice and Access to Information

Each Director has the right to access all relevant information in respect to the Company and the consolidated entity and to make appropriate enquiries of senior management.

Corporate Governance Council Recommendation 9

Remunerate Fairly and Responsibly

The executive Director and senior executives receive salary packages which may include performance based components designed to reward and motivate. Non executive Directors receive fees agreed on an annual basis by the Board.

Remuneration Committee

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board has not created a separate Remuneration Committee. The Board considers that the consolidated entity and the Company are not currently of a size, nor are their affairs of such complexity to justify a separate Remuneration Committee.

The Board may, where appropriate, engage independent advisors to assist in the review of remuneration for Directors.

Corporate Governance Council Recommendation 10

Recognise the Legitimate Interests of Stakeholders

The Board acknowledges the rights of stakeholders and has adopted a Code of Conduct (refer Principle 3) in-line with the recommendations of this Principle 10.

Directors' Report

The Directors present their report together with the financial statements for A1 Minerals Limited and the consolidated financial statements for the Company and its controlled entities ('Consolidated Entity') for the financial year ended 30 June 2007.

Directors

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

Michael Hunt BA, LLB (Hons)

Non Executive Chairman (Since 31 October 2003)

Experience

Mr Hunt is a partner in Hunt & Humphry Project Lawyers in Perth. He is an experienced commercial lawyer and has Australian and international experience in mining law, the development of mining projects and the resolution of native title issues. Mr Hunt has provided advice on mining and petroleum law to local and overseas governments.

Mr Hunt is a Non-Executive Director of Red Back Mining Inc (listed on the Toronto Stock Exchange), which in October 2005 commenced production of gold at its Chirano Project in Ghana, the first new mine in that country for seven years. Mr Hunt was the founding Chairman of Red Back Mining NL (formerly ASX listed) and in that role over a period of 9 years helped take that company from junior Australian explorer to listing on the TSX and subsequent gold production.

He is also Non-Executive Director (and Chairman) of Balkans Gold Ltd listed on ASX in November 2006 to explore and develop three gold projects in Bulgaria.

Mr Hunt is aged 60

John Williams B.Sc, MAusIMM

Managing Director (Since 29 May 2002)

Experience

Mr Williams has 20 years experience as a geologist in Australia and overseas. This experience ranges through the spectrum of activities from exploration, feasibility studies, mine geology (open pit and underground) and mine management. He was instrumental in the discovery of a number of deposits that include the BrightStar Gold Project, Wendy Gully and the Attila Deposit at Yamarna in Western Australia. Mr Williams was involved with the mine management of gold mines at Lady Bountiful, Broads Dam and Burbanks. Whilst having responsibility of mine geology he has also acted as the statutory Mine Manager in some open pit operations. Before joining A1 Minerals, Mr Williams operated as a mining consultant to Australian and Canadian firms in business development involving project acquisition, financial analysis and contract negotiation. He is the Managing Director of A1 Minerals Limited.

Mr Williams is aged 47.

Tim Hronsky

Non Executive Director (Since 30 November 2006)

Experience

Mr Hronsky is a Geological Engineer having graduated from the Western Australian School of Mines with a Degree in Engineering, Majoring in Geology. He has over 20 years experience in the mining industry starting with mine geology roles at Big Bell Gold Mine (Placer) and Bow River Diamond Mine (Normandy). Since that time, Mr Hronsky has held a number of Management positions with Placer Dome Inc, a global metals company with a market capitalisation of in excess of \$10 Billion. His time at Placer includes engineering, operations, exploration, project development, business development, risk based audit and assurance and risk management. He spent some time as Exploration Manager (Asia) for Placer Dome Inc, and more recently over five years at a corporate level with responsibility for the introduction of integrated risk management into the company and providing risk oversight and assurance across Placer's broad global portfolio.

Mr Hronsky is aged 41.



Directors' Report

Peter Thomas CPA

Non Executive Director (Since 17 April 2003)

Experience

Mr Thomas is a CPA with Taxation and Auditing qualifications. He has considerable experience in the mining industry through his former employment with a consortium of large multi-national corporations and has an extensive background in commercial accounting. Mr Thomas brings considerable experience in exploration and mining administration.

Mr Thomas is aged 64.

Roy Dudney

Non Executive Director (Until 10 October 2006)

Mr Dudney fell ill during the financial year and passed away on 10 October 2006. The Board of Directors has recorded its heartfelt thanks for his efforts and considered counsel since the inception of the Company.

Company Secretary

Mr Mark Pitts, B.Bus CA

Mr Pitts was appointed to the position of Company Secretary in September 2003. Mr Pitts is a Chartered Accountant who has been providing financial accounting, assurance and governance advice for over 25 years. He is currently a Partner in the advisory firm Endeavour Corporate which specialises in the provision of company secretarial services to ASX listed entities.

Meetings of Directors

During the financial year, the following meetings of Directors (including committees) were held:

	DIRECTORS' MEETINGS	
	Number Eligible to Attend	Number Attended
Mr M Hunt	4	4
Mr J Williams	4	4
Mr T Hronsky	2	2
Mr P Thomas	4	4
Mr R Dudney	2	2

Principal Activities

The principal activity of the Consolidated Entity during the financial year was mineral exploration in Western Australia.

Operating and Financial Review

Operating Results

The net loss after income tax attributable to members of the Consolidated Entity for the financial year to 30 June 2007 amounted to \$350,091 (2006: Profit \$416,118).

Overview of Operating Activity

Exploration Activity – BrightStar

Following Initial work on expanding the geological knowledge of the area around the BrightStar Gold Project including carrying out extensive drilling programs, the Consolidated Entity reached a point during the year where it believed it could reasonably develop the project and provide a return to shareholders.

Directors' Report

The Consolidated Entity commissioned a Feasibility Study on a standalone modular mobile treatment plant. The study was extended to compare toll treating as an option to treat the BrightStar ore. The feasibility is ongoing and expected to be completed during 2007 when final toll treatment costs and processing schedules are negotiated with the operators of treatment plants in the Laverton area.

The results of the exploration work together with judicious acquisitions means that the Consolidated Entity now has JORC Compliant Resources totalling 14.2 million tonnes @ 2.2 g/t for 1.01Moz ounces of gold.

Recent acquisitions have expanded the total landholding since listing, from approximately 630 square kilometres to over 2,500 square kilometres north and south of Laverton and strategically placed along a green stone belt which provides potential for further discoveries. Many of the Company's tenements are situated on known deposits or along strike from large resources.

Exploration Activity – Narnoo

During the year the Consolidated Entity continued geochemical soil sampling at Narnoo which previously highlighted a large geochemical anomaly, the 'Desert Sun'. Geological studies into gold, nickel and uranium potential are ongoing and where needed specialist consultants were utilised.

Also at Narnoo, the Company entered into a joint venture with Oklo Uranium Limited (Oklo) at Narnoo, which is situated near the Mulga Rock Uranium Deposit. The joint venture gives the Company's Shareholders exposure to the uranium sector through its 30% holding, utilising Oklo's expertise and provides the opportunity for the Company to focus on its other assets.

Exploration expenditure across all projects for the Consolidated Entity during the year was \$2,141,033.

Refer to the Managing Director's Review of Operations for more a more detailed analysis of the consolidated entities activities.

Financial Position

At the end of the financial year, the Consolidated Entity had \$5,285,595 (2006 \$1,963,431) in cash and on deposit. Carried forward exploration expenditure was \$10,949,440 (2006 \$8,808,407)

During the year the Company issued 29,383,735 ordinary shares to raise \$5,729,883 before issue costs and issued 600,000 shares at 25 cents a share in settlement of mining prospects purchased. (refer Note 13 of the Financial Report). As a result, issued capital increased from 59,862,649 in 2006 to 89,846,384 ordinary shares at the end of 2007.

Debt is minimal and is confined to specific equipment financing (refer Note 12 of the Financial Report)

Dividends

No dividends were paid during the year and the Directors recommend that no dividends be paid or declared for the financial year ended 30 June 2007.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the financial year, not otherwise disclosed in this Directors' Report or in the Review of Operations.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.



Directors' Report

Strategic Planning and Future Developments

The Consolidated Entity's areas of interest are in the exploration stage, and although the results of work carried out to date are encouraging, it is not possible to predict the likely developments.

The Board is following a strategic exploration and development plan for the growth of the Consolidated Entity, however, further information about likely developments, future prospects and business strategies as they pertain to the operations and expected results of those operations, have not been included in this report, as the Directors' reasonably believe that disclosure of this information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Environmental Issues

The Consolidated Entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Company monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

Remuneration Report

The remuneration report is set out in the following manner:

- Policies used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share based compensation

Remuneration Policy

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. Whilst the broad remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality, the Board has consciously been focused on conserving the Company's funds to ensure the maximum amount is spent on exploration and mine development, and this is reflected in modest level of Director fees.

The policy of the Consolidated Entity is to offer competitive salary packages which provide incentive to Directors and executives and are designed to reward and motivate. Non executive Directors receive fees agreed on an annual basis by the Board.

At the date of this report, the Company had not entered into any packages with Directors or senior executives which include performance based components.

(Refer to the Corporate Governance Statement for more detail on the Board's policy in this area.)

Details of Remuneration for Directors and Executive Officers

The remuneration of each Director of the Company and relevant executive officers are set out in the attached Table.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Board of Directors obtains independent advice when appropriate, in reviewing remuneration packages.

During the year, there were no senior executives which were employed by the Company for whom disclosure is required.

Directors' Report

Remuneration of Directors And Executives	Year	Fees \$	Salary \$	Super- annuation \$	Equity Compensa- tion \$	Other \$	Total \$
Directors							
Michael Hunt, Chairman (Since 31 October 2003)	2007	22,935	–	2,064	53,250	–	78,249
	2006	22,935	–	2,065	14,725	–	39,725
John Williams, Director (Chief Executive Since 29 May 2002)	2007	–	200,004	20,004	248,500	13,455	481,963
	2006	–	191,695	22,369	14,725	14,063	242,852
Roy Dudley, Director (Since 29 May 2002 - until 10 October 2006)	2007	5,734	–	516	–	–	6,250
	2006	22,935	–	2,065	14,725	–	39,725
Peter Thomas, Director (Since 17 April 2003)	2007	22,935	–	2,064	17,750	–	42,749
	2006	22,935	–	2,065	14,725	–	39,725
Tim Hronsky, Director (Since 30 November 2006)	2007	14,583	–	–	17,750	–	32,333
	2006	–	–	–	–	–	–
Total All Directors	2007	66,187	200,004	24,648	337,250	13,455	641,544
	2006	68,805	191,695	28,564	58,900	14,063	362,027

At balance date, only Mr Williams was a full time employee of the Company.

Unlisted Options

The value of options set out in the remuneration table above relates to 9,500,000 unlisted options granted to Directors following approval received at the 2006 Annual General Meeting. The options were independently valued using the Black and Scholes valuation methodology. Further details in respect of those options are set out below:

Director	Grant Date	Number of Options	Value of Options	Total Value of Options Granted \$	Expiry Date	Exercise Price
Michael Hunt	29/12/06	1,500,000	5.07 cents	53,250	31/12/09	35 cents
John Williams	29/12/06	7,000,000	5.07 cents	248,500	31/12/09	35 cents
Tim Hronsky	29/12/06	500,000	5.07 cents	17,750	31/12/09	35 cents
Peter Thomas	29/12/06	500,000	5.07 cents	17,750	31/12/09	35 cents

Service Agreements

Remuneration and other terms of employment for the Managing Director are set out in a Service Agreement. The contractual arrangements contain certain provisions typically found in contracts of this nature. The Company may terminate the contracts without cause by providing six months written notice to the individual or by making payment in lieu of notice. In the event of serious misconduct, the Company may terminate the contract at any time.

There is no cash bonus or other performance based compensation contemplated in these agreements.

The agreements had an initial term of three years from October 2003, and are subject to annual review.



Directors' Report

Share Based Compensation

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components. Options issued to Directors during the financial year were approved by shareholders and were not the subject of an agreement or issued subject to the satisfaction of a performance condition. Options were issued to provide an appropriate level of incentive using a cost effective means given the Company's size and stage of development.

Director's Interests

The relevant interest of each Director in the ordinary shares and options issued by the Company as notified by the Directors to the Australian Stock Exchange at the date of this report, is set out in the table below.

Number of Ordinary Shares	Balance of Ordinary Shares Held at 30 June 2006	Movement During the Financial Year	Balance of Ordinary Shares Held at 30 June 2007
Director			
Michael Hunt	—	—	—
John Williams	6,416,667	—	6,416,667
Roy Dudley	2,914,670	—	2,914,670
Peter Thomas	1,064,334	—	1,064,334
Tim Hronsky	—	—	—

Movement in shareholdings during the year were as a result of arm's-length transactions.

Number of Options	Balance of Options Held at 30 June 2006	Movement During the Financial Year	Balance of Options Held at 30 June 2007
Director			
Michael Hunt	1,250,000	500,000	1,750,000
John Williams	7,750,000	(500,000)	7,250,000
Roy Dudley	250,000	*(250,000)	-
Peter Thomas	250,000	500,000	750,000
Tim Hronsky	—	500,000	500,000

* Lapsed during the year

Loans to Directors and Executives

There were no loans entered into with Directors or executives during the financial year, under review.

Other transactions with Directors and executives are set out in Note 20 to the Financial Report.

Directors' Report

Options over Ordinary Shares

At 30 June 2007, there were 26,290,348 options to acquire ordinary shares on issue.

1,650,000 options were issued pursuant to the terms of the Company's Directors, Employees and Other Permitted Persons Option Plan in 2006. They were issued free and are exercisable by payment of 40 cents on or before 30 November 2007. Of these options 250,000 lapsed during the year.

During the year ended 30 June 2007, 10,200,000 options were issued pursuant to the terms of the Company's Directors, Employees and Other Permitted Persons Option Plan. 9,500,000 were issued to Directors following approval received at the 2006 Annual General Meeting, these options are exercisable by payment of 35 cents on or before 31 December 2009; and 700,000 options were issued to employees and are exercisable by payment of 30 cents on or before 30 June 2010.

During the year 14,691,348 listed options were issued pursuant to a non renounceable entitlement issue which was successfully completed in March 2007. These options are exercisable by payment of 25 cents on or before 30 November 2008. 14,690,348 of these options remained on issue at balance date.

1000 shares have been issued pursuant to the exercise of the listed options by payment of 25 cents per share during the year to 30 June 2007. There have been no options exercised subsequent to balance date.

None of the options on issue entitle the holder to participate in any share issue of the Company or any other body corporate.

Indemnification and Insurance of Officers and Auditors

During the year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

Other than the above, the Consolidated Entity has not, during or since the end of the financial year, given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums for the Directors, officers or Auditors of the Company or the controlled entity.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.



Directors' Report

Non-audit Services

No non-audit services were provided by the external auditors during the financial year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is set out on the following page.

Signed in accordance with a resolution of the Board of Directors.

Dated this 28th day of September



John Williams
Managing Director

Auditor's Independence Declaration

Under Section 307c Of The Corporations Act 2001

To The Directors Of A1 Minerals Limited

I declare that during the year ended 30 June 2007, to the best of my knowledge and belief, 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.

Dated at Subiaco this 28th day of September, 2007

A handwritten signature in black ink, appearing to read 'K. Westaway', followed by a large, stylized 'X' mark.

K Westaway FCA
Principal
K Westaway & Associates
Chartered Accountants

Consolidated Income Statement

For The Year Ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	628,592	1,117,821	628,592	1,117,821
Employee benefits expense	3	578,096	316,329	578,096	316,329
Depreciation and amortisation expense	3	68,502	41,350	68,502	41,350
Exploration expenditure written off	3	—	—	—	—
Finance costs	3	5,155	6,973	5,155	6,973
Other expenses		326,930	337,051	326,930	337,051
		978,683	701,703	978,683	701,703
Profit / (Loss) before income tax expense		(350,091)	416,118	(350,091)	416,118
Income tax expense	4	—	—	—	—
Net Profit /(Loss) Attributable to Members of the Company		(350,091)	416,118	(350,091)	416,118
		Cents	Cents		
Basic and Diluted earnings (loss) per share	5	(0.48)	0.8		

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

As At 30 June 2007

		Consolidated		Company	
		2007	2006	2007	2006
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	18	5,285,595	1,963,431	5,285,595	1,963,431
Trade and other receivables	6	30,761	89,028	30,761	89,028
Total Current Assets		5,316,356	2,052,459	5,316,356	2,052,459
NON CURRENT ASSETS					
Receivables	6	161,500	161,500	1,662,574	1,620,842
Exploration and evaluation expenditure	7	10,949,440	8,808,407	7,902,362	5,803,061
Plant and equipment	8	197,475	160,634	197,475	160,634
Other financial assets	9	-	375,000	1,546,004	1,921,004
Total Non Current Assets		11,308,415	9,505,541	11,308,415	9,505,541
TOTAL ASSETS		16,624,771	11,558,000	16,624,771	11,558,000
CURRENT LIABILITIES					
Trade and other payables	10	148,929	517,669	148,929	517,669
Provisions	11	18,670	40,861	18,670	40,861
Interest bearing liabilities	12	35,373	34,919	35,373	34,919
Total Current Liabilities		202,972	593,449	202,972	593,449
NON CURRENT LIABILITIES					
Interest bearing liabilities	12	27,432	69,697	27,432	69,697
Total Non Current Liabilities		27,432	69,697	27,432	69,697
TOTAL LIABILITIES		230,404	663,146	230,404	663,146
NET ASSETS		16,394,367	10,894,854	16,394,367	10,894,854
EQUITY					
Issued Capital	13	16,688,985	11,190,821	16,688,985	11,190,821
Asset Revaluation Reserve	13	-	15,000	-	15,000
Option Premium Reserve	13	463,625	97,185	463,625	97,185
Accumulated losses	13	(758,243)	(408,152)	(758,243)	(408,152)
TOTAL EQUITY		16,394,367	10,894,854	16,394,367	10,894,854

The accompanying notes form part of these financial statements



Consolidated Statement of Changes In Equity

For The Year Ended 30 June 2007

CONSOLIDATED	RESERVES				
	Ordinary Shares \$	Option Premium \$	Asset Revaluation \$	Accumulated Losses \$	Total \$
Balance at 1 July 2005	7,934,500	–	–	(824,270)	7,110,230
Revaluation of financial Assets	–	–	15,000	–	15,000
Share based payments	–	97,185	–	–	97,185
Shares issued	3,354,000	–	–	–	3,354,000
Share issue costs	(97,679)	–	–	–	(97,679)
Profit attributable to members of the Company	–	–	–	416,118	416,118
Balance at 30 June 2006	11,190,821	97,185	15,000	(408,152)	10,894,854
Revaluation of financial Assets	–	–	(15,000)	–	(15,000)
Share based payments	–	366,440	–	–	366,440
Shares issued	5,879,883	–	–	–	5,879,883
Share issue costs	(381,719)	–	–	–	(381,719)
Loss attributable to members of the Company	–	–	–	(350,091)	(350,091)
Balance at 30 June 2007	16,688,985	463,625	–	(758,243)	16,394,367

COMPANY	RESERVES				
	Ordinary Shares \$	Option Premium \$	Asset Revaluation \$	Accumulated Losses \$	Total \$
Balance at 1 July 2005	7,934,500	–	–	(824,270)	7,110,230
Revaluation of financial Assets	–	–	15,000	–	15,000
Share based payments	–	97,185	–	–	97,185
Shares issued	3,354,000	–	–	–	3,354,000
Share issue costs	(97,679)	–	–	–	(97,679)
Profit attributable to members of the Company	–	–	–	416,118	416,118
Balance at 30 June 2006	11,190,821	97,185	15,000	(408,152)	10,894,854
Revaluation of financial Assets	–	–	(15,000)	–	(15,000)
Share based payments	–	366,440	–	–	366,440
Shares issued	5,879,883	–	–	–	5,879,883
Share issue costs	(381,719)	–	–	–	(381,719)
Loss attributable to members of the Company	–	–	–	(350,091)	(350,091)
Balance at 30 June 2007	16,688,985	463,625	–	(758,243)	16,394,367

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

As At 30 June 2007

		Consolidated		Company	
		2007	2006	2007	2006
	Note	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash paid to suppliers and employees		(655,741)	(470,839)	(655,741)	(470,839)
Interest received		197,339	100,664	197,339	100,664
Interest paid		(5,566)	(6,973)	(5,566)	(6,973)
Income tax paid		—	—	—	—
Net Cash Flows from Operating Activities	18	(463,968)	(377,148)	(463,968)	(377,148)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(116,847)	(68,279)	(116,847)	(68,279)
Acquisition of investments		—	(112,500)	—	(112,500)
Acquisition of prospects		—	(100,000)	—	(100,000)
Additional investment in controlled entity		—	—	—	—
Proceeds from sale of prospects		—	148,000	—	148,000
Proceeds from sale of investments		793,725	271,656	793,725	271,656
Payments on behalf of wholly owned entity		—	—	(41,732)	(48,221)
Exploration security bonds		—	(161,500)	—	(161,500)
Exploration expenditure		(2,206,541)	(1,758,696)	(2,164,809)	(1,710,475)
Net Cash Flows from Investing Activities		(1,529,663)	(1,781,319)	(1,529,663)	(1,781,319)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		5,729,883	2,414,000	5,729,883	2,414,000
Transaction costs of share issues		(381,719)	(97,679)	(381,719)	(97,679)
Proceeds from borrowings		—	38,468	—	38,468
Repayment of borrowings		(32,369)	(27,581)	(32,369)	(27,581)
Net Cash Flows from Financing Activities		5,315,795	2,327,208	5,315,795	2,327,208
Net increase in cash and cash equivalents		3,322,164	168,741	3,322,164	168,741
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
		1,963,431	1,794,690	1,963,431	1,794,690
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR					
	18	5,285,595	1,963,431	5,285,595	1,963,431

The accompanying notes form part of these financial statements

Notes To The Financial Statements

For The Year Ended 30 June 2007

1. Statement of Significant Accounting Policies

A1 Minerals Limited ('the Company') is a listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2007 comprises the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

At the date of authorisation of this financial report, there were a number of Standards and Interpretations that were issued but not yet effective, however the Directors anticipate that the adoption of these standards and interpretations in future reporting periods will have no material impact on the group.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial report has also been prepared on an historical cost basis, unless otherwise stated.

The financial report is presented in Australian dollars.

b) Statement of Compliance

The financial report was authorised for issue on 25 September 2007.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of A1 Minerals Limited and its subsidiaries as at 30 June each year (the Consolidated Entity).

The financial statements for the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which the control is transferred out of the Consolidated Entity.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

Minority interests represent the portion of profit and loss and net assets in subsidiaries not held by the Consolidated Entity and are presented separately in the income statement and within equity in the consolidated balance sheet.

d) Revenue Recognition

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

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Notes To The Financial Statements

For The Year Ended 30 June 2007

e) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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 re-assessed at each balance sheet 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.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

f) Other Taxes

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, which 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.

Notes To The Financial Statements

For The Year Ended 30 June 2007

g) **Financing Costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest method.

Borrowing costs are expensed as incurred and included in net financing costs.

h) **Leases**

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

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs – refer Note 1(g).

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

i) **Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

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.

j) **Trade and Other Receivables**

Trade receivables, which generally have 30–90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. 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.

k) **Plant and Equipment**

Plant and equipment is stated at cost, less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Office furniture and equipment	5 – 8 years
Plant and equipment	3 – 5 years
Motor Vehicles	4 – 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes To The Financial Statements

For The Year Ended 30 June 2007

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at re-valued amounts, impairment losses on land and buildings are treated as a re-valuation decrement.

(ii) De-recognition and Disposal

An item of property, plant and equipment is de-recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

I) 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, loans 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 transactions 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.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial Assets at Fair Value through Profit or Loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) 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 de-recognised or impaired, as well as through the amortisation process.



Notes To The Financial Statements

For The Year Ended 30 June 2007

(iii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-Sale Investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

m) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights to tenure of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) 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.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability, and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy 1(n)).

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

Notes To The Financial Statements

For The Year Ended 30 June 2007

n) 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 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 re-valued amount (in which case the impairment loss is treated as a re-valuation 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 increased 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 re-valued amount, in which case the reversal is treated as a re-valuation 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.

o) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for 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.

p) Interest Bearing Liabilities

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

q) Employee Benefits

(i) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They 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 are measured at the rates paid or payable.

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.



Notes To The Financial Statements

For The Year Ended 30 June 2007

r) Share Based Payments

Equity Settled Transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees 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 Black and Scholes model, further details of which are given in Note 13.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of A1 Minerals Limited (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 awards 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 5).

s) Share Capital

Ordinary shares are classified as equity. 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.

t) Earnings Per Share

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

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

Notes To The Financial Statements

For The Year Ended 30 June 2007

u) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Accounting for capitalised mineral exploration and evaluation expenditure

The Group's accounting policy is stated at 1(m). A regular review is undertaken of each area of interest to determine the reasonableness of the continuing carrying forward of costs in relation to that area of interest.

Share based payments

The Group uses independent advisors to assist in valuing share based payments. Refer note 13 for details of estimates and assumptions used.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
2. Revenue				
Interest income	197,339	100,664	197,339	100,664
Profit on sale of investments	431,253	159,157	431,253	159,156
Profit on sale of prospects	–	858,000	–	858,000
	<u>628,592</u>	<u>1,117,821</u>	<u>628,592</u>	<u>1,117,821</u>
3. Expenses				
Employee benefit expense – gross				
– wages and salaries	545,345	398,603	545,345	398,603
– other on costs	91,167	95,122	91,167	95,122
– share based payments	366,440	97,185	366,440	97,185
	<u>1,002,952</u>	<u>590,910</u>	<u>1,002,952</u>	<u>590,910</u>
Directors' fees	66,187	68,805	66,187	68,805
Less amount allocated to exploration	<u>(491,043)</u>	<u>(343,386)</u>	<u>(491,043)</u>	<u>(343,386)</u>
	<u>578,096</u>	<u>316,329</u>	<u>578,096</u>	<u>316,329</u>
Depreciation of non current assets:				
– plant and equipment	68,502	41,350	68,502	41,350
Exploration expenses written off	–	–	–	–
Finance costs:				
– other persons	5,155	6,973	5,155	6,973
Auditor's remuneration				
– audit services only	12,205	8,320	12,205	8,320

Notes To The Financial Statements

For The Year Ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
4. Income Tax				
a) Income tax recognised in profit and loss				
The prima facie tax expense / benefit on operating result is reconciled to the income tax provided in the financial statements as follows:				
Accounting profit (loss) before income tax from continuing operations	(350,091)	416,118	(350,091)	416,118
Income tax expense (benefit) calculated at 30%	(105,027)	124,835	(105,027)	124,835
Non deductible expenses	109,932	43,208	109,932	43,208
Recoup prior year losses not previously brought to account	(4,905)	(168,043)	(4,905)	(168,043)
Unused tax losses and temporary differences not recognised as deferred tax assets	—	—	—	—
Income tax expense (benefit) Reported in the income statement	—	—	—	—

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
b) Unrecognised deferred tax balances				
The following deferred tax assets and liabilities have not been brought to account:				
Unrecognised deferred tax assets comprise:				
Losses available for offset against future taxable income	2,623,935	1,937,516	2,611,416	1,937,516
Prepayments	—	4,744	—	4,744
Capital raising costs	134,125	68,623	134,125	68,623
Accrued expenses and liabilities	5,601	12,258	5,601	12,258
	<u>2,763,661</u>	<u>2,023,141</u>	<u>2,751,142</u>	<u>2,023,141</u>
Unrecognised deferred tax liabilities comprise:				
Exploration expenditure	3,284,832	2,642,522	2,370,709	1,740,918
Prepayments	4,280	—	4,280	—
	<u>3,289,112</u>	<u>2,642,522</u>	<u>2,374,988</u>	<u>1,740,918</u>

Notes To The Financial Statements

For The Year Ended 30 June 2007

4. Income Tax (continued)

The deductible temporary differences and tax losses do not expire under current tax legislation. Potential deferred tax assets attributable to tax losses carried forward have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable.

The potential future income tax benefit will only be obtained if:

- (i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefits

	Consolidated	
	2007	2006
	\$	\$
5. Earnings per Share		
(Loss)/Profit used in calculation of loss per share	(350,091)	416,118
Basic earnings/(loss) per share	(0.48) cents	0.8 cents
(Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share)		
	No.	No.
Weighted average number of shares on issue and used in the calculation	73,074,321	51,393,334

Options

Options to acquire ordinary shares granted by the Company and not exercised at the reporting date are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options are not considered to be dilutive and accordingly have not been included in the determination of basic earnings per share.

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
6. Trade And Other Receivables				
Current				
GST recoverable	16,496	73,215	16,496	73,215
Other debtors	14,265	15,813	14,265	15,813
	<u>30,761</u>	<u>89,028</u>	<u>30,761</u>	<u>89,028</u>
Non-Current				
Loans to controlled entity (wholly owned)	—	—	1,501,074	1,459,342
Security bond deposits	161,500	161,500	161,500	161,500
	<u>161,500</u>	<u>161,500</u>	<u>1,662,574</u>	<u>1,620,842</u>

Notes To The Financial Statements

For The Year Ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
7. Exploration and Evaluation Expenditure				
Carrying amount at the start of the year	8,808,407	5,316,491	5,803,061	2,359,366
Exploration and acquisition expenditure incurred during the year	2,141,033	3,491,916	2,099,301	3,443,695
Expenditure written off during the year	–	–	–	–
Carrying amount at the end of the year	10,949,440	8,808,407	7,902,362	5,803,061
Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or alternatively, sale of the respective areas.				
8. Plant and Equipment				
Carrying Amount				
At cost	354,851	256,601	354,851	256,601
Accumulated depreciation	(157,376)	(95,967)	(157,376)	(95,967)
	194,475	160,634	194,475	160,634
Movement in Carrying Amounts				
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the financial year				
Balance at the beginning of the year	160,634	133,705	160,634	133,705
Transferred from exploration expenditure	–	11,950	–	11,950
Additions	116,847	56,329	116,847	56,329
Disposals	(11,504)	–	(11,504)	–
Depreciation expense	(68,502)	(41,350)	(68,502)	(41,350)
Carrying amount at the end of the year	197,475	160,634	197,475	160,634
9. Other Financial Assets				
Listed equities available-for-sale	–	375,000	–	375,000
Investment in controlled entity (i)	–	–	1,546,004	1,546,004
	–	375,000	1,546,004	1,921,004
(i) Investment in controlled entity is stated at cost. Refer Note 19.				
10. Payables				
Current				
Trade creditors	130,983	495,572	130,983	495,572
Sundry creditors and accruals	17,946	22,097	17,946	22,097
	148,929	517,669	148,929	517,669
11. Provisions				
Current				
Employee benefits	18,670	40,861	18,670	40,861

Notes To The Financial Statements

For The Year Ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
12. Interest Bearing Liabilities				
Current				
Hire purchase liabilities (i)	35,373	34,919	35,373	34,919
Non Current				
Hire purchase liabilities (i)	27,432	69,697	27,432	69,697

(i) Details of hire purchase commitments are set out in Note 17.

Financing Arrangements

The Consolidated Entity had the following credit facilities in place during the year.

Hire purchase liabilities:

Hire purchase liabilities relate to the financing of motor vehicles. At balance date a total liability of \$69,355 (2006 \$116,695) including interest payable of \$6,550 (2006 \$12,079) remained for these facilities. The hire purchase facilities are secured against the vehicles purchased.



Notes To The Financial Statements

For The Year Ended 30 June 2007

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
13. Capital And Reserves				
Reconciliation of Movement in Capital and Reserves Issued and Paid Up Capital				
89,846,384 ordinary fully paid shares (2006: 59,862,649)	<u>16,688,985</u>	<u>11,190,821</u>	<u>16,688,985</u>	<u>11,190,821</u>
Movements in Ordinary Shares				
Opening balance	11,190,821	7,934,500	11,190,821	7,934,500
Issue of 12,716,089 shares at 19.5 cents pursuant to entitlement issue on 22 December 2006	2,479,637	–	2,479,637	–
Issue of 11,067,093 shares at 19.5 cents pursuant to entitlement issue on 22 January 2007	2,158,083	–	2,158,083	–
Issue of 5,599,553 shares at 19.5 cents pursuant to entitlement issue on 12 March 2007	1,091,913	–	1,091,913	–
Exercise of 1000 listed options at 25 cents on 29 June 2007	250	–	250	–
Issue of 600,000 shares at 25 cents per share as consideration for mining prospects	150,000	–	150,000	–
Issue of 1,400,000 shares at 25 cents per share as part consideration for tenement acquisition on 15 September 2005	–	350,000	–	350,000
Issue of 3,144,000 shares at 25 cents per Share pursuant to a Share Purchase plan offered to Shareholders on 23 December 2005	–	786,000	–	786,000
Issue of 100,000 shares at 30 cents per Share as part consideration for tenement acquisitions on 18 January 2006	–	30,000	–	30,000
Issue of 7,400,000 shares at 22 cents per share on 15 February 2006 as a placement to sophisticated investors	–	1,628,000	–	1,628,000
Issue of 2,000,000 shares at 28 cents per share on 26 June 2006 as part consideration for tenement acquisitions.	–	560,000	–	560,000
Issue costs	<u>(381,719)</u>	<u>(97,679)</u>	<u>(381,719)</u>	<u>(97,679)</u>
Closing balance	<u>16,688,985</u>	<u>11,190,821</u>	<u>16,688,985</u>	<u>11,190,821</u>

Notes To The Financial Statements

For The Year Ended 30 June 2007

13. Capital And Reserves (continued)

Options

The Company has a formal option plan called the A1 Minerals Directors, Employees and Other Permitted Persons Option Plan. In addition, options over unissued shares are issued at the discretion of the Board.

The options are granted free of charge and are exercisable at a fixed price in accordance with the terms of the grant.

At 30 June 2007, there were 26,290,348 options to acquire ordinary shares on issue. 2,100,000 options relate to options granted to employees and executives (see note 14).

Options issued during the year vest upon grant.

a) Options Issued, Exercised and Lapsed During the Year

During the financial year the Company granted options over unissued shares as follows:

Number of Options Granted	Exercise Price	Expiry Date
9,500,000 – Unlisted	35 cents	31 December 2009
700,000 – Unlisted	30 cents	30 June 2010
14,691,348 – Listed	25 cents	30 November 2008

During the year, there were no unlisted options over unissued shares which were exercised; 1000 listed options were exercised.

The following options lapsed during the year.

Number of Unlisted Options Lapsed	Exercise Price	Expiry Date
9,500,000	30 cents	30 November 2006
250,000	40 cents	30 November 2007

b) Options on Issue at the Balance Date

The number of options outstanding over unissued ordinary shares at 30 June 2007 is 26,290,348 (2006: 11,150,000). The terms of these options are as follows:

Number of Unlisted Options Outstanding	Exercise Price	Expiry Date
9,500,000	35 cents	31 December 2009
1,400,000	40 cents	30 November 2007
700,000	30 cents	30 June 2010

Number of Listed Options Outstanding	Exercise Price	Expiry Date
14,690,348	25 cents	30 November 2008

c) Subsequent to the Balance Date

No options have been granted or exercised subsequent to the balance date and prior to the date of signing this report.

Notes To The Financial Statements

For The Year Ended 30 June 2007

13. Capital And Reserves (continued)

Options

d) Basis and assumptions used in the valuation of options.

The options were independently valued using the Black and Scholes option valuation methodology. All options vest upon grant.

Date Granted	Number of Options Granted	Exercise Price (cents)	Expiry Date	Risk Free Interest Rate Used	Volatility Applied	Option Valuation (cents)
29/12/06	9,500,000	35.0	31/12/09	6.18%	56.8%	5.07
23/12/05	1,400,000	40.0	30/11/07	5.07%	60%	5.89
30/6/07	700,000	30.0	30/06/10	6.44%	57%	5.96

The expected life of the options is based upon historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects an assumption that the historical volatility is indicative of future trends, which may also not be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Shares Subject to Restriction Agreement

At balance date there were 600,000 ordinary shares which were subject to voluntary restrictions and which became tradeable on 31 August 2007.

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Reserves				
Asset Revaluation Reserve				
Opening balance	15,000	—	15,000	—
Reserve reversed on sale	(15,000)	—	(15,000)	—
Revaluation of investments available - for-sale	—	15,000	—	15,000
Closing balance	—	15,000	—	15,000
Option Premium Reserve				
Opening balance	97,185	—	97,185	—
Employee share based payments	366,440	97,185	366,440	97,185
Closing balance	463,625	97,185	463,625	97,185
Accumulated Losses				
Opening accumulated losses	(408,152)	(824,270)	(408,152)	(824,270)
Net profit/(loss) attributable to the members of the Company	(350,091)	416,118	(350,091)	416,118
Closing accumulated losses	(758,243)	(408,152)	(758,243)	(408,152)

Notes To The Financial Statements

For The Year Ended 30 June 2007

14. Employee Benefits

The Company has issued options to Directors, executives and nominated employees.

Details of Employee options are summarised below. Details of options issued to Directors and executives are set out in note 20.

Directors', Employee and Other Permitted Persons Option Plan

The terms of the Directors' Employee and Other Permitted Persons Option Plan ("Option Plan") was approved by the Board and subsequently by the shareholders of the Company on 19 October 2005. Each option is convertible to one ordinary share. The exercise price of the options, determined in accordance with the rules of the plan, must not be less than the market price on the date the options are granted. The terms and conditions with respect to expiry, exercise and vesting provisions are at the discretion of the Board of the Company. There are no voting or dividend rights attached to the options. Voting and dividend rights will only be attached once an option is exercised into ordinary shares. The total number of shares which are the subject of options issued under the Option Plan immediately following an issue of options under the Option Plan must not exceed 5% of the then issued share capital of the Company on a diluted basis.

	2007		2006	
	Number \$	Exercise Price	Number \$	Exercise Price
Balance at the beginning of the year	1,650,000	0.40	—	—
Lapsed	(250,000)	0.40	—	—
Granted	700,000	0.30	1,650,000	0.40
Exercised	—	—	—	—
Balance at the end of the year	2,100,000	0.37	1,650,000	0.40

Number of Options	Grant Date	Vesting Date	Expiry date	Exercise price
1,400,000	1 Nov 2005	1 Nov 2005	30 Nov 2007	\$0.40
700,000	30 June 2007	30 June 2007	30 June 2010	\$0.30

15. Segment Reporting

The Company operates entirely in the mineral exploration business and 100% of the expenditure and assets employed relate to operations in Australia.

16. Additional Financial Instruments Disclosure

Interest Rate and Credit Risk

The Consolidated Entity has not entered into any financial instruments designed to mitigate interest rate risk and is not exposed to significant financial risks from movements in foreign exchange rates. Interest rate exposure is limited to finance lease/hire purchase agreements with motor vehicle suppliers and Term Deposits with the Company's bankers. The Consolidated Entity has little or no exposure to credit risk at this time (see Table below).

Interest Rate and Credit Risk

Net Fair Values

For the financial assets and liabilities disclosed in this note, the fair net value approximates their carrying value. No financial assets or liabilities are readily traded on organised markets.

Notes To The Financial Statements

For The Year Ended 30 June 2007

16. Additional Financial Instruments Disclosure (continued)

	Note	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing in 1 Year or Less	Fixed Interest Rate Maturing in 1 to 5 Years	Non Interest Bearing	Total
			\$'000	\$'000	\$'000	\$'000	\$'000
2007							
Financial Assets							
Cash Assets	18	6.1	186	5,100	–	–	5,286
Receivables	6	–	–	–	–	192	192
			186	5,100	–	192	5,478
Financial Liabilities							
Payables	10	–	–	–	–	149	149
Employee Entitlements	11	–	–	–	–	19	19
Hire Purchase Liabilities	12	7.7	–	35	27	–	62
			–	35	27	168	230
2006							
Financial Assets							
Cash Assets	18	5.65	76	1,888	–	–	1,964
Receivables	6	–	–	–	–	251	251
			76	1,888	–	89	2,215
Financial Liabilities							
Payables	10	–	–	–	–	517	517
Employee Entitlements	11	–	–	–	–	41	41
Hire Purchase Liabilities	12	7.7	–	35	70	–	105
			–	35	70	558	663

17. Commitments

Exploration Expenditure Commitments

In order to maintain current rights of tenure over its mineral tenement leases, the Company and its controlled entity will be required to outlay amounts in respect of rent and to meet minimum expenditure requirements of the Department of Industry and Resources (DOIR). As at balance date, total exploration expenditure commitments on granted tenements held by the Group have not been provided for in the financial statements and which cover the following twelve month period amount to \$925,000 (2006: \$1,219,000) respectively. This commitment does not include the expenditure commitments which are the responsibility of the joint venture partners.

These obligations may vary from time to time, are subject to approval and are expected to be fulfilled in the normal course of operations by the relevant company.

Notes To The Financial Statements

For The Year Ended 30 June 2007

17. Commitments (continued)

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Non Cancellable Operating Lease				
Commitments				
Within one year	16,342	29,516	16,342	29,516
One year or later and no later than five years	–	17,217	–	17,217
	<u>16,342</u>	<u>46,733</u>	<u>16,342</u>	<u>46,733</u>
Employee Remuneration Commitments				
Commitments under non cancellable employment contracts not provided for in the financial statements				
Directors				
Within one year	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Hire Purchase Payment Commitments				
Within one year	37,719	40,199	37,719	40,199
One year or later and no later than five years	<u>31,636</u>	<u>76,496</u>	<u>31,636</u>	<u>76,496</u>
	69,355	116,695	69,355	116,695
Less: Unexpired charges	<u>(6,550)</u>	<u>(12,079)</u>	<u>(6,550)</u>	<u>(12,079)</u>
	<u>62,805</u>	<u>104,616</u>	<u>62,805</u>	<u>104,616</u>
Hire purchase liabilities as provided for in the financial statements (refer Note 12)				
Current	35,373	34,919	35,373	34,919
Non current	<u>27,432</u>	<u>69,697</u>	<u>27,432</u>	<u>69,697</u>
	<u>62,805</u>	<u>104,616</u>	<u>62,805</u>	<u>104,616</u>

18. Notes To The Cash Flow Statement

Reconciliation of Cash

For the purposes of the cash flow statement cash includes cash on hand and at bank and short term deposits. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related item in the statements of financial position as follows:

a) Cash Assets

Cash at bank and on hand	185,960	75,846	185,960	75,846
Bank at call cash account	<u>5,099,635</u>	<u>1,887,585</u>	<u>5,099,635</u>	<u>1,887,585</u>
Cash and cash equivalents	<u>5,285,595</u>	<u>1,963,431</u>	<u>5,285,595</u>	<u>1,963,431</u>

The Bank at call account holds funds at call subject to certain trading restrictions and pays interest at an average of 6.1%

Notes To The Financial Statements

For The Year Ended 30 June 2007

18. Notes to the Statements of Cash Flows (continued)

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
b) Reconciliation of Loss from Ordinary Activities after Income Tax to Net Cash Provided by Operating Activities				
Profit/(Loss) after income tax	(350,091)	416,118	(350,091)	416,118
Add (less) non cash items:				
Profit on sale of investments	(431,253)	(159,157)	(431,253)	(159,157)
Profit on sale of prospects	–	(858,000)	–	(858,000)
Depreciation and amortisation	68,502	41,350	68,502	41,350
Share based payments	366,440	97,185	366,440	97,185
Changes in assets and liabilities, net of the effects of the purchase of subsidiaries				
Increase/(decrease) in trade creditors and accruals	(136,129)	94,089	(136,129)	94,089
Increase/(decrease) in sundry receivables	18,563	(8,733)	18,563	(8,733)
Cash flow used in operations	<u>(463,968)</u>	<u>(377,148)</u>	<u>(463,968)</u>	<u>(377,148)</u>

	Consolidated	
	2007	2006
	%	%

19. Controlled Entities

a) Particulars in Relation to Controlled Entities

Controlled Entity

Desert Exploration Pty Ltd	100	100
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b) Contribution to Consolidated Result

The consolidated entities result is comprised entirely by the Company. Any items of expenditure accrued to the controlled entity were capitalised during the financial year.

20. Key Management Personnel Disclosures

a) Details of Key Management Personnel

The following were key management personnel of the Consolidated Entity at any time during the reporting period and unless otherwise stated were key management personnel for the entire period.

Non-Executive Directors

Michael Hunt – Chairman
 Peter Thomas
 Tim Hronsky
 Roy Dudney (passed away 10 October 2006)

Executive Directors

John Williams – Managing Director

Notes To The Financial Statements

For The Year Ended 30 June 2007

20. Key Management Personnel Disclosures (continued)

b) Compensation of Key Management Personnel

i) Compensation Policy

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. The broad remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality.

The policy of the Consolidated Entity is to offer competitive salary packages which provide incentive to Directors and executives and are designed to reward and motivate. Non-executive Directors receive fees agreed on an annual basis by the Board.

At the date of this report, the Company had not entered into any packages with Directors or senior executives which include performance based components, nor is there any provision for the issuing of securities to Directors.

ii) Compensation of Key Management Personnel for the year ended 30 June 2007

	Fees	Salary	Super- annuation	Equity Compensa- tion	Other	Total
	\$	\$	\$	\$	\$	\$
Director						
Michael Hunt	22,935	–	2,064	53,250	–	78,249
John Williams	–	200,004	20,004	248,500	13,455	481,963
Roy Dudley	5,734	–	516	–	–	6,250
Peter Thomas	22,935	–	2,064	17,750	–	42,749
Tim Hronsky	14,583	–	–	17,750	–	32,333
	<u>66,187</u>	<u>200,004</u>	<u>24,648</u>	<u>337,250</u>	<u>13,455</u>	<u>641,544</u>

ii) Compensation of Key Management Personnel for the year ended 30 June 2006

	Fees	Salary	Super- annuation	Equity Compensa- tion	Other	Total
	\$	\$	\$	\$	\$	\$
Director						
Michael Hunt	22,935	–	2,065	14,725	–	39,725
John Williams	–	191,695	22,369	14,725	14,063	242,852
Roy Dudley	22,935	–	2,065	14,725	–	39,725
Peter Thomas	22,935	–	2,065	14,725	–	39,725
	<u>68,805</u>	<u>191,695</u>	<u>28,564</u>	<u>58,900</u>	<u>14,063</u>	<u>362,027</u>

Notes To The Financial Statements

For The Year Ended 30 June 2007

20. Key Management Personnel Disclosures (continued)

iii) Compensation by Category

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Short-Term	279,646	274,563	279,646	274,563
Post Employment	24,648	28,564	24,648	28,564
Other Long-Term	–	–	–	–
Share-Based Payments	337,250	58,900	337,250	58,900
	<u>641,544</u>	<u>362,027</u>	<u>641,544</u>	<u>362,027</u>

iv) Contract for Services

Remuneration and other terms of employment for the Managing Director are set out in Service Agreements. The contractual arrangements contain provisions typically found in contracts of this nature. The Company may terminate the contracts without cause by providing six months written notice to the individual of by making payment in lieu of notice. In the event of serious misconduct the Company may terminate the contract at any time.

There is no cash bonus or other performance based compensation contemplated in these agreements. The agreements have an initial term of three years from October 2003 and are subject to annual review.

c) Compensation Options: Granted and Vested During the Year

9,500,000 options to acquire ordinary shares were granted to directors during the year. The options were issued on 29 December 2006, vested at grant, and are exercisable by payment of 35 cents on or before 31 December 2009.

d) Option Holdings of Key Management Personnel

Director	Balance at Beginning Of Period 01/07/06	Granted as Remun- eration	Options Exercised	Options Lapsed	Balance at End of Period	Vested as at 30 June 2007		
						Total 30/06/07	Exercisable	Not Exercisable
Michael Hunt	1,250,000	1,500,000	–	(1,000,000)	1,750,000	1,750,000	1,750,000	–
John Williams	7,750,000	7,000,000	–	(7,500,000)	7,250,000	7,250,000	7,250,000	–
Roy Dudley	250,000	–	–	(250,000)	–	–	–	–
Peter Thomas	250,000	500,000	–	–	750,000	750,000	750,000	–
Tim Hronsky	–	500,000	–	–	500,000	500,000	500,000	–

e) Shareholdings of Key Management Personnel

Director	Balance 01/07/06 Ord	Granted as Remuneration Ord	On Exercise of Options Ord	Net Change Other Ord	Balance 30/06/07 Ord
Michael Hunt	–	–	–	–	–
John Williams	6,416,666	–	–	–	6,416,667
Peter Thomas	1,064,334	–	–	–	1,064,334
Tim Hronsky	–	–	–	–	–
Roy Dudley	2,914,670	–	–	–	2,914,670

Notes To The Financial Statements

For The Year Ended 30 June 2007

20. Key Management Personnel Disclosures (continued)

f) Other Transactions and Balances with Key Management Personnel

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries during the reporting period. In each instance normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arm's length basis.

The aggregate amounts recognised during the year ending 30 June 2006, relating to Directors and executives and their personally related entities, totalled an expense of \$53,896 (2006 \$53,975). Details of the transactions are set out in the following Table.

Other Transactions

			Consolidated	
	Transaction	Note	2007	2006
			\$	\$
Director				
Mr Michael Hunt	Legal Fees	(i)	30,984	53,896
Mr Tim Hronsky	Consulting fees	(ii)	23,500	—
			<u>54,484</u>	<u>53,896</u>

- (i) The Company used Hunt and Humphry Solicitors, an entity associated with Mr Michael Hunt, for the provision of legal services and specifically for advice on negotiations on tenement and Native Title matters and in respect to other related mining law. Amounts billed were at normal market rates and on normal commercial terms.
- (ii) The Company used Essential Risk Solutions an entity associated with Mr Tim Hronsky, for the provision of consulting geological and risk evaluation services and specifically for geological modelling and strategic advice to the Board and senior management. Amounts billed were at normal market rates and on normal commercial terms.

Liabilities Arising from Transactions with Directors

Payables (trade creditors)	<u>—</u>	<u>3,300</u>
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21. Related Party Transactions

Total amounts receivable and payable from entities in the wholly-owned group at balance date:

	Company	
	2007	2006
	\$	\$
Non Current Receivables		
Loans	<u>1,501,074</u>	<u>1,459,342</u>

Directors' Declaration

1. In the opinion of the Directors:
 - a) the financial statements and notes 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 2007 and of their performance for the year then ended; and
 - ii. complying with Accounting Standards and Corporations Regulations 2001;
 - b) there are reasonable grounds to believe that the Company 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 2007.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer in respect to the financial year ended 30 June 2007 as required by section 295A of the Corporations Act 2001.

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



John Williams
Director

Dated this 28th day of September 2007

Independent Auditor's Report

TO THE MEMBERS OF AI MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of A1 Minerals Limited which comprises the balance sheet as at 30 June, 2007, and the income statement, statement of changes in equity and cash flow statement for the 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. The consolidated entity comprises both the company and the entities it controlled during that year.

Director's Responsibility for the Financial Report

The directors of A1 Minerals Limited 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 establishing 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 AASB101: Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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.



Independent Auditor's Report

Auditor's Opinion

In our opinion:

- (a) the financial report of A1 Minerals 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, 2007 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 also complies with International Financial Reporting Standards as disclosed in Note 1.

Dated at Subiaco this 28th day of September, 2007.



K Westaway FCA
Principal
K Westaway & Associates
Chartered Accountants

Additional Information

Additional information required by the Australian Stock Exchange Limited and not disclosed elsewhere in this report is set out below:

Shareholdings at 21 September 2007

Number Of Equity Security Holders

Range	Listed Shares		Listed Options	
	Number of Holders	Securities Held	Number of Holders	Securities Held
1 – 1,000	27	10,948	20	11,290
1,001 – 5,000	152	519,433	69	207,624
5,001 – 10,000	165	1,464,118	48	381,954
10,001 – 100,000	580	24,224,581	138	4,668,305
100,001 and over	150	63,627,304	38	9,421,173
	<u>1,074</u>	<u>89,846,384</u>	<u>313</u>	<u>14,690,346</u>

There are 58 shareholders holding unmarketable parcels represented by 83,797 shares.

There are 91 option holders holding unmarketable parcels represented by 229,514 options.

Top 20 Largest Shareholders

Shareholder	Shares Held	% of Issued Capital
John Dennis Williams	6,416,666	7.14
Debbie Lynne Williams	3,750,000	4.17
Archem Trading NZ Limited	2,050,000	2.28
Bronzewing Gold Ltd	2,000,000	2.23
Sheerwater Pty Ltd	2,000,000	2.23
Wapimala Pty Ltd	2,000,000	2.23
ANZ Nominees Limited	1,717,326	1.91
Berne No. 21 Pty Ltd	1,500,000	1.67
Clune Hire Pty Ltd	1,400,000	1.56
Dinah Susan Dudney	1,399,835	1.56
Roy Leslie Dudney	1,399,835	1.56
Mr Murray James and Mrs Kathleen Veronica Hull	1,098,000	1.22
NZ Guardian Trust Company Limited	1,025,000	1.14
Allnew Pty Ltd	1,005,000	1.12
Forty Traders Limited	889,509	0.99
Avela Pty Ltd	831,500	0.92
Bruce Birnie Pty Ltd	754,755	0.84
College Holdings Pty Ltd (Super Fund)	719,667	0.80
Mark Mirko Hronsky	643,268	0.71
Mr Lye Kit Lee	608,000	0.68
	<u>33,208,361</u>	<u>36.96</u>



Additional Information

Voting Rights

One vote for each ordinary share held in accordance with the Company's Memorandum and Articles of Association.

Top 20 Largest OPTION HOLDERS

Option Holder	Options Held	% of Issued Capital
Archem Trading NZ Limited	1,025,000	6.98
Ian Russell Coffey	650,000	4.42
Classic Roofing Pty Ltd	535,000	3.64
Mr & Mrs N Patel	521,713	3.55
NZ Guardian Trust Company	512,500	3.49
ANZ Nominees Ltd	505,000	3.44
Forty Traders Ltd	444,754	3.03
Berne No 21 Pty Ltd	250,000	1.70
Jindabyne Pty Ltd	250,000	1.70
Mr I D McAuslin & Cookson Trustee Services Ltd	225,000	1.53
Mr David Sundance Vanzyl	210,000	1.43
Avania Management Pty Ltd	200,000	1.36
Effex Pty Ltd	200,000	1.36
Goffacan Pty Ltd	200,000	1.36
Mr Gavin Edward Hedges	200,000	1.36
Leyland Holdings Pty Ltd	200,000	1.36
L G Thomas Pty Ltd	200,000	1.36
Mr John Desmond Murphy	200,000	1.36
Mr AW Picot & Mr BH Picot	200,000	1.36
Toro De Plata Pty Ltd	200,000	1.36
	6,928,967	47.17

Substantial Shareholders

Name	Shares Held	% of Issued Capital
John Williams	6,416,666	7.14

Unquoted Equity Securities

Ordinary Shares

At the end of the financial year there were 600,000 ordinary fully paid shares subject to voluntary restriction agreements. These shares, which had been subject to voluntary restriction, became tradeable subsequent to the end of the year on 31 August 2007.



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders will be held at the Royal Perth Yacht Club, Australia II Drive Crawley Perth on **Monday 26th November 2007 at 11.00am**.

AGENDA

Ordinary Business

ACCOUNTS

To receive and consider the Directors' Report, the Financial Statements, the Directors' Declaration and the Independent Audit Report for the year ending 30 June 2007.

To consider and if thought fit to pass, the following resolutions as ordinary resolutions:

Resolution 1. DIRECTORS

"That Mr Peter Thomas who retires in accordance with Article 11.1.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected."

Resolution 2. REMUNERATION REPORT

"That the Remuneration Report as set out in the Company's Annual Report for the year ended 30 June 2007, be adopted."

Note: *The vote on this resolution is advisory only and does not bind the Directors of the Company*

Special Business

Resolution 3. ISSUE OF OPTIONS TO EMPLOYEES AND OTHER PERMITTED PERSONS

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 3,000,000 Options to subscribe for ordinary Shares in the Company at an exercise price determined by the Company exercisable on or before 2 years from the date of issue. The issue to employees and other permitted persons to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying the Notice of Meeting".

Resolution 4. ISSUE OF OPTIONS TO DIRECTORS

"That, for the purposes of ASX Listing Rule 10.14 and Sections 195 and 208 of the Corporations Act, and for all other purposes, Shareholders approve the issue of 3,000,000 Options to subscribe for ordinary Shares in the Company for no consideration and at an exercise price not less than the volume weighted average price for the Company's shares for the ten days preceeding the issue of the options. The options to be exercisable on or before 3 years from the date of issue to the following Directors. The issue to be in accordance with the terms and conditions set out in the Explanatory Statement accompanying the Notice of Meeting".

	Name	Number of Options
(a)	Michael Hunt	1,000,000
(b)	John Williams	1,000,000
(c)	Peter Thomas	500,000
(d)	Tim Hronsky	<u>500,000</u>
		<u>3,000,000</u>

Resolution 5. PROPOSED SHARE ISSUE BY THE COMPANY OF UP TO A FURTHER 25,000,000 NEW SHARES WITHIN THREE MONTHS

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT the issue by the Company of up to 25,000,000 New Shares within 3 months of the date of this Meeting to subscribers to be determined by the Company at an issue price determined by the Company (and which is at least 80% of the average market price for Shares over the 5 days on which sales in the Shares were recorded before the day of the issue or, if there is a prospectus relating to the issue, over the 5 days on which sales in the Shares were recorded before the date the prospectus is signed) be and is hereby approved for all purposes including rule 7.1 of the ASX Listing Rules".

General Notes

Voting Exclusion Statement

The Company will disregard any votes cast on the resolutions by the following person(s) and any associate of that person(s).

Resolution 3 and 5,:

Any person or entity who participated or may participate in an issue or proposed issue or who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the resolutions are passed; or any associate of the persons or entities.

Resolution 4:

Any Director of the Company.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Explanatory Statement

The Explanatory Statement to Shareholders attached to this Notice of General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.

Voting Entitlement

The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulations that, for the purposes of attending and voting at the meeting, Shares will be taken to be held by the registered holders at 11:00am on Saturday 24 November 2007.

Proxy

A member entitled to attend to vote at the meeting is entitled to appoint a proxy to attend and to vote instead of the member. The proxy need not be a member of A1 Minerals Limited. Proxy Forms must be lodged at the principal office of A1 Minerals Limited at Suite 34, 25 Walters Drive, Osborne Park Western Australia 6017 or by facsimile (61 8 9244 1400) **no later than 48 hours** before the time of the meeting. A Proxy Form accompanies this Notice of Meeting.

Dated this 12th day of October, 2007.

By order of the Board of Directors

MARK E PITTS
Company Secretary

Explanatory Statement

Resolution 1

DIRECTORS

"That Mr Peter Thomas who retires in accordance with Article 11.1.3 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected."

Mr Peter Thomas retires from office in accordance with the constitution and being eligible offers himself for re-election.

The directors recommend that the shareholders vote **in favour** of the appointment of Mr Thomas.

Resolution 2

REMUNERATION REPORT

"That the Remuneration Report as set out in the Company's Annual Report for the year ended 30 June 2006, be adopted."

The Remuneration Report is for consideration and adoption by way of **non-binding resolution**. The Remuneration Report is set out in the A1 Minerals Limited Annual Report 2007 and is also available on the Company's web site (www.a1minerals.com.au).

The report:

- explains the Board's policies in relation to the nature and level of remuneration paid to Directors of A1 Minerals Limited;
- sets out the remuneration details for each Director and any service agreements; and
- sets out the details of any Share based compensation.

Resolution 3

ISSUE OF OPTIONS TO EMPLOYEES AND OTHER PERMITTED PERSONS

Resolution 3 seeks Shareholder approval for the issue of up to 3,000,000 Options to employees and other permitted persons under the A1 Minerals Directors', Employees' and Other Permitted Persons' Option Plan.

For the purposes of Listing Rule 7.3, the Options will be issued for no consideration and will have an exercise price determined by the Company. The Options will be issued in accordance with the terms and conditions of the A1 Minerals Limited Directors', Employees' and Other Permitted Persons' Option Plan.

The Company propose to issue the Options as soon as practicable after the date of the meeting, but in any event no later than 3 months after the date of the meeting.

The Directors are seeking approval under this resolution to enable the Company to remain competitive in the current market place where obtaining and retaining quality staff is very difficult.

The A1 Minerals Limited Directors', Employees' and Other Permitted Persons' Option Plan was approved by Shareholders at the 2005 Annual General Meeting. A summary of the terms and conditions is shown at Appendix A

The Directors will all be voting in favour of the resolution.

Resolution 4

Shareholder approval is being sought in Resolutions 4 to grant a total of 3,000,000 Options to the Directors of the Company (Michael Hunt, John Williams, Peter Thomas and to Tim Hronsky.(subject to Shareholders passing resolution 1)

The grant of Options is designed to encourage the recipients to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances each of the Directors consider (in respect of the Options to be granted to each other Director) that the incentives to the parties noted above, represented by the issue of these Options, are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Options to be granted to each of the Directors has been determined in light of the following considerations:

Shareholder approval is sought under Listing Rule 10.14 in connection with resolution 4. If such approval is given, separate approval is not required under Listing Rule 7.1. This means that the issue of the Options, if approved, and the issue of ordinary shares on exercise of the Options, will not erode the Company's capacity to issue additional equity securities under Listing Rule 7.1.

Listing Rule 10.14 provides that a Company must not issue equity securities (including Options) under an Option Scheme (as contemplated) to a Director of the Company, without the Company obtaining its Shareholders' approval.

The resolution refers to section 195 of the Corporations Act. This section enables the Directors of a company to seek Shareholder approval where a majority of Directors have a material personal interest in a matter being considered by the Board of Directors and there are not sufficient remaining independent Directors to consider the Resolution. Since all of the Company's Directors are materially interested in Resolution 4, Shareholder approval is sought to deal with the matter.

The granting of the Options as contemplated by Resolution 4 also constitutes the provision of a financial benefit to a related party. Section 208 of the Corporations Act prohibits a company from giving a financial benefit, other than in certain defined circumstances, to a related party without prior Shareholder approval.

A "related party" for the purposes of the Corporations Act is defined widely. It includes a Director of a public company and specified members of the Director's family. It also includes an entity over which a Director maintains control.

The granting of Options to the Directors of the Company, and as named in Resolution 4, constitutes a financial benefit to a related party of the Company within the meaning of the Corporations Act.

In accordance with section 219 of the Corporations Act and the notice requirements in Listing Rule 10.15, the following information is provided to Shareholders to allow them to assess the proposed resolution.

(a) The related party to whom the proposed resolution would permit the financial benefit to be given.

The Options will be granted to the following Directors: (being all the current Directors of A1 Minerals)

Michael Hunt; John Williams; Peter Thomas, and Tim Hronsky.

(b) Nature of the Financial Benefit

The proposed financial benefit to be given is the grant of 3,000,000 Options to Directors to subscribe for one fully paid ordinary Share in the capital of the Company at an exercise price of 30 cents. The Options will be issued in accordance with the terms and conditions set out in this Explanatory Memorandum.

The Directors of the Company consider the value attributable to the Options at a valuation date of 9 October 2007 to be reasonable notwithstanding that the Options will not be issued until after approval at a general meeting of the Shareholders of the Company to be held on 13 November 2007.

The Black and Scholes Option valuation methodology was used as a basis for the calculations using the following assumptions:

- The exercise price of the Options will be 30 cents.
- The Share price of a fully paid A1 Minerals' Share as at the valuation date of 9 October 2007 was 26 cents (last sale on 8 October 2007).
- The risk free interest rate used approximated 6.14% (2 year Bond Rate).
- The Options vest at date of grant and are exercisable within 3 years of date of grant.
- A volatility factor of 56.87% was used to value the Options based on industry experience.

The value ascribed has not been discounted for the Options not being quoted on the Australian Stock Exchange or tradeable and does not necessarily represent a market value.

Based on the above assumptions, the value of the Options to be issued with an exercise price of 30 cents is as follows:

Directors	Number of Options	Value of Option \$	Total Value \$
Michael Hunt	1,000,000	0.1016	101,600
John Williams	1,000,000	0.1016	101,600
Peter Thomas	500,000	0.1016	50,800
Tim Hronsky	500,000	0.1016	50,800

(c) Directors' Recommendation

The Directors decline to make a recommendation to Shareholders about the proposed transaction on the basis that each Director has a material interest in its outcome.

Resolution 4 (continued)**(d) Directors' Interest**

All of the Directors of A1 Minerals have an interest in the outcome of the proposed resolution.

All of the Directors have a material personal interest in the outcome of the proposed resolution as they are each to be the recipient of the Options to subscribe for Shares in the capital of the Company as outlined in this Explanatory Memorandum.

(e) Other Information Reasonably Required by the Members to Make a Decision, that is Known to the Company or any of its Directors

The granting of Options to Directors is designed to acknowledge their contributions to the Company's position and to provide an incentive to remain committed and available to the Company to drive its future performance. The Options will vest immediately on issue. The exercise price of the Options is linked to improved Share price performance, which importantly provides an ongoing incentive to increase Shareholder value over time.

The exercise price has been determined in light of the current market price and having regard to the previous 12 months trading and represents approximately a 115% increase on the Share price level at the time of preparing this notice. Exercise of the Options is only likely to occur if there is sustained upward movement in the Company's Share price.

The terms and conditions of the Options are set out in this explanatory memorandum. The Options shall be granted free to each Director (or their nominee) as an incentive to those Directors for the future performance of the Company. The Options are issued pursuant to the Plan. If the Options proposed to be granted to Directors (or their nominee) under Resolution 4 are exercised, the Company's issued Shares would increase by 3,000,000 Shares to a total of issued capital of 92,846,384 Shares (assuming no other outstanding Options are exercised).

The number of Options to be issued to Messrs Hunt, Thomas and Hronsky has been determined having regard to the modest level of Directors fees being received by these individuals and to ensure they remain committed to the development of the Company and to the task of increasing shareholder wealth.

The number of Options to be issued to Mr Williams has been determined based on the significant contribution to building the Company's strategic asset base, his promotion of the Company, the retention of his knowledge of the Company and to provide ongoing equity incentive to advance the Company and its assets.

The number of Options to be issued to all recipients together with the exercise price has also been determined having regard to the current market price of the Company's Shares and to less tangible issues such as the alignment of interests to the Company by providing an equity holding opportunity linked to Share price performance.

As at 30 June 2007 the issued capital of the Company comprised the following:

- 89,846,384 Ordinary fully paid Shares
- 14,690,348 listed options issued pursuant to an entitlement issue, expiring 30 November 2008 and exercisable at 25 cents each
- 9,500,000 unlisted options expiring 31 December 2009, exercisable by payment of 35 cents each
- 1,400,000 unlisted options expiring 30 November 2007, exercisable by payment of 40 cents each
- 700,000 unlisted options expiring 30 June 2010, exercisable by payment of 30 cents each

The following table sets out each Director's current entitlement to Shares and Options in the Company.

Directors	Number of Shares	Number of Options Expiring 31 December 2009	Number of Options Expiring 30 November 2007
Michael Hunt	—	1,500,000	250,000
John Williams	6,416,667	7,000,000	250,000
Peter Thomas	1,064,334	500,000	250,000
Tim Hronsky	—	500,000	—

The Directors' base salaries per annum and the total financial benefit to be received by them in this current period as a result of the grant of Options the subject of resolutions 5 are as follows:

Director	Base salary p.a. (\$)	Superannuation p.a. (\$)	Value of options to be issued (\$)	Total Financial Benefit (\$)
Michael Hunt	22,935	2,065	101,600	126,600
John Williams	200,000	20,004	101,600	321,604
Peter Thomas	22,935	2,065	50,800	75,800
Tim Hronsky	14,583	-	50,800	65,385

Resolution 4 (continued)

The market price of the Company's Shares during the term of the Options will ordinarily determine whether or not the Option holder exercises the Option. For example if the market price of the Company's Shares is in excess of the exercise price of the Options it is likely that the Options will be exercised.

In the last 12 months, the highest price for ordinary fully paid Shares in the Company trading on ASX was 32 cents on 20 September 2007 and the lowest price was 17 cents on 10 March 2007.

On 8 October 2007, the closing price was 26 cents.

If all Options granted as proposed above are exercised, together with the existing listed and unlisted options on issue, the effect would be to dilute the shareholding of existing shareholders by 32.60%.

Under AASB 2 Share Based Payments, pursuant to the adoption of the Australian International Financial Reporting Standards, the Company is required to recognise the fair value of Options granted to Directors, employees, consultants and other advisors as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

This will result in an amount of \$304,800 being booked to the Company's income statements based on the Black and Scholes Pricing Model calculated at the date of this notice.

It should be noted that these figures will change based on the parameters applying at the date of grant of these Options.
Timing of Issue

The Company will issue the Options as soon as practicable after the date of the meeting, but in any event no later than 1 month after the date of the meeting.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass Resolution 4.

Resolution 5

PROPOSED SHARE ISSUE BY THE COMPANY OF UP TO 25,000,000 NEW SHARES WITHIN THREE MONTHS

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"THAT the issue by the Company of up to 25,000,000 New Shares within 3 months of the date of this Meeting to subscribers to be determined by the Company, at an issue price determined by the Company (and which is at least 80% of the average market price for Shares over the 5 days on which sales in the Shares were recorded before the day of the issue or, if there is a Prospectus relating to the issue, over the 5 days on which sales in the Shares were recorded before the date the Prospectus is signed) be and is hereby approved for all purposes including rule 7.1 of the ASX Listing Rules."

The Directors have proposed this Resolution so that Shareholders may approve, for the purposes of Listing Rule 7.1, a possible future issue of Shares by the Company during the period of 3 months following the date of the Meeting.

Listing Rule 7.1 requires a company that wishes to issue more than 15% of its securities in any 12 month period to obtain Shareholder approval by way of ordinary resolution (unless the issue is exempted under Listing Rule 7.2).

The Directors have sought to obtain this approval at this general meeting because the Company has reached the stage where it wishes to have some flexibility to enable the development of its gold assets, the recently identified Nickel potential at its Narnoo project and to continue the aggressive exploration program which has been so successful to date.

Any funds raised as a result of an issue will be directed the development and infrastructure costs following a decision to mine in respect to the BrightStar Gold Project, and for preliminary exploration of the Multi Element 'Narnoo Project' in the Great Victoria Desert, and ongoing regional exploration.

If Resolution 5 is passed, this will provide the Company with increased flexibility when evaluating its capital raising Options over the next three months, without the need to seek Shareholder approval under Listing Rule 7.1.

The effect of approving Resolution 5 is that the Company will be able to issue up to 25,000,000 Shares without these Shares being included when calculating the thresholds restricting the issue of Shares under Listing Rule 7.1.

The following additional information in relation to this resolution is required under Listing Rule 7.3.

Maximum Number of Securities the Company is to Issue

The maximum number of Shares the Company would issue pursuant to this resolution is 25,000,000 Shares.

Resolution 5 (continued)

Date of Allotment and Issue of Shares

The Company will allot and issue the Shares before the expiry of 3 months after the date of the Meeting, if at all.

Issue Price of the Shares

The Shares would be issued at an issue price determined by the Directors (and which is at least 80% of the average market price for Shares over the 5 days on which sales in the Shares were recorded before the day of the issue or, if there is a Prospectus relating to the issue, over the 5 days on which sales in the Shares were recorded before the date the Prospectus is signed).

Names of Allottees

The Shares would be issued to subscribers to be determined by the Directors.

Terms of the Shares

The Shares would be Ordinary Shares, and have the same rights as the existing Ordinary Shares quoted on ASX.

Intended Use of Funds Raised

The funds if raised, will be used to allow the Company to:

1. begin the process of assembling plant and other infrastructure following a decision to mine its BrightStar Gold Project;
2. continue with ongoing regional exploration in and around BrightStar;
3. continue with exploration of the Multi Element Narnoo Project; and
4. fund working capital.

APPENDIX A

A1 MINERALS LIMITED DIRECTORS', EMPLOYEES' AND OTHER PERMITTED PERSONS' OPTION PLAN

Terms and conditions -

- (a) Each Option shall be issued free for no consideration.
- (b) Each Option entitles the holder to subscribe for one (1) Share upon payment of the exercise price.
- (c) The Options will lapse at 5.00pm Western Standard Time three (3) years from the date of issue.
- (d) The Options will not be listed for official quotation on the ASX.
- (e) The Options shall not be transferred or assigned by an Option Holder except that the Option Holder may at any time transfer all or any of the Options to a spouse, family trust, or to a proprietary limited company, all of the issued Shares in which are beneficially owned by the Option Holder.
- (f) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Options.

However, Option Holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing Shareholders of the Company made during the currency of the Options, and will be granted a period of at least seven (7) business days before books closing date to exercise the Options.
- (g) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (h) The Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights to the Option Holder to the balance of the Options held by him.
- (i) The Company shall allot the resultant Shares and deliver a statement of holdings on the holder's identification number within five (5) business days of the exercise of the Options.
- (j) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- (k) The Company shall within five (5) business days make an application to have those Shares allotted pursuant to an exercise of Options listed for official quotation by the Australian Stock Exchange Limited.
- (l) The Plan Rules provide for the Options to lapse in certain circumstances.

Proxy Form

Annual General Meeting 2007

ACN 100 727 491



1 SHAREHOLDER →

Name, address and daytime telephone number of shareholder of A1 Minerals Limited ABN 44 100 727 491.

Name

Address

Daytime phone no.

2 APPOINTS →

Insert here the name of the person you wish to appoint as proxy; shareholders cannot appoint themselves, your proxy need not be a member of the company. The Chairman of the meeting will act as your proxy if you do not appoint someone. It is the Chairman's intention to exercise undirected proxies in favour of each resolution.

Name of proxy – please print ↓

If you do not wish to direct your proxy how to vote, please place a mark in the box opposite. By marking this box you acknowledge that the Chairman may exercise the undirected proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

☐

3 SIGNATURE OF SHAREHOLDER(S) →

All single or joint holders of shares must sign this form.



Signature

Signature

Signature

Date

Date

Date

or in the case of a company

Executed by the company by its duly authorised officers in accordance with sub-section 127(1) of the Corporations Act 2001:

Director's signature Director/Secretary Signature.....

Print name..... Print name.....

This proxy form must be signed by the shareholder and, in the case of joint shareholders, by each of the joint shareholders. In the case of a corporation, this proxy form must be executed in accordance with section 127 of the Corporations Act 2001. In the case of a Sole Director/Secretary company, please indicate "Sole Director". If this proxy form is signed under Power of Attorney the original Power of Attorney (or a copy certified as a true copy by statutory declaration) must be forwarded with the proxy form.

4 PROXY'S VOTING INSTRUCTIONS (OPTIONAL)



1. To re-elect Mr P Thomas as a Director
2. To approve the Remuneration Report
3. To approve the Issue of Options to Employees and other persons
4. To approve the Issue of Options to Directors
5. To approve the Proposed New Share Issue

FOR	AGAINST	ABSTAIN

If you wish to direct your proxy how to vote on any item, place a mark in the appropriate box. If a mark is placed in a box, your total shareholding will be voted in that manner. You may, if you wish, split your voting direction by inserting the number of shares you wish to vote in the appropriate box. The direction will be invalid if a mark is made against more than one box for a particular item, or, if you have split your direction, if the total shareholding shown in "FOR", "AGAINST" and "ABSTAIN" boxes is more than your total shareholding on the share register. Each person who attends the meeting is entitled to one vote only on a show of hands. A person who holds proxies for more than one shareholder cannot vote on a show of hands if he or she holds proxies directing him or her to vote both for and against a resolution.

5 APPOINTMENT OF A SECOND PROXY (OPTIONAL)

If you want to appoint two proxies you may state here the percentage of your voting rights applicable to this proxy form. If you do not specify a particular percentage, each proxy is entitled to exercise 50% of your voting rights applicable to this proxy form.

%

A shareholder is entitled to appoint up to two persons (whether shareholders or not) to attend the meeting and vote as proxies. If you wish to appoint two proxies please either photocopy the proxy form or telephone the Company Secretary on 08 9244 1400 to obtain a second form. Both forms should be completed with the nominated percentage of your voting rights on each form.

Important Information

Deadline for Receipt of proxies To be effective, a completed proxy form together with the power of attorney (if any) under which it is signed, must be received by the Company at its registered office **not less than 48 hours before** the appointed time of the General Meeting.

Where to send the completed Proxy Form Once the Proxy Form is completed and all details checked by you, the form is to be sent or delivered to:

Office: Suite 34, 25 Walters Drive
Osborne Park WA 6017
Facsimile Number: (08) 9244 1600

For Further Information If you need any further information about this form or attendance at the Company's General Meeting, please contact Mr Mark Pitts on 08 9244 1400.