LABTAM LIMITED
A.C.N. 004 749 508
AND ITS CONTROLLED ENTITIES

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2005

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TABLE OF CONTENTS

Directors Report

The Directors present their report together with the financial report of Labtam (the company) and the consolidated financial report of the economic entity, being the company and it's controlled entities for the year ended 30 June 2005 and the auditors' report thereon.

DIRECTORS

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

Mr A M Wing (Non Executive Director and Company Secretary) – appointed 12 March 2004
Mr G L Rice (Non Executive Director) – appointed 16 August 2005
Mr G R Anderson (Non Executive Director) – appointed 16 August 2005
Mr E F Stoyle (Non Executive Director) – appointed 20 October 2005
Mr C A Scrinis (Executive Director) – appointed 12 November 2004, resigned 25 August 2005
Mr G L Gosling (Executive Director) – appointed 12 March 2005, resigned 25 August 2005
Mr S L Gosling (Non Executive Director) – appointed 6 September 2004, resigned 25 August 2005
Mr P R Camm (Non Executive Director) – appointed 6 September 2004, resigned 25 August 2005

PRINCIPAL ACTIVITIES

The principal activities of the economic entity were to include growth, development and commercialisation within the electronic automation industry.

CONSOLIDATED RESULT

The consolidated profit for the year attributable to the members of Labtam Limited was $171,502 and (2004: profit $848,422).

INFORMATION ON DIRECTORS

Name :	Adrien Michele Wing, appointed 12 March 2004
Age :	31
Position :	Executive Director and Company Secretary
Experience :	Mr Adrien Wing is CPA qualified. He practised in the audit and corporate divisions of a second tier chartered accounting firm before working with a number of public companies on the Australian Stock Exchange as a corporate/accounting consultant and company secretary.

Name :	Gavan Leonard Rice, appointed 16 August 2005
Age :	59
Position :	Non Executive Director
Experience :	Mr Gavan Rice is a practising barrister of law for the Supreme Court of Victoria for the past 25 years. Mr Rice has had considerable previous experience as a director of public companies on the Australian Stock Exchange.

Name :	Garry Anderson, appointed 16 August 2005
Age :	57
Position :	Non Executive Director
Experience :	Mr Garry Anderson has over 30 years experience in private and public accounting. Mr Anderson previously been a director of several listed and unlisted public companies.

Name :	Edwin Stoyle appointed 20 October 2005
Age :	64
Position :	Non Executive Director
Experience :	Mr Edwin Stoyle has over 30 years experience in directing and managing public companies on the Australian Stock Exchange.

Name :	Constantine Andrew Scrinis, appointed 12 November 2004, resigned 25 August 2005
Age :	42
Position :	Executive Director
Experience :	Mr Scrinis was the Managing Director of Moonlighting Limited, a business he founded in 1991, until March 2004 when the business was sold. Moonlighting is a commercial and industrial lighting manufacturer with operations in all states of Australia and South East Asia. Mr Scrinis has served on the Board of numerous private companies and is formerly an Executive Member of the Lighting Council Australia. Mr Scrinis brings a vast array of management experience and has extensive expertise in mergers and acquisitions. Mr Scrinis is currently Managing Director of Traffic Technologies Limited, a traffic lights research and development company he founded in April 2000.

Name :	Garry Lloyd Gosling, appointed 12 March 2005, resigned 25 August 2005
Age :	47
Position :	Executive Director
Experience :	Mr Garry Gosling is experienced in the areas of reorganisation and restructuring of private and public companies with high expertise in the field of IT systems integration and business/management reorganisation. Combined with his broad and in depth working skill and experience, Mr Gosling lectures in advanced management at Deakin University. His skills will be utilised in the restructuring program that has been set for the company.

Name :	Lloyd Gosling, appointed 6 September 2004, resigned 25 August 2005
Age :	66
Position :	Non-Executive Director
Experience :	Mr Lloyd Gosling has a high level of experience in foreign and domestic markets whereby he has held senior positions in several multi national companies specialising in strategic business and marketing development and has highly developed relationships with foreign government departments. At present, Mr Gosling is a member of the Automotive Advisory Board to Deloitte Touche Tomatsu, Honorary Chairman of the Australian Automotive International Business Group, Director of Winchelsea Community Bank and Managing Director of Paladin Business Systems Pty Ltd.

Name :	Peter R Camm, appointed 6 September 2004, resigned 25 August 2005
Age :	57
Position :	Non-Executive Director
Experience :	Mr Camm has over 30 years of banking and finance experience in providing and arranging both debt and equity finance for private and public companies. Mr Camm has been heavily involved in the reconstruction of companies and their successful financial turnaround. During the past 9 years, Mr Camm has been involved in providing strategic advice to selected company boards and shareholders. Mr Camm is a director of several private companies and is a director of the National Trust of Australia.

DIVIDENDS

No dividends were declared or paid during the year ended 30 June 2005.

REVIEW OF OPERATIONS

The Company remained suspended from the Australian Stock Exchange. The Company was administered under a Deed of Company Arrangement until 28 October 2004 whereby all conditions under this Deed were effectuated. For more information, refer *Significant Changes in State of Affairs* below.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

A Deed of Company Arrangement was entered into on 14 November 2003. The Deed was to facilitate the recapitalisation of the company and it's subsequent relisting on the Australian Stock Exchange (ASX). The creditors agreed to an initial moratorium on their debts and then participation in a conversion of their debt to equity in the company.

On 19 August 2004, the Company held an Annual General Meeting, whereby it proposed to undertake restructuring for the purposes of satisfying the conditions of the Deed of Company Arrangement and to facilitate the recapitalisation of the Company and subsequently aim at relisting on the Australian Stock Exchange. The resolutions proposed included consolidating the company's share capital, reduction of share capital, issue of ordinary shares to Deed Creditors, issue of ordinary shares to AXE Limited, issue of ordinary shares to Seed Investors, changing the company's activities, changing the company's name to Labtam Limited, replace company's existing constitution, issuing of a prospectus to raise capital, apply for re-quotation of the company's securities on ASX, establish a company share option plan and issue of options. Shareholders approved all resolutions without amendment.

On 28 October 2004, the Company met all conditions under the Deed. As a consequence of satisfying the conditions set pursuant to the Deed, the Company sort and received a certificate of effectuation from the Company's administrators, Ferrier Hodgson.

On 29 October 2004, the Company lodged a prospectus with the Australian Securities and Investments Commission (ASIC) for the purposes of acquiring and further developing an electronics and manufacturing business, Labtam Pty Ltd. Unfortunately, the Company was unsuccessful in achieve its minimum subscriptions pursuant to the terms and conditions of the prospectus. As a consequence, the prospectus was withdrawn and all funds raised under the prospectus were refunded to the applicable subscribers.

Subsequent to the withdrawal of the prospectus dated 29 October 2004, the Company aimed at identifying expressions of interest in the Company. The Company identified several offers of interest in recapitalising and relisting the Company on the ASX.

On 25 May 2005, the Company entered into an agreement with Loch Securities Pty Ltd to issue 20 million shares in the Company at 1 cent per share, subject to shareholder approval. The purpose of the issue was to extinguish existing creditors and to provide working capital.

The Company is actively identifying investment opportunities for the purposes of recapitalising and relisting on the ASX.

LIKELY DEVELOPMENTS

Further information regarding likely developments in operations of the economic entity, and the expected results of those operations in subsequent financial years, has not been included in the report because, in the opinion of the directors, its disclosure would prejudice the interests of the economic entity.

EVENTS SUBSEQUENT TO BALANCE DATE

On 10 August 2005, the Company held a shareholders meeting whereby it resolved to issue 20 million shares at 1 to Loch Securities Pty Ltd. The shareholders approved the resolution to issue such shares without amendment. The funds raised ($200,000) were used to extinguish existing creditors that were outstanding at the time and for working capital purposes.

On 16 August 2005, Mssrs G Rice and G Anderson were appointed to the board of directors. On 25 August 2005, Mssrs L Gosling, C Scrinis, G Gosling and P Camm resigned from the board of directors.

On 25 September 2005, two and a half (2.5) million of these unlisted directors' options lapsed when directors, Mssrs L Gosling, C Scrinis, G Gosling and P Camm resigned from being directors of the Company.

On 4 October 2005, the Company issued 500,000 shares under Chapter 7 of ASX Listing Rules at 5 cents per share. The funds raised are currently being used for working capital purposes.

MEETINGS OF DIRECTORS

The number of meetings attended by each Director who held office during the year were:.

Name	**Meetings this year held whilst a director**	**Director's Meetings attended**
Mr C Scrinis *	7	7
Mr L Gosling *	7	7
Mr G Gosling *	7	7
Mr A Wing	8	8
Mr P Camm *	7	7
Mr G Rice #	1	1
Mr G Anderson #	1	1
Mr E Stoyle **	-	-

* Resigned 25 August 2005, # Appointed 16 August 2005, **Appointed 20 October 2005

DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the share capital of the company shown in the Register of Directors share holdings as at the date of this report is:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr A Wing	-	500,000
Mr G Rice	-	-
Mr G Anderson	-	-
Mr E Stoyle	500,000	-

RENUMERATION REPORT

The Company has no employed executives and no remuneration is provided to Directors for their services as Directors. Accordingly, the Company does not have a current policy related to remuneration of executives or Directors.

There are no performance based amounts payable to Directors nor are any Directors paid fees other than consulting fees paid to director – related entities for services rendered to the Company except for the following:

The names and positions of each person who held the position of director or executive at any time during the financial year is provided below:

	Directors' fees $	Salary $	Options $	Fees for Services Provided $	Total $
Mr C Scrinis *	-	-	28,000	-	28,000
Mr L Gosling *	-	-	56,000	-	56,000
Mr G Gosling *	-	-	28,000	-	28,000
Mr A Wing	-	-	28,000	-	28,000
Mr P Camm *	-	-	28,000	-	28,000
Mr G Rice #	-	-	-	-	-
Mr G Anderson #	-	-	-	-	-
Mr E Stoyle **	-	-	-		-
			168,000	-	168,000

* Resigned 25 August 2005, # Appointed 16 August 2005, **Appointed 20 October 2005

The above options were issued to Directors subsequent to shareholder approval pursuant to the Annual General Meeting held on 19 August 2004. The options held by Directors who resigned on 25 August 2005 lapsed on 25 September 2005. The options were valued at 5.6 cents, in accordance with a report prepared on 21 June 2004 by William Buck.

SHARE OPTIONS

As at the date of this report, there are 500,000 unlisted options outstanding exercisable at 20 cents on or before 17 September 2009. On 19 August 2004 the shareholders of the company approved the establishment of a company share option plan and the issue of options, whereby three (3) million unlisted options were issued to Directors. Two and a half (2.5) million of these unlisted directors' options lapsed on 25 September 2005, being the month subsequent to when the said directors who held these options, resigned as directors of the Company. See above at *Remuneration Report* for further details.

ENVIRONMENTAL ISSUES

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any Directors of the Company.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under section 307C in relation to the audit for the financial year is provided with this report.

PROCEEDINGS ON BEHALF OF COMPANY

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

Dated at Melbourne on 22nd December 2005

Signed in accordance with a resolution of Directors.

Adrien Michele Wing
Director

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Labtam Limited

In relation to the independent audit for the year ended 30 June 2005, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001.

(ii) No contraventions of any applicable code of professional conduct.

PITCHER PARTNERS

SID CATLIN
Partner

Melbourne

21 December 2005

Corporate Governance Statement

The Board of Directors has implemented the Best Practice Recommendation of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the company's business as described below.

As disclosed in the Directors' Report, the Company is actively identifying investment opportunities for the purposes of recapitalising and relisting on the ASX.

Principle 1: Lay solid foundations for management and oversight

The board has been structured to ensure that an appropriate mix of experience and expertise is available to provide strategic guidance for the company and effective oversight of management. Directors' qualifications and experience is detailed in the 'Information on Directors' section of the Directors' Report.

The board determines the allocation of the individual responsibilities to board members having regard to the individual's skills and expertise. The Board of Directors is responsible for:

- Oversight of the company
- Development of corporate strategy and performance objectives
- Oversight of risk management and internal control systems to ensure legal and regulatory compliance
- Monitoring and reporting financial performance.

Principle 2: Structure the board to add value

The chairperson is a non executive director. All directors are deemed to be "independent directors" as defined by the ASX Corporate Governance Best Practice Recommendations for the following reasons:

- There are no directors that are substantial shareholders of the company or are directly associated with a substantial shareholder of the company.

The size and nature of the business does not call for a formal nomination committee. The board acts as a whole to identify the competencies required by the board and appropriate action is taken to access any additional skills when deemed necessary.

Principle 3: Promote ethical and responsible decision-making

All directors and officers of the company are required to discharge their responsibilities ethically and with integrity. The company's code of conduct requires:

- Conflicts of interest to be disclosed to the board at the earliest opportunity including any transactions that might result in personal gain;
- Directors and officers must act in the best interest of the company and are prohibited from taking advantage of property, information or their position for personal gain;
- All company information is deemed to be confidential and may not be disclosed to third parties, except where disclosure is authorised or legally mandated. In these circumstances, the information must be authorised by the board before being publicly disclosed;
- The company complies with all relevant laws and regulations;
- Company assets are only to be used for legitimate business purposes;
- Unlawful and unethical behaviour is to be reported to the board in confidence, with protection for those who report violations in good faith.

The law prohibits insider trading and the Corporations Act 2001 and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the company's securities. The company secretary must be notified of any intended trading and must also be provided with confirmation that the trading has occurred.

Principle 4: Safeguard integrity in financial reporting

The board has not appointed a chief executive officer or chief financial officer, however the executive director acts in these functions. The board obtains an annual declaration from the executive director that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The size and nature of the business does not call for a formal audit committee. The board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be handled by the full board.

A director declares in writing to the board that the Company's financial statements for the year ended 30 June 2005 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards. This representation is made by a director prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after inquiry of, and representation by the members of the board.

Principle 5: Make timely and balanced disclosure

The board has responsibility for compliance with the ASX Listing Rules disclosure requirements. Company announcements must be:

- made in a timely manner;
- factual;
- contain all relevant information;
- expressed in a clear and objective manner so that investors can assess the impact of that information on their investment decisions.

Principle 6: Respect the rights of shareholders

The board respects the rights of shareholders and supports the effective exercise of those rights by:

- direct communication with shareholders at the annual general meeting and response to shareholder questions throughout the year.

Principle 7: Recognise and manage risk

The directors have responsibility for assessing the company's risk management and internal control systems. Having regard to the nature and size of the business, risk management policies and procedures have not been formally documented as the board considers that the costs of documentation would out weigh the benefits. Due to the close involvement of the directors in the oversight of operations, any issues arising are brought to the attention of the board at the earliest opportunity for resolution.

The board has not appointed a chief executive officer or chief financial officer, however the executive director acts in these functions. The executive director provides an annual declaration to the board stating that:

- the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board;
  and

- the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Encourage enhanced performance

The performance of directors is reviewed periodically by the board as a whole. Directors and officers are encouraged to participate in continuing education programs that will update their skills and knowledge of key developments within the industry in which the company operates, and regulatory and legislative changes that impact on reporting responsibilities.

Principle 9: Remunerate fairly and responsibly

The Board as a whole, assesses director and executive remuneration and incentive policies and obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Further details regarding components of directors' and executive remuneration are provided in the notes to the financial statements.

Principle 10: Recognise the legitimate interests of stakeholders

The board recognises that the company has wide ranging obligations to a broad range of stakeholders. Some of these obligations are covered by legal requirements such as trade practices, equal opportunity and environmental issues.

The company is committed to good corporate citizenship and endeavours to support the local community in which it operates where appropriate.

Given the size and nature of the business, and the relatively early stages of identification of generally accepted suitable criteria to assess performance, the board has determined to continue to monitor developments at this stage, with a view to developing a code of conduct applicable to the broader group of stakeholders in the future.

LABTAM LIMITED
A.C.N. 004 749 508
AND ITS CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Revenues from other activities	2	521,298	1,215,275	521,298	740,591
Commercial overheads	3(b)	(349,796)	(182,043)	(475,081)	(182,043)
Costs of business restructure	3(a)	-	(184,810)	-	(184,810)
Total expenses from ordinary activities		(349,796)	(366,853)	(475,081)	(366,853)
Profit/(Loss) From Ordinary Activities Before Income Tax		171,502	848,422	46,217	373,738
Income tax expense/(benefit) relating to ordinary activities	4	-	-	-	-
Profit/(Loss) After Income Tax		171,502	848,422	46,217	373,738
Profit/(Loss) After Income Tax Attributable to Members of the company	12	171,502	848,422	46,217	373,738
Basic Earnings per share (cents per share)	5	1.27	3.08		
Diluted Earnings per share (cents per share)	5	1.06	n/a		

The accompanying notes form part of these financial statements.

LABTAM LIMITED
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
CURRENT ASSETS					
Cash at bank		266,266	-	266,266	-
Receivables	7	12,177	-	12,177	-
Total Current Assets		278,443	-	278,443	-
NON-CURRENT ASSETS					
Fixed Assets (Computer Equipment)	8	-	3,500	-	3,500
Total Non-Current Assets		-	3,500	-	3,500
TOTAL ASSETS		278,443	3,500	278,443	3,500
CURRENT LIABILITIES					
Payables	9	471,274	1,344,352	471,274	1,219,066
Total Current Liabilities		471,274	1,344,352	471,274	1,219,066
TOTAL LIABILITIES		471,274	1,344,352	471,274	1,219,066
NET DEFICIENCY OF ASSETS		(192,831)	(1,340,852)	(192,831)	(1,215,566)
EQUITY					
Share capital	10	2,632,563	7,192,270	2,632,563	8,848,314
Reserves	11	1,468,116	1,468,116	1,468,116	1,468,116
Accumulated losses	12	(4,293,510)	(10,001,238)	(4,293,510)	(11,531,996)
TOTAL EQUITY		(192,831)	(1,340,852)	(192,831)	(1,215,566)

The accompanying notes form part of these financial statements.

LABTAM LIMITED
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Cash flows from Operating Activities					
Cash receipts in the course of operations		-	79,089	-	79,089
Cash payments in the course of operations		(441,095)	(295,561)	(441,095)	(295,561)
Interest received		7,825	-	7,825	-
Interest paid		-	-	-	-
Net cash used in Operating Activities	13 (ii)	(433,270)	(216,472)	(433,270)	(216,472)
Cash flows from Investing Activities					
Payments for plant and equipment		-	(3,500)	-	(3,500)
Net cash used in Investing Activities		-	(3,500)	-	(3,500)
Cash flows from Financing Activities					
Proceeds from issue of share capital		419,536	-	419,536	-
Proceeds from director-related entity borrowings		30,000	651,722	30,000	651,722
Proceeds from prospectus – held in trust		559,640		559,640	
Repayment of proceeds from prospectus – held in trust		(309,640)		(309,640)	
Repayment of bank loans		-	(364,065)	-	(364,065)
Net cash provided by Financing Activities		699,536	287,657	699,536	287,657
Net increase/(decrease) in cash held		266,266	67,685	266,266	67,685
Cash at the beginning of the year		-	(67,685)	-	(67,685)
Cash at the end of the year	13 (i)	266,266	-	266,266	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of the financial report are:

Basis of Preparation

The financial report is a general purpose financial report prepared in accordance with Accounting Standards and Urgent Issues Group Consensus Views, other mandatory reporting requirements and the Corporations Act 2001. The financial report covers the economic entity of Labtam Limited and controlled entities, and Labtam as an individual parent entity. Labtam Limited is a listed public company, however it has been suspended from ASX since 9 January 2001, incorporated and domiciled in Australia. The financial report has been prepared on historical cost basis. The accounting policies have been consistently applied.

Going Concern

Refer to Note 18 Significant Changes in State of Affairs and Note 19 Events Subsequent to Reporting Date.

The continuing viability of the company and its ability to continue as a going concern and meet debts and commitments as they fall due is dependent upon:

(i) the continued financial support of the new directors; and
(ii) a successful recapitalisation process and relisting on the ASX.

As a result of these matters, there is some uncertainty whether the company will continue as a going concern. However, the directors believe that the company will be successful in the above matters and, accordingly have prepared the financial report on a recoverable amount basis.

Principles of Consolidation

The consolidated financial statements comprise the financial report of the Company, being the parent entity, and its controlled entities.

All inter-entity balances and transactions (including unrealised profits or losses) have been eliminated on consolidation.

Income Tax

The liability method of tax-effect accounting has been adopted in the preparation of the financial report. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits which include tax losses are only brought to account when their realisation is virtually certain.

A decision in relation to the impact of the tax consolidation legislation and whether the company and its subsidiaries will form a tax-consolidated group, will be made by the directors, in consultation with their advisors.

Investments

Controlled Entities

Investments in controlled entities are carried in the holding company's financial report at cost less amounts written off to recognise any permanent diminution in value. Dividends are brought to account in the profit and loss account when they are proposed by the controlled entities.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised when receivable.
Revenue from the rendering of a service is recognises upon the delivery of service to the customers.
All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or part of an item of the expense.
Receivables and payables in the statement of financial position are shown inclusive of GST.

Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

	Economic Entity		Parent Entity	
NOTE 2. REVENUE	**2005**	**2004**	**2005**	**2004**
Non-operating activities				
Forgiveness of debt	513,473	1,215,275	513,473	740,591
Interest	7,825	-	7,825	-
Other revenue	-	-	-	-
Total Revenue	521,298	1,215,275	521,298	740,591

NOTE 3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax has been determined after:

(a) Costs of business restructure				
Receiver, manager and administrator fees	-	45,470	-	45,470
Other professional fees	-	139,340	-	139,340
	-	184,810	-	184,810
(b) Commercial Overheads				
Accountancy fees	7,000	62,924	7,000	62,924
Bad debt – controlled entity	-	-	125,285	-
Business administration fees	44,133	18,182	44,133	18,182
Fees paid to director related entities	87,416	-	87,416	-
Interest	-	77	-	77
Auditors' remuneration				
Audit services	20,000	35,000	20,000	35,000
Other services	47,372	37,605	47,372	37,605
	67,372	72,605	67,372	72,605
Corporate restructure	140,243	-	140,243	-
Rent	-	18,182	-	18,182
Commercial overheads	-	4,534	-	4,534
Other business expenses	3,632	5,539	3,632	5,539
Total commercial overheads	349,796	182,043	475,081	182,043

	Economic Entity		Parent Entity	
	2005	**2004**	**2005**	**2004**
NOTE 4. INCOME TAX EXPENSE				
Prima facie income tax expense calculated at 30% (2004: 30%) on the operating profit/(loss)	51,451	254,527	13,865	112,121
(Decrease)/Increase in income tax expense due to:				
Tax benefit on tax losses not bought to account	-	110,056	-	110,056
Audit fee accrual	3,000	-	3,000	-
Non-deductible expenses	23,124	-	23,124	-
Offset of non-taxable capital profit against future carry forward tax losses	76,467	-	114,053	-
Non-taxable capital profit on debt forgiveness	(154,042)	(364,583)	(154,042)	(222,177)
	-	-	-	-

The directors have been advised that the non-taxable capital profit on the debt forgiveness derived in the year ended 30 June 2005 are to be applied against carry forward capital and revenue losses and the cost base of assets (if any). There is no future income tax benefit brought to account in respect of tax losses of the group. In October 2004, the new directors were advised that past tax losses arising in the current year and those from prior years cannot be utilised in future years. Therefore there is no future income tax benefit brought to account in respect of tax losses of the group.

NOTE 5. EARNINGS PER SHARE	**2005**	**2004**
Earnings used in the calculation of basic and diluted earnings per share	171,502	848,422
Weighted average number of ordinary shares used in the calculation of basic earnings per share	13,524,613	27,520,274
Number of share options on issue	3,000,000	-
Weighted average number of Share Options issued during the year	2,589,041	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	16,113,654	27,520,274

NOTE 6. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or proposed by the Company since the end of the previous financial year (2004: $Nil).

	Economic Entity		Parent Entity	
	2005	**2004**	**2005**	**2004**
Franking credits available at the 30% corporate tax rate are:				
Class C – franked to 30% (2004: 30%)	775,114	775,114	775,114	775,114

NOTE 7. RECEIVABLES

GST receivable	12,177	-	12,177	-
	12,177	-	12,177	-

NOTE 8. FIXED ASSETS

Computer - at cost	3,500	3,500	3,500	3,500
Write off fixed asset	(3,500)	-	(3,500)	-
	-	3,500	-	3,500

NOTE 9. PAYABLES

CURRENT				
Loans, director-related entities	-	651,722	-	651,722
Trade creditors	191,274	685,390	191,274	560,104
Shares held in trust – repayable	250,000	-	250,000	-
Deposit held in trust	30,000	-	30,000	-
Other creditors	-	7,240	-	7,240
	471,274	1,344,352	471,274	1,219,066

NOTE 10. SHARE CAPITAL

8,600,000 (2004: 27,520,274) fully paid ordinary shares	2,632,563	7,192,270	2,632,563	8,848,314

Movement in share capital:	**No.**	**$**
Opening balance – 1 July 2004	27,520,274	8,848,314
Reduction of capital per s. 256C(1) of *Corporations Act 2001* (see Note 12).	-	(7,192,270)
Consolidation of capital (1:100 basis, 21 September 2004).	(27,245,071)	-
Issue to deed creditors in lieu of debt forgiveness (19 August 2004) @ 20 cents.	217,415	43,483
Issue to secured creditor – AXE Ltd (19 August 2004) @ 20 cents.	2,500,000	500,000
Share placement (19 August 2004) @ 6.67 cents.	4,500,000	300,150
Share placement in October 2004 @ 12 cents.	1,107,382	132,886
Closing balance – 30 June 2005	8,600,000	2,632,563

SHARE OPTIONS

On 19 August 2004 the shareholders of the company approved the establishment of a company share option plan and the issue of three (3) million unlisted options to directors exercisable at 20 cents on or before 17 September 2009. On 25 September 2005, two and a half (2.5) million of these unlisted directors' options lapsed when directors, Mssrs L Gosling, C Scrinis, G Gosling and P Camm resigned from being directors of the Company.

As at the date of this report there are 500,000 unlisted options outstanding exercisable at 20 cents on or before 17 September 2009.

	Economic Entity		Parent Entity	
	2005	**2004**	**2005**	**2004**
NOTE 11. RESERVES				
General reserve	1,468,116	1,468,116	1,468,116	1,468,116
	1,468,116	1,468,116	1,468,116	1,468,116

NOTE 12. ACCUMULATED LOSSES

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Accumulated losses at the beginning of the financial year		(10,001,238)	(10,849,660)	(11,531,996)	(11,905,734)
Transfer to share capital		(1,656,044)	-	-	-
Net profit/(loss) attributable to members of the entity		171,502	848,422	46,217	373,738
Reduction of capital per s. 256C(1) of *Corporations Act 2001* (see Note 10)		7,192,270	-	7,192,270	-
Accumulated losses at reporting date		(4,293,510)	(10,001,238)	(4,293,510)	(11,531,996)

NOTE 13. NOTES TO THE STATEMENT OF CASHFLOWS

(i) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Cash held at bank		16,266	-	16,266	-
Cash held on trust		250,000		250,000	
		266,266	-	266,266	-
(ii) Reconciliation of Cashflow from Operations with Loss from Ordinary Activities after Income Tax					
Operating profit/(loss) after income tax		171,502	848,422	46,217	373,738
Net cash from operating Activities before change in net assets and liabilities		171,502	848,422	46,217	373,738
Write off computer (fixed asset)		3,500	-	3,500	-
Bad debt – controlled entity		-	-	125,285	-
Consulting fees		13,500	-	13,500	-
Forgiveness of debt		513,473	-	513,473	-
Change in assets and liabilities during the financial year					
(Increase)/decrease in receivables		(12,177)	-	(12,177)	-
Increase/(decrease) in payables		(256,528)	(1,064,894)	(256,528)	(590,210)
Net cash provided by operating activities		(433,270)	(216,472)	(433,270)	(216,472)

(iii) Financing Facilities

The economic entity does not have any finance facilities in place.

(iv) Non Cash Items

- On 19 August 2004 shareholders approved the issue of 217,415 shares to Deed Creditors as a means of forgiveness of debt, at the issue price of 20 cents per share, for the total deed creditors value of $543,536 being $43,483 that is a distribution of 8 cents in the dollar, representing $500,053 in debt forgiveness ($545,536 less $43,483) for the parent and economic entity.
- On 19 August 2004, AXE Limited were issued 2,500,000 shares at the issue price of 20 cents per share, in lieu of it's debt of $513,420, representing a debt forgiveness of $13,420 for the parent and economic entity.
- During the year, non associated consulting services were paid for by way of issuing 202,398 shares at an issue price of 6.67 cents per share, representing $13,500 in value.

NOTE 14. REMUNERATION AND RETIREMENT BENEFITS

There were no directors' or executive officers' remuneration paid during the year ended 30 June 2005 except as follows:

DIRECTORS AND EXECUTIVES EMOLUMENTS

The names and positions of each person who held the position of director or executive at any time during the financial year is provided below:

	Directors' fees	Salary	Options	Fees for Services Provided	Total
	$	$	$	$	$
Mr C Scrinis *	-	-	28,000	-	28,000
Mr L Gosling *	-	-	56,000	-	56,000
Mr G Gosling *	-	-	28,000	-	28,000
Mr A Wing	-	-	28,000	-	28,000
Mr P Camm *	-	-	28,000	-	28,000
Mr G Rice #	-	-	-	-	-
Mr G Anderson #	-	-	-	-	-
Mr E Stoyle **	-	-	-		-
			168,000	-	168,000

* Resigned 25 August 2005, # Appointed 16 August 2005, **Appointed 20 October 2005

The above options were issued to Directors subsequent to shareholder approval sort on 19 August 2004. The options held by Directors who resigned on 25 August 2005 lapsed on 25 September 2005. The options were valued at 5.6 cents, in accordance with a report prepared on 21 June 2004 by William Buck.

No directors or senior executives emoluments were paid during the comparative year ended 30 June 2004.

OPTION PLAN

Movements in the number of share option held by directors are as follows:

	2005 No.	2004 No.
Balance at the beginning of the financial year (i)	-	-
Granted during the financial year (ii)	3,000,000	-
Exercised during the year (iii)	-	-
Lapsed during the year (iv)	-	-
Balance at the end of the financial year (v)	3,000,000	-

(i) Balance at the beginning of the financial year

There were no options issued in the prior year.

(ii) Granted during the year

	No.	Grant Date	Expiry Date	Consideration	Exercise price $
Series 1 – Issued August 2004	3,000,000	19/8/04	17/9/09	-	0.20

The options vested immediately without any performance hurdles or waiting period.

The options will not be exercisable until quotation of Labtam Limited's securities has been reinstated on the ASX.

(iii) Exercised during the year

No options were exercised during the year.

(iv) Lapsed during the year

No options lapsed during the year.

Subsequent event

On the 25th September 2005 the following options lapsed:

	No.	$
Series 1 – Issued August 2004	2,500,000	140,000

(v) Balance at the end of the financial year

	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise price $
Series 1 – Issued August 2004	3,000,000	-	3,000,000	19/8/04	17/9/09	0.20

The relevant interest of each Director in the share capital of the company shown in the Register of Directors share holdings as at the date of this report is:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Mr A Wing *	-	500,000
Mr G Rice	-	-
Mr G Anderson	-	-
Mr E Stoyle	500,000	-

* On 19 August 2004, shareholders approved the issue of options pursuant to an Employee Incentive Scheme to Directors who held office at that time. The options issued to Mr Adrien Wing are the only option that remain due to the resignation of all other directors who previously received the said options.

NOTE 15. RELATED PARTY DISCLOSURES

Mr Con Scrinis, Mr Garry Gosling, Mr Adrien Wing and Peter Camm do not receive remuneration by the economic entity except as provided above at Note 14 - *Directors and Executives Emoluments*, but companies of which Mr Con Scrinis, Mr Garry Gosling, Peter Camm and Mr Adrien Wing are related to and in which they have a financial interest have charged Labtam Limited consulting and professional fees during the year. Wired Capital Pty Ltd, an entity related to Mr Garry Gosling has charged $53,250 (2004:$29,091), Northern Star Nominees Pty Ltd, an entity related to Mr Adrien Wing has charged $21,833 (2004: $28,725), Lincam Trading Pty Ltd, an entity related to Peter Camm has charged $12,333 (2004: $Nil) and AXE Limited, an entity related to Mr Con Scrinis has charged $Nil (2004:$123,577). All director-related dealings with the company were and are conducted in the ordinary course of business and on normal commercial terms and conditions.

NOTE 16. CONTROLLED ENTITIES

(a) Controlled Entities

Parent Entity	Country of Incorporation	Percentage Owned (%) 2005	2004
Labtam Limited	Australia		
Subsidiaries of Labtam Limited			
W E Smith Engineering Pty Ltd	Australia	100	100
PT Heat Exchangers Indonesia Pty Ltd	Australia	100	100

The Company is currently endeavouring to have the above subsidiaries deregistered.

NOTE 17. SEGMENT REPORTING

Geographical Segment
The company operated predominantly in one geographical segment being Australia.

Industry Segment
Prior to the appointment of the receiver and manager, the business operated predominantly in the process heat transfer engineering industry.

NOTE 18. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

A Deed of Company Arrangement was entered into on 14 November 2003. The Deed is to facilitate the recapitalisation of the company and it's subsequent relisting on the Australian Stock Exchange (ASX). The creditors have agreed to an initial moratorium on their debts and then participation in a conversion of their debt to equity in the company.

On 19 August 2004, the Company held an Annual General Meeting, whereby it proposed to undertake restructuring for the purposes of satisfying the conditions of the Deed of Company Arrangement and to facilitate the recapitalisation of the Company and subsequently aim at relisting on the Australian Stock Exchange. The resolutions proposed included consolidating the company's share capital, reduction of share capital, issue of ordinary shares to Deed Creditors, issue of ordinary shares to AXE Limited, issue of ordinary shares to Seed Investors, changing the company's activities, changing the company's name to Labtam Limited, replace company's existing constitution, issuing of a prospectus to raise capital, apply for re-quotation of the company's securities on ASX, establish a company share option plan and issue of options. Shareholders approved all resolutions without amendment.

On 28 October 2004, the Company met all conditions under the Deed. As a consequence of satisfying the conditions set pursuant to the Deed, the Company sort and received a certificate of effectuation from the Company's administrators, Ferrier Hodgson.

On 29 October 2004, the Company lodged a prospectus with the Australian Securities and Investments Commission (ASIC) for the purposes of acquiring and further developing an electronics and manufacturing business, Labtam Pty Ltd. Unfortunately, the Company was unsuccessful in achieve its minimum subscriptions pursuant to the terms and conditions of the prospectus. As a consequence, the prospectus was withdrawn and all funds raised under the prospectus were refunded to the applicable subscribers.

Subsequent to the withdrawal of the prospectus dated 29 October 2004, the Company aimed at identifying expressions of interest in the Company. The Company identified several offers of interest in recapitalising and relisting the Company on the ASX.

On 25 May 2005, the Company entered into an agreement with Loch Securities Pty Ltd to issue 20 million shares in the Company at 1 cent per share, subject to shareholder approval. The purpose of the issue was to extinguish existing creditors and to provide working capital.

The Company is actively identifying investment opportunities for the purposes of recapitalising and relisting on the ASX.

NOTE 19. EVENTS SUBSEQUENT TO REPORTING DATE

On 10 August 2005, the Company held a shareholders meeting whereby it resolved to issue 20 million shares at 1 to Loch Securities Pty Ltd. The shareholders approved the resolution to issue such shares without amendment. The funds raised ($200,000) were used to extinguish existing creditors that were outstanding at the time and for working capital purposes.

On 25 August 2005, Messrs G Rice and G Anderson were appointed to the board of directors. On the same day, Messrs L Gosling, C Scrinis, G Gosling and P Camm resigned from the board of directors.

On 25 September 2005, two and a half (2.5) million of these unlisted directors' options lapsed when directors, Messrs L Gosling, C Scrinis, G Gosling and P Camm resigned from being directors of the Company.

On 4 October 2005, the Company issued 500,000 shares under Chapter 7 of ASX Listing Rules at 5 cents per share. The funds raised are currently being used for working capital purposes.

NOTE 20. FINANCIAL INSTRUMENTS

Credit Risk

At 30 June 2005 the entity had no exposure to credit risk.

Net Fair Values

The net fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the statement of financial position and in the notes to the financial statements.

Interest rate risk

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

			Fixed Interest Rate			
30 June 2005 **Financial Instruments**	**Average Interest Rate %**	**Variable Interest Rate**	**Less Than 1 Year**	**1 to 5 Years**	**Non-Interest Bearing**	**Total**
Financial Assets						
Cash at bank	-	3.0	-	-	-	266,266
Receivables	-	-	-	-	12,177	12,177
Total Financial Assets					**12,177**	**278,443**
Financial Liabilities						
Trade payables	-	-	-	-	471,274	471,274
Total Financial Liabilities	-	-	-	-	**471,274**	**471,274**

			Fixed Interest Rate			
30 June 2004 **Financial Instruments**	**Average Interest Rate %**	**Variable Interest Rate**	**Less Than 1 Year**	**1 to 5 Years**	**Non-Interest Bearing**	**Total**
Financial Liabilities						
Bank loans	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-
Trade payables	-	-	-	-	1,344,352	1,344,352
Total financial liabilities	-	-	-	-	**1,344,352**	**1,344,352**

NOTE 21. THE IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The entity has evaluated the key differences in accounting policies that are expected to arise from adopting AIFRSs and the key differences in accounting policies that are expected to arise from adopting AIFRS are detailed below. The transition date for first-time adoption of AIFRS is 1 July 2004. A reconciliation of estimated adjustments to opening balances at 1 July 2004, together with restated results under AIFRSs for the financial year to 30 June 2005, is provided in Note 22.

(i) Share based payments
Under AASB 2 Share-based Payment, the company will be required to determine the fair value of equity settled transactions and recognise an expense in the Statement of Financial Performance. Share-based payments to directors and other employees (such as the grant of options under an Employee Share Option Plan) will also be expensed under AIFRS.

On first-time adoption of AIFRSs, retained earnings at 1 July 2004 and reported results for the financial year to 30 June 2005 will be adjusted for all share-based payments granted after 7 November 2002, which do not vest prior to 1 January 2005. An estimate of the financial impact is provided in the reconciliation in Note 22 below.

(ii) Income taxes
Under AIFRS, a balance sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable income and accounting profit. In addition, a future income tax benefit must be recognized for tax losses where their realization is considered probable. Under current Australian accounting standards tax losses may only be recognized where realization is considered to be virtually certain.

On first-time adoption of AIFRSs, adjustments to the provision for deferred tax will be required for initial asset revaluations, foreign currency exchange provisions and tax losses.

NOTE 22: RECONCILIATION OF REPORTED AMOUNTS UNDER AUSTRALIAN ACCOUNTING STANDARDS TO AIFRS

	Economic Entity	*Parent Entity*
(a) Reconciliation of Total Equity at 1 July 2004		
Total equity at 1 July 2004:	$	$
As reported under Australian Accounting Standards	(1,340,852)	(1,215,566)
Total equity at 1 July 2004 as restated under AIFRSs	(1,340,852)	(1,215,566)
(b) Reconciliation of Operating Profit after Tax for the year ended 30 June 2005		
Operating profit after tax for the financial year to 30 June 2005:	$	$
As reported under Australian Accounting Standards	171,502	46,217
Share-based payments	(168,000)	(168,000)
Operating profit after tax as restated under AIFRS for the year ended 30 June 2005	3,502	(121,783)
(c) Reconciliation of Total Equity at 30 June 2005		
Total equity at 30 June 2005:	$	$
As reported under Australian Accounting Standards	(192,831)	(192,831)
Share-based payments/option reserve		
• Dr Retained Earnings	168,000	168,000
• Cr Options Granted Reserve	(168,000)	(168,000)
Total equity at 30 June 2005 as restated under AIFRS	(192,831)	(192,831)

NOTE 23. COMPANY DETAILS

The address of the principal registered office in Australia is:

Level 13
500 Collins Street
MELBOURNE VIC 3000

The address of the principal place of business in Australia is:

Level 13
500 Collins Street
MELBOURNE VIC 3000

LABTAM LIMITED
A.C.N. 004 749 508
AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Labtam Limited, I declare that:

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 2005 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (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. The Executive Director has declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. 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 2005.

Adrien Wing
Director

22nd **December 2005**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

SHAREHOLDING ANALYSIS

AT 6 DECEMBER, 2005

This is the most recent record received from the share register by the company secretary.

(a) Distribution of Shareholders

The distribution of shareholding was as follows :

SIZE OF SHAREHOLDING	ORDINARY SHAREHOLDERS
1 - 10,000	510
10,001 - 100,000	55
100,001 - Over	22
	587

(b) Due to the suspension on the ASX, the number of shareholders with less than marketable parcels is 587.

(c) Class of Shares and Voting Rights

At 6 December 2005, there were 587 holders of ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in The Company's Articles of Association are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares -
(a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds."

(d) TWENTY LARGEST ORDINARY SHAREHOLDERS AS AT 6 DECEMBER 2005:

Shareholder	Number	% Held
LOCH SECURITIES PTY LTD	20,000,000	68.73
JAFFRAY GROUP LIMITED	899,550	3.09
ASTRA GLEN PTY LTD	865,640	2.97
CONTELITE PTY LTD	865,640	2.97
EDWIN FRANK STOYLE	500,000	1.72
SPRINGBUILD PTY LTD	499,745	1.72
MR COLIN FLYNN	449,775	1.55
MICHELLE SAMMUT	449,775	1.55
GRANBY PARK PTY LTD	416,667	1.43
MR WILL MACLAURIN	400,000	1.37
JOHN FRIEDRICH PTY LTD	299,850	1.03
VFT INVESTMENTS PTY LTD	299,850	1.03
MR JOHN BOOTH	166,667	0.57
MS JEANETTE ELIZABETH THOMAS	151,905	0.52
BRIWIL PTY LTD	150,000	0.52
MR JOHN WARREN BOOTH	149,925	0.52
MR EDWARD JOHN FREGON & MRS ANITA BETHEA FREGON	149,925	0.52
KARLBERG PTY LTD	149,925	0.52
MR NATHAN OXLEY	149,925	0.52
VAL ROSENBERGS	149,925	0.52

The twenty members holding the largest number of shares together held a total of 93.35% of the issued capital.

Other information:

The name of the company secretary is:

Mr Adrien Michele Wing

The address of the principal registered office in Australia is:

Level 13
500 Collins Street
MELBOURNE VIC 3000

The address of the principal place of business in Australia is:

Level 13
500 Collins Street
MELBOURNE VIC 3000

Register of securities is held at the following address:

ASX Perpetual Registrars
Level 4, 333 Collins Street
Melbourne
Victoria 3000

Stock Exchange

The company was listed on the Australian Stock Exchange however was suspended from the official list of the ASX on 9 January 2001. The Home Exchange is Adelaide.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LABTAM LIMITED

Scope

We have audited the financial report of Labtam Limited and it's controlled entities for the financial year ended 30 June 2005 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company's and controlled entity's financial position and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of Labtam Limited and it's controlled entities is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and controlled entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent Uncertainty

As a result of the matters described in Note 1 under 'Going Concern' there is significant uncertainty whether the entity will be able to continue as a going concern. Should the going concern basis not be appropriate as a result of the lack of continued financial support of the company's new directors, the failure of the recapitalisation process and relisting on the ASX, it is likely that the company will not be able to extinguish its liabilities at the amounts stated in the financial report.

Dated at Melbourne on 22 December 2005

PITCHER PARTNERS

S P CATLIN
Partner