PRIME MINERALS LIMITED

ABN 61 120 658 497

FINANCIAL REPORT

FOR PERIOD ENDED

31 DECEMBER 2006

PRIME MINERALS LIMITED
CORPORATE DIRECTORY

DIRECTORS

Vincent Kenneth Hyde
Emilio Pietro Del Fante
Bruce Richard Hawley

SECRETARY

Vincent Kenneth Hyde

REGISTERED AND PRINCIPAL OFFICE

34 Parliament Place
West Perth WA 6005

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SHARE REGISTRY

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AUDITOR

PKF Chartered Accountants
Level 7, BGC Centre
28 The Esplanade
Perth WA 6000

AUSTRALIAN STOCK EXCHANGE

Prime Minerals Limited shares (PIM) are listed on the ASX Limited

PRIME MINERALS LIMITED
DIRECTORS' REPORT

Your directors submit the report of the consolidated entity for the period ended 31 December 2006.

DIRECTORS

The names of the company's directors in office during the period from incorporation and until the date of this report are:

Vincent Kenneth Hyde – Executive Director
Emilio Pietro Del Fante – Non-Executive Director
Bruce Richard Hawley – Non-Executive Director (appointed 6 October 2006)
Bruce David Waddell – Non-Executive Director (resigned 30 January 2007)

Directors were in office for the entire period since incorporation on 27 July 2006 unless otherwise stated.

REVIEW OF OPERATIONS

The net loss for the period attributable to members of Prime Minerals Limited was $246,762.

Capital Raising and Asset Acquisitions

On 10 November 2006 the company lodged a Prospectus for the issue of 11,000,000 shares at an issue price of 20 cents per share to raise $2,200,000.

The prospectus closed fully subscribed and shares were allotted on 21 December 2006.

Following completion of the capital raising, the company finalised the acquisition of:

(a) Fineloop Holdings Pty Ltd for a cash consideration of $80,000. Fineloop Holdings Pty Ltd is the holder of the Lake Mason Uranium Project;

(b) Megaworld Pty Ltd for a cash consideration of $50,000. Megaworld Pty Ltd is the applicant for E47/1496, E47/1497 and E47/1498.

(c) Mitis Resources Pty Ltd, the consideration being the issue of 14,000,000 fully paid ordinary shares in the Company and the granting of a 20% free carried interest in the Barrambie Project. Mitis Resources Pty Ltd is the holder of the Barrambie Gold/Vanadium/Iron Project; and

(d) Wildfire Property Investments Pty Ltd for a cash consideration of $20,000. Wildfire Property Investments Pty Ltd is the holder of the Dales Gorge and Tom Price Iron Ore Prospects.

During the period the Company also entered into a Farm-in and Joint Venture Agreement over the Star of Mangaroon Gold Project to earn up to an 80% interest in the tenements by spending $500,000 within 5 years.

The company listed on ASX on 3 January 2007.

Lake Mason Uranium Project

Prime has commissioned a detailed low level radiometric/magnetic survey to be flown over its Lake Mason project area, commencing in March 2007. The objective is to define surface radiometric anomalies additional to Bolitho Bore and others for immediate follow up drill testing, and to define litho/chemical and hydrological trap sites where uranium mineralisation may have accumulated below the surface.

Prime holds a 100% interest in two tenements covering some 426km^2 located approximately 40km SW of BHP Billiton's Yeelirrie calcrete uranium deposit in Western Australia, the largest calcrete deposit in the world containing 52,000t of uranium. Prime's tenements cover the Lake Mason drainage system and surrounding areas, which have formed over predominantly Archaean granitoids and minor greenstones. It is assumed that the Lake Mason and Yeelirrie lake systems evolved during similar climatic conditions over a similar granitoid basement, but historical records show that there has been no systematic exploration over the Lake Mason drainage system for uranium.

Minor previous exploration with shallow air core drilling at the Bolitho Bore has defined pre-JORC target mineralisation of approximately 170,000kg U3O8 (374,000lbs) of uranium. This mineralisation is open to the south under the lake, and open to the west (upstream) and east (downstream).

Several other areas along this defined channel are covered by either water or non-radioactive sheet-wash sands and sediments that may have obscured a radiometric response in previously flown widely spaced (200m – 400m) airborne surveys. Prime believes these areas of shallow cover offer an excellent opportunity for the discovery of additional blind (buried) or partly blind uranium mineralisation, using very detailed low level radiometric surveying.

A key feature in the targeting of calcrete uranium deposits is the identification of hydrological trap sites within the palaeochannel systems. Prime has also targeted the intersection of the east-west oriented Lake Mason palaeo-channel with the north-south oriented Booylgoo Range greenstone belt, and several significant bends in the channel, as potential trap sites for uranium mineralisation.

Barrambie Vanadium/Iron and Gold Project Review

Prime has also commissioned a detailed low level radiometric/magnetic survey over the northern section of it Barrambie project area, following the completion of its Lake Mason survey. The objective of this survey is to define extensions to the known Barrambie vanadium/iron mineralisation (within the titaniferous magnetite horizons), and to define litho/structural positions favourable to the deposition of gold mineralisation.

Prime has an 80% interest in two tenements at Barrambie, located approximately 60 km NNW of Sandstone in Western Australia. The tenements are considered prospective for vanadium-titanium-iron and deposits of gold. The tenements cover 418km^2 of the Archaean Barrambie Greenstone Belt and enclosing granitoids. The centrally located Barrambie Sill, a layered mafic igneous complex, typically contains a core of concentrated vanadium bearing titaniferous-magnetite.

Reed Resources Ltd ("Reed") holds a vanadium-titanium-iron deposit in the Bay-Cove area, within a narrow 500 m wide, 11 km long mining lease which is centrally located within Prime's Barrambie project. Reed has published a JORC compliant Indicated and Inferred mineral resource of 39.2 Mt at an average grade of 0.49% V_2O_5 and 11.3 % TiO_2 and 22.3% Fe_2O_3 down to 80 metres depth over a strike length of 4.4 kilometres. Coarse airborne geophysical data and previous mapping, drilling and rock chip sampling indicate that Prime's tenements contain 24 strike kilometres of similar magnetic bodies. The new low-level airborne magnetic survey will largely define these bodies.

Previous exploration between 1985 and 1997 at Barrambie has defined the extensions of known gold mineralisation and also discovered new zones of mineralisation. Published pre-JORC target mineralisation spread over several deposits totals 161,522 tonnes at 3.34 g/t Au for 17,354 ounces. The planned airborne survey will help define gold targets within shear zones that are splays off the major north northwest trending Edale Fault, a structural position similar to the Lord Nelson deposit being mined by Troy Resources NL near Sandstone, approximately 80km to the SSE.

CHANGES IN STATE OF AFFAIRS

During the period ended 31 December 2006 there was no significant change in the entity's state of affairs other than that referred to in the financial statements or notes thereto.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the period ended 31 December 2006 is set out on page 5.

Signed in accordance with a resolution of the directors.

Vincent Hyde
Executive Director

Perth, 16 March 2007

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PRIME MINERALS LIMITED

As lead engagement partner for the review of Prime Minerals Limited for the period ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF
Chartered Accountants

Neil Smith
Partner

Dated at Perth, Western Australia this 16th day of March 2007

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PRIME MINERALS LIMITED
CONDENSED INCOME STATEMENT
For the period ended 31 December 2006

	Consolidated 31 December 2006 $
Revenue	79,581
Share based payments	(12,833)
Goodwill written off	(233,075)
Other expenses	(80,435)
Loss before income tax expense	(246,762)
Income tax expense	-
Net loss attributable to members of Prime Minerals Ltd	(246,762)
Basic loss per share (cents per share)	5.4
Diluted loss per share (cents per share)	5.4

The accompanying notes form part of these financial statements

PRIME MINERALS LIMITED
CONDENSED BALANCE SHEET
As at 31 December 2006

	Notes	Consolidated 31 December 2006 $
ASSETS		
Current Assets		
Cash and cash equivalents	2	2,102,920
Trade and other receivables		39,333
Total Current Assets		2,142,253
Non-Current Assets		
Exploration and evaluation expenditure	3	195,194
Total Non-Current Assets		195,194
TOTAL ASSETS		2,337,447
LIABILITIES		
Current Liabilities		
Trade and other payables		242,348
Total Current Liabilities		242,348
TOTAL LIABILITIES		242,348
NET ASSETS		2,095,099
EQUITY		
Issued capital	4	2,285,409
Reserves		56,452
Accumulated losses		(246,762)
TOTAL EQUITY		2,095,099

The accompanying notes form part of these financial statements

PRIME MINERALS LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2006

	Issued Capital	Accumulated Losses	Option Issue Reserve	Total Equity
	$	$	$	$
At beginning of period	-	-	-	-
Shares issued	2,975,907	-	-	2,975,907
Transaction costs on share issue	(690,498)	-	-	(690,498)
Share-based payments	-	-	56,452	56,452
Loss attributable to members of parent entity	-	(246,762)	-	(246,762)
At 31 December 2006	2,285,409	(246,762)	56,452	2,095,099

The above statement should be read in conjunction with the accompanying notes.

PRIME MINERALS LIMITED
CONDENSED CASH FLOW STATEMENT
For the period ended 31 December 2006

	Notes	Consolidated 31 December 2006 $
Cash flows from operating activities		
Payments to suppliers and employees		(60,231)
Interest received		6,398
Net cash flows used in operating activities		(53,833)
Cash flows from investing activities		
Payments for exploration expenditure		(16,254)
Acquisition of subsidiaries, net of cash acquired	2(ii)	(145,175)
Net cash flows used in investing activities		(161,429)
Cash flows from financing activities		
Proceeds from issue of shares		2,441,001
Share issue costs		(122,819)
Net cash flows from financing activities		2,318,182
Net increase in cash and cash equivalents		2,102,920
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	2	2,102,920

The accompanying notes form part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report for the period from incorporation to 31 December 2006 is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

Prime Minerals Limited was incorporated on 27 July 2006 and as such there is no comparative information. It is recommended that the financial report be considered together with any public announcements made by Prime Minerals Limited and controlled entities during the period ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The financial report covers the consolidated entity of Prime Minerals Limited and controlled entities. Prime Minerals Limited is a listed public company domiciled in Australia.

The financial report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as in a full financial report.

For the purpose of preparing the financial report, the period from incorporation to 31 December 2006 has been treated as a discrete reporting period.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Prime Minerals Limited (the Parent Entity) and its subsidiaries as at each reporting date (together referred to as the Group or consolidated entity).

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(f)). Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated.

The financial information has also been prepared under Accounting Standard AASB 3 "Business Combinations".

Mitis Resources Pty Ltd, a legal subsidiary, having been identified as the acquirer pursuant to Accounting Standard AASB 3, was responsible for the reverse acquisition of the Company (the "acquiree" and "legal parent") and as required by the standard, the business combination has been accounted for by applying the purchase method. The consolidated financial statements reflect the "continuing financial statements" of the legal subsidiary.

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(e) Income Tax

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

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

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

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

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

(f) Acquisition of Assets

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

(g) Impairment of Assets

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

(h) Exploration and Evaluation Expenditure

Exploration evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or

(ii) exploration and evaluation activities in the area have not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(i) Trade and Other Payables

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

(j) Equity

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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(k) Share Based Payment 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).

When provided, 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 binomial or black-scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Prime 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 award are treated as if they were a modification of the original award, as described in the previous paragraph.

(l) Earnings per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

2. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2006 $
Cash at bank	2,102,920

(i) Non-cash financing and investing activities

During the period the company:

(a) issued 4,000,000 fully paid ordinary shares at a cash issue price of $0.001 per share as part remuneration for services to the manager to the issue of the Prospectus dated 10 November 2006. The fair value of these shares at date of issue, being $400,000, has been treated as a capital raising cost.

(b) issued 14,000,000 full paid ordinary shares to Mitis Resources Pty Ltd pursuant to a reverse business combination with Mitis Resources Pty Ltd. The total cost of the business combination was $335,000. The fair value of the identifiable assets and liabilities as at the date of the reverse acquisition are:

	$
Cash	177,543
Trade and other receivables	4,464
	182,007
Trade and other payables	(34,885)
	147,122
Goodwill arising on acquisition	187,878
Cost of Business Combination	335,000

(ii) Acquisition of Subsidiaries

On 21 December 2006, Prime Minerals Limited acquired 100% of the voting shares of mineral exploration entities, as follows:

Fineloop Holdings Pty Ltd
Megaworld Pty Ltd
Wildfire Property Investments Pty Ltd

	$
The purchase price was allocate as follows:	
Cash consideration	150,000
Assets and liabilities acquired at acquisition date:	
Cash	4,825
Exploration and evaluation expenditure	99,978
Fair value of identifiable net assets	104,803
Goodwill arising on acquisition	45,197
	150,000
The cash outflow on acquisition is as follows:	
Net cash acquired with subsidiaries	4,825
Cash paid	(150,000)
Net cash outflow	(145,175)

The assets and liabilities arising from the acquisition are recognised at fair value which are equal to their carrying value at acquisition date.

3. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	31 December 2006 $
Exploration and evaluation phase – at cost	
Balance at beginning of period	-
Expenditure incurred	22,708
Exploration and evaluation expenditure in respect of areas of interest acquired upon acquisition of controlled entities	172,486
Total deferred exploration expenditure	195,194

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

4. ISSUED CAPITAL

	31 December 2006 $
Issued Capital	
Ordinary shares – fully paid	2,285,409

Movement in ordinary shares on issue	**Number**	**$**
Balance at beginning of period	-	-
Issued on incorporation on 27 July 2006	1	1
Issued for cash on 30 August 2006	1,000,000	1,000
Issued for cash on 31 August 2006	2,000,000	200,000
Issued for cash on 6 October 2006	350,000	35,000
Issued pursuant to business combination with Mitis Resources Pty Ltd on 21 December 2006	14,000,000	139,906
Issued to Manager to Issue of Prospectus dated 10 November 2006 on 21 December 2006	4,000,000	400,000
Issued for cash pursuant to Prospectus date 10 November 2006 on 21 December 2006	11,000,000	2,200,000
Transaction costs relating to share issues		(690,498)
Balance at end of period	32,350,001	2,285,409

5. SEGMENT INFORMATION

During the period, the consolidated entity operated principally in one business segment (for primary reporting) being mineral exploration, and one geographical segment (for secondary reporting) being Australia.

6. COMMITMENTS

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

(i) The Group has certain obligations to perform minimum exploration work totalling $65,000; and

(ii) Pursuant to a joint venture agreement, the Group must spend $500,000 by no later than 31 October 2010 to maintain its interest and it may not withdraw from the arrangement unless it has spent a minimum of $100,000 in exploration on the project.

7. CONTINGENT LIABILITIES

There are no material contingent liabilities at the date of this report.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the period which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

PRIME MINERALS LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

1) The financial statements and notes set out on pages 5 to 16 are in accordance with the Corporations Act 2001, including:

   (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001;

   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the period then ended.

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

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

Vincent Hyde
Executive Director

Perth, 16 March 2007

Chartered Accountants
& Business Advisers

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF PRIME MINERALS LIMITED

Report on the Interim Financial Report

We have reviewed the accompanying financial report of Prime Minerals Limited, and its controlled entities, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the period ended on that date, notes to the financial statements, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2006 or from time to time during the period then ended.

Directors' Responsibility for the Financial Report

The directors of the company and its controlled entities are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company and its controlled entities' financial position as at 31 December 2006 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Prime Minerals Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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PKF

Chartered Accountants
& Business Advisers

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Prime Minerals Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the period ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PKF

PKF
Chartered Accountants

Neil Smith
Partner

Dated at Perth, Western Australia this 16th day of March 2007.