GLADIATOR RESOURCES LIMITED

(ABN 58 101 026 859)

2007 ANNUAL REPORT

GLADIATOR RESOURCES LIMITED
AND CONTROLLED ENTITY

CORPORATE DIRECTORY

BOARD OF DIRECTORS:
J Palermo (Non-Executive Chairman)
J H Hills (Executive)
D A Cunningham (Non-Executive)
M K O'Malley (Non-Executive)

COMPANY SECRETARY:
John Palermo
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CHAIRMAN'S REPORT

On behalf of the Board, I have pleasure in presenting the Company's Annual Report and results for the 2007 financial year.

The Company's activities during the reporting period concentrated on further developing the Company's key assets namely nickel, gold and uranium.

On 10 October 2006, the Company announced that it had joined forces with successful nickel producer Independence Group NL (IGO) to test the nickel potential of magnetic anomalies located around the Lake Lefroy salt lake system south of Kalgoorlie, forming part of the Company's Hogans project. The joint venture allows the Company to apply a global approach to unlocking the nickel potential of the Hogans tenements where previous exploration identified high-priority nickel targets at Lisa's Dune and SA22 prospects. The agreement, which was formalised in December 2006, requires IGO to spend a minimum of $2,000,000 over 3 years to earn a 70% interest in the nickel rights, with IGO required to spend a minimum of $140,000 in the first 12 months before it may withdraw.

During the year, the Company undertook a moving loop ground TEM survey at the Gindalbie South project, 35 kilometres north east of Kalgoorlie, the results of which delineated a total of nine TEM anomalies, three of which were recommended for immediate drill testing. The Company subsequently completed an initial RC percussion drilling programme to test the first three promising EM conductors at the project, however further drilling will be required to reach contact with the ultramafic unit.

On the gold front, in July 2006 the Company commenced a drilling campaign at its highly regarded Coogee South gold prospect, approximately 55 kilometres south east of Kalgoorlie. On 19 September 2006, the Company was pleased to announce significant gold intersects resulting from the drilling, achieving the Company's primary task of intersecting the westerly-dipping alteration zones, confirming that the Coogee sequence extends into the Company's tenements. The Company looks forward to determining the full extent of the mineralisation on the prospect.

Subsequent to year end, the Company was successful in securing a significant partnership opportunity with major international producer Newmont Mining Corporation to explore for gold on its highly rated Hogans Project. The proposed farm-in agreement will see the Company's shareholders participate in an aggressive and comprehensive gold exploration program on the project.

The focus on uranium centred around the Company's Manyingee and Lake Wells tenement areas in the eastern goldfields of Western Australia. All Exploration Licences, covering a combined area of approximately 290 square kilometres, were granted in October 2006. In April 2007, the Company conducted first-phase aerial reconnaissance exploration on its Manyingee East tenements, the initial analysis of which delineated possible paleochannel sequences and the Company looks forward to further developing this asset.

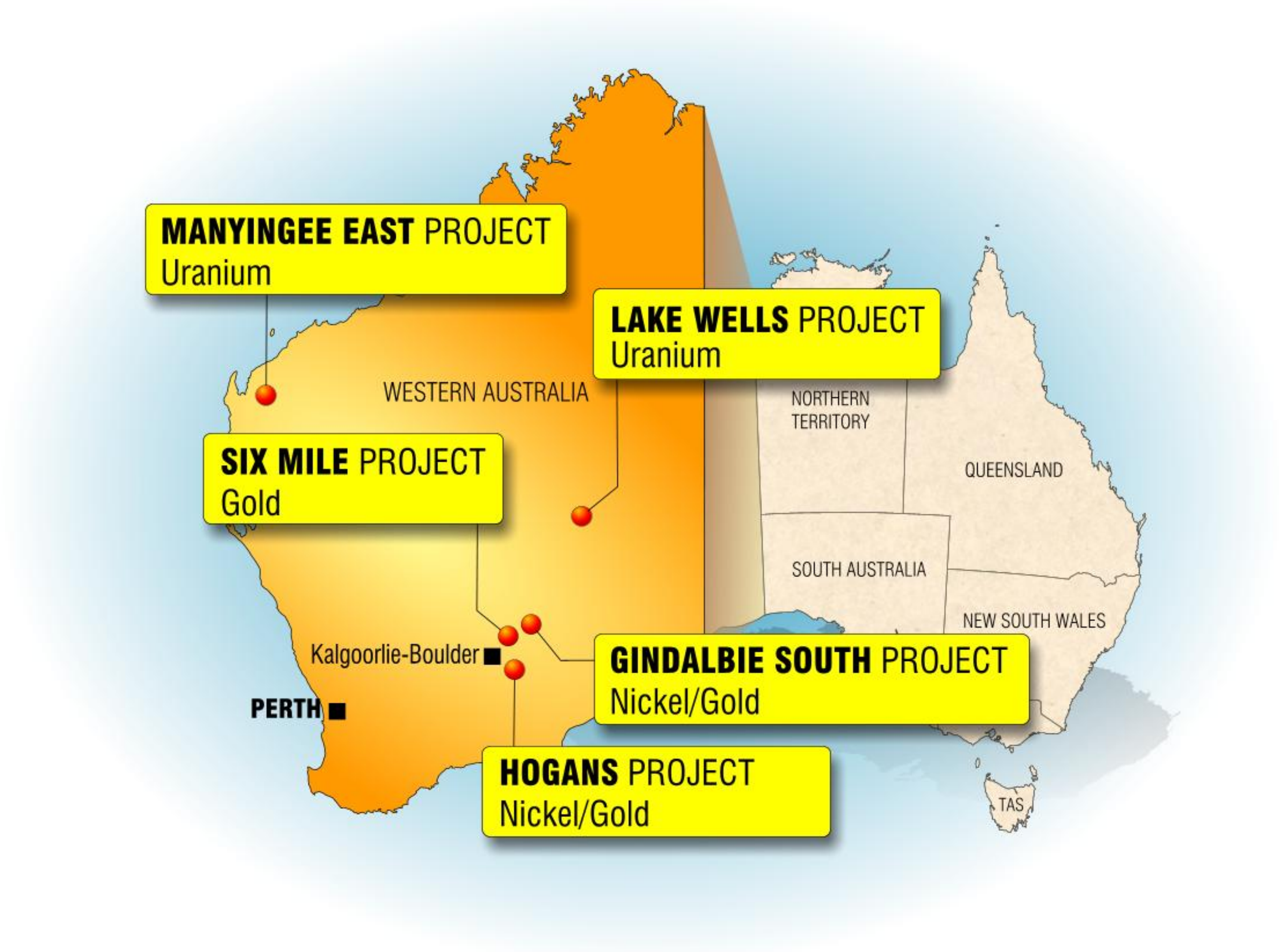
As promised in the Company's initial public offering Prospectus, in October 2006 the Company was pleased to complete a pro-rata non-renounceable entitlements issue of Options on the basis of one option for every two shares held at the record date.

I wish to express my acknowledgement to fellow Director, Dr John Hills and his geological team in advancing the Company's projects. The Company will continue to pursue these opportunities to enhance shareholder value.

On behalf of the Board of Directors I wish to thank you for your ongoing support as we look forward to the year ahead.

Dated this 19TH day of September, 2007.

John Palermo
Chairman


MANYINGEE EAST PROJECT
Uranium
LAKE WELLS PROJECT
Uranium
SIX MILE PROJECT
Gold
GINDALBIE SOUTH PROJECT
Nickel/Gold
HOGANS PROJECT
Nickel/Gold
WESTERN AUSTRALIA
NORTHERN TERRITORY
QUEENSLAND
SOUTH AUSTRALIA
NEW SOUTH WALES
TAS
Kalgoorlie-Boulder
PERTH

REVIEW OF OPERATIONS

YILGARN, WESTERN AUSTRALIA

HOGANS PROJECT

E26/107, E26/108, E15/774 and E15/803
Interest: 100%
Operator: Gladiator Resources Limited

Four contiguous exploration licences, E26/107, E26/108, E15/774 and E15/803, covering an area of approximately 325 square kilometres, form the Hogans Project. The area is considered prospective for gold and nickel sulphide mineralisation.

The Hogans Project straddles the triple point junction between three geological terrains 25 kilometres east of Kambalda. The boundaries are between the Kalgoorlie Terrain, Gindalbie Terrain and Mount Belches Basin, which are all Archaean in age. The project area is dominantly underlain by komatiite, mafic and felsic volcanic of the Kalgoorlie Terrain.

Exploration of the Hogans Project over the last 40 years or so focussed on gold and nickel.

Initial intensive nickel exploration in the Mount Monger region was carried out by the BHP Exploration-INCO Joint Venture between 1966 and 1973. This led to the discovery of the Carnilya Hill nickel deposit which was subsequently developed as a Joint Venture between BHP and Western Mining Corporation.

Between 1985 and 2001, a number of companies including CRA, Croesus Mining NL, Aztec Mining Company Ltd, Sovereign Resources, Western Mining Resources Ltd and Geopeko/North conducted gold/base metals exploration programmes in and around the project area.

During this period the Coogee gold deposit, lying immediately north of E26/108, was discovered which was subsequently drill tested by View Resources Limited which reported a resource of 34,870 contained ounces Au in a lode system that varies between 2 and 8 metres in thickness.

Other prospective prospects include Bollinger, Hang Glider Hill and Gossan Hill, identified by Sovereign Resources (Australia) NL and seven designated Lisa’s Dune (Ni), SA4, SA11, Neon, SA13, SA20 and SA22, by Western Mining Resources Ltd (WMC).

In 2006, Gladiator Resources tested Coogee South by eight vertical RC holes, totalling 1022 metres, drilled on a 50 metre x 50 metre grid. Most of the holes were terminated at a depth of 150 metres and most intersected feldspar porphyry with zones of alteration containing sporadic sulphides and magnetite or with extensive quartz veining. Significant gold assay results were received from four of the holes as detailed in the 2006 Annual Report.

During the year, Gladiator Resources Ltd formalised its East Kambalda-Lake Lefroy Joint Venture with successful nickel producer Independence Group NL (IGO).

REVIEW OF OPERATIONS *(continued)*

IGO has advised Gladiator that Anglo American Exploration (Australia) had approved the use of its leading-edge low-temperature SQUID technology to test the nickel potential of magnetic features possibly representing prospective ultramafic lithologies masked by the Lake Lefroy salt lake system south of Kalgoorlie.

The technology can scan vast surface areas of lake and salt flats that cannot be explored by conventional EM techniques because of conductive lake sediments.

The key points of the Joint Venture are:

- IGO to spend a minimum of $2,000,000 over 3 years to earn a 70% interest in the nickel rights.
- IGO to spend a minimum of $140,000 in the first 12 months before it may withdraw.
- Gladiator may dilute to 20% which will be free carried to Bankable Feasibility Study.
- If IGO uses the SQUID EM, Anglo will be entitled to a 1% royalty in any related subsequent discoveries. If the discovery of an ore body exceeds a predetermined size, Anglo may convert its royalty into an 80% interest of IGO’s project equity under the IGO Anglo licensing arrangements. The minimum threshold for Anglo is 100,000 tonnes of contained nickel metal as delineated by a feasibility study.
- Subject to any third party rights of Anglo, both parties may sell their interest at any time with both parties having a first right of refusal over the other party’s interest.

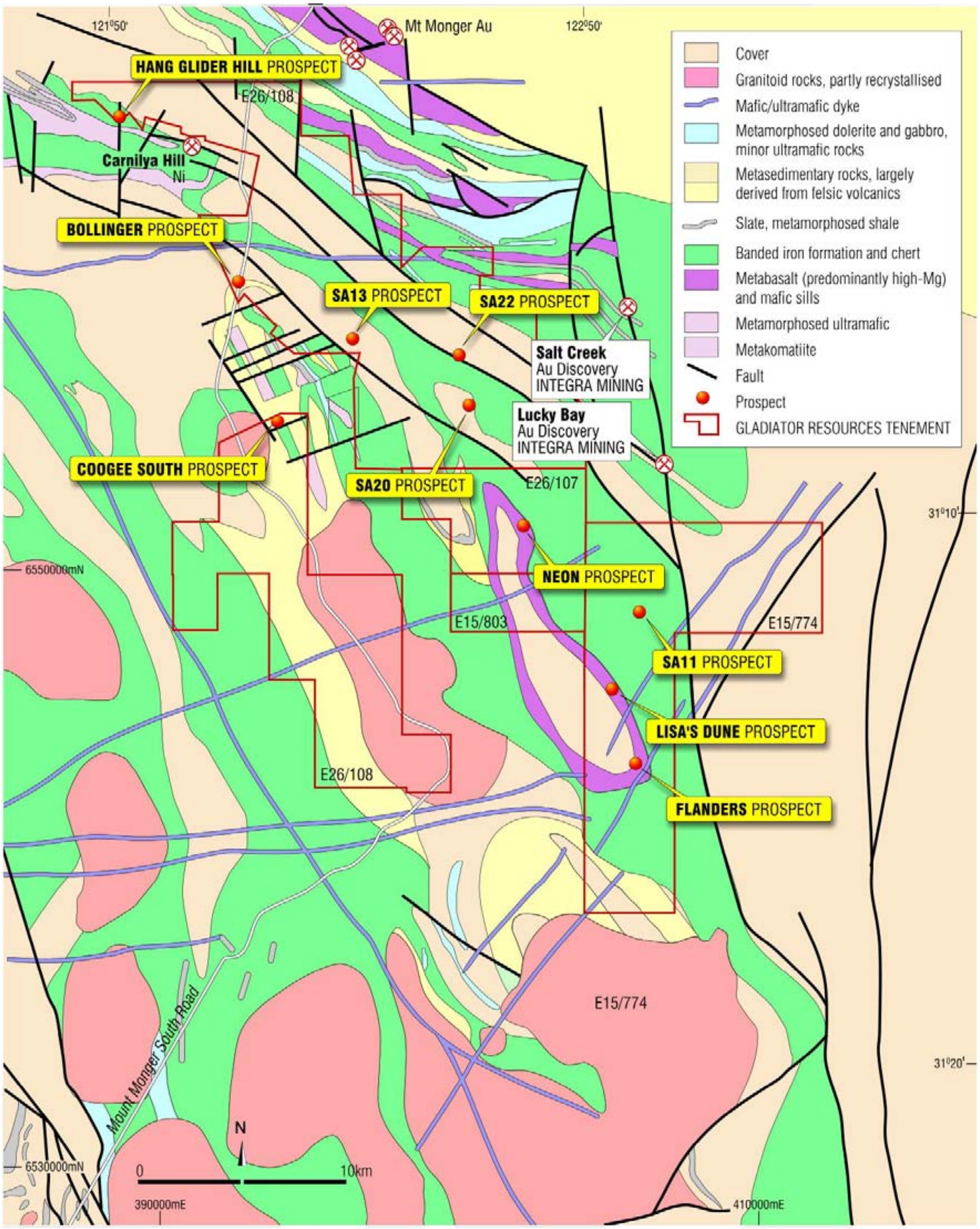
Subsequent to the end of the reporting period, Gladiator Resources advised the ASX that it had entered into an exploration agreement with major international producer Newmont Mining Corporation to explore for gold on the Hogans Project.

Under the proposed farm-in agreement, Newmont Exploration Pty Ltd (Newmont) and Sipa Gold Limited (Sipa) will be able to earn up to 80% of the project by spending a total of $2,750,000 over three years.

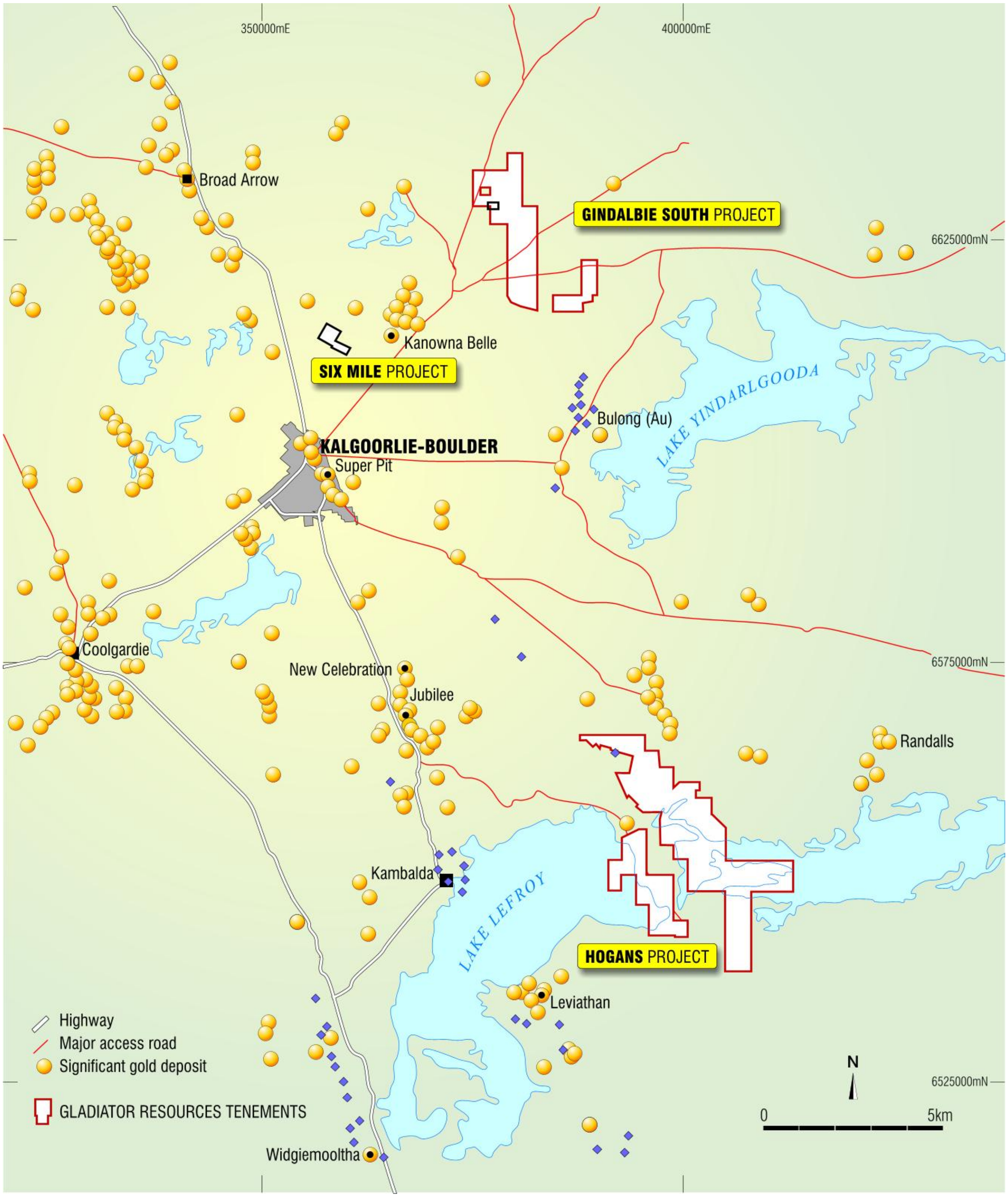
Newmont and Sipa must conduct an initial $500,000 exploration on Exploration Licences E15/774, E15/803, E26/107 and E26/108 in the first year before it can withdraw. Under the terms of the farm-in agreement, Gladiator will retain a free-carried 20% interest in the project until decision to mine.

The exploration joint-venture is for gold only, and will run concurrently with a nickel-only agreement over the same project area with Independence Group NL (IGO).

REVIEW OF OPERATIONS *(continued)*



REVIEW OF OPERATIONS *(continued)*



REVIEW OF OPERATIONS *(continued)*

GINDALBIE SOUTH PROJECT

E27/293 and E27/302
Interest: 100%
Operator: Gladiator Resources Limited

The Gindalbie South Project area, located approximately 36 kilometres to the north-northeast of Kalgoorlie, comprises two adjoining Exploration Licences, E27/293 and E27/302 with a total area of 160 square kilometres.

A major arcuate shear zone, the Black Swan Shear, extends through the project area. South of this, the geology comprises mostly mafic and ultramafic sequences and approximately 9 kilometre belt of north-south striking komatiitic lavas are present. This sequence, referred to as the Western Komatiite Prospect, is believed to be the faulted offset continuation of the komatiites that host the Black Swan and Silver Swan nickel sulphide mines.

Previous exploration of the Western Komatiite Prospect noted olivine cumulates with harrisitic textures characteristic of lava channel structures. This, together with the fact that the komatiite sequence is complexly folded and faulted with extensive alteration to talc-carbonate and talc-chlorite schists, makes the Western Komatiite Prospect extremely prospective for the discovery of nickel sulphide deposits.

Additionally, several historical RAB drill holes intersected interesting nickel values in the saprolite.

Inloop TEM surveying was performed at the Gindalbie South Project during August, September, October and early November 2006 by GPX Services Pty Ltd on behalf of Gladiator Resources Limited and a total of 784 stations of inloop TEM (63.65 line kilometres, 58 lines) were recorded.

The data was interpreted by Southern Geoscience Consultants who identified a total of 9 bedrock conductors, GSC1 to GSC9, of which three, GSC5, GSC7 and GSC8 were deemed to be priority drill targets.

Of these, GSC8 was the highest priority target. This conductive source is steeply west dipping, orientated ~NNW-SSE, is strongly conductive (>40msec tau or ~2500S+) and is situated at reasonable depth. Of most interest is the limited strike extent of this bedrock conductor, which is more consistent with that expected for a local massive sulphide body.

During the March 2007 Quarter, Gladiator Resources Ltd completed initial drill-testing of the three priority TEM conductors. Two RC percussion holes, approximately 50 metres apart, were drilled on each of the three TEM anomalies with each being terminated either in or after passing through modeled target depths. No hole reached the contact between the ultramafic unit and the interpreted underlying basalt and no nickel sulphides were intersected.

In total, six RC holes were completed for an advance of 1192 metres.

Conductor GSC8: Hole 1 (GSRC001) encountered a graphitic shale horizon above the modeled target depth of (150 metres – 180 metres) before being terminated at 214 metres. Hole 2 (GSRC002), approximately 50 metres to the south, was terminated at 190 metres.

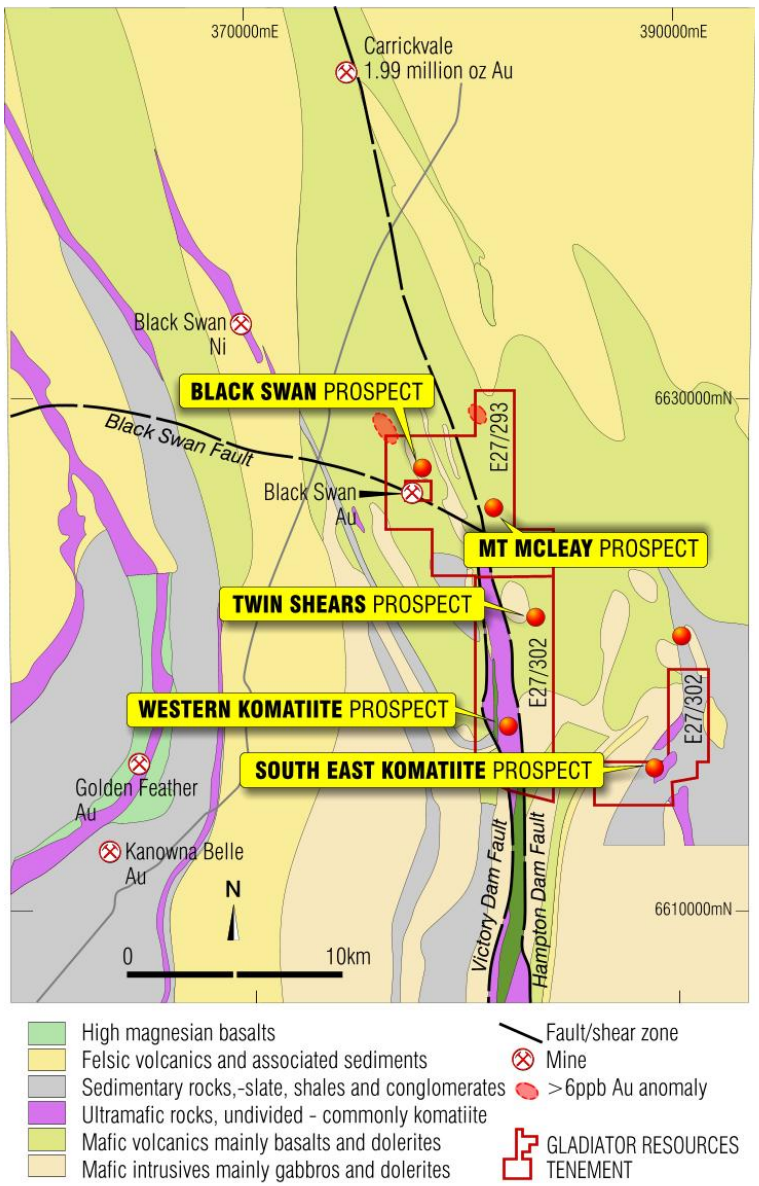
Conductor GSC7: Hole 3 and Hole 4 (GSRC003 and GSRC004) passed through the modeled target depth (210 metres – 240 metres) and were terminated in serpentinised ultramafic at 280 metres and 250 metres respectively.

REVIEW OF OPERATIONS *(continued)*

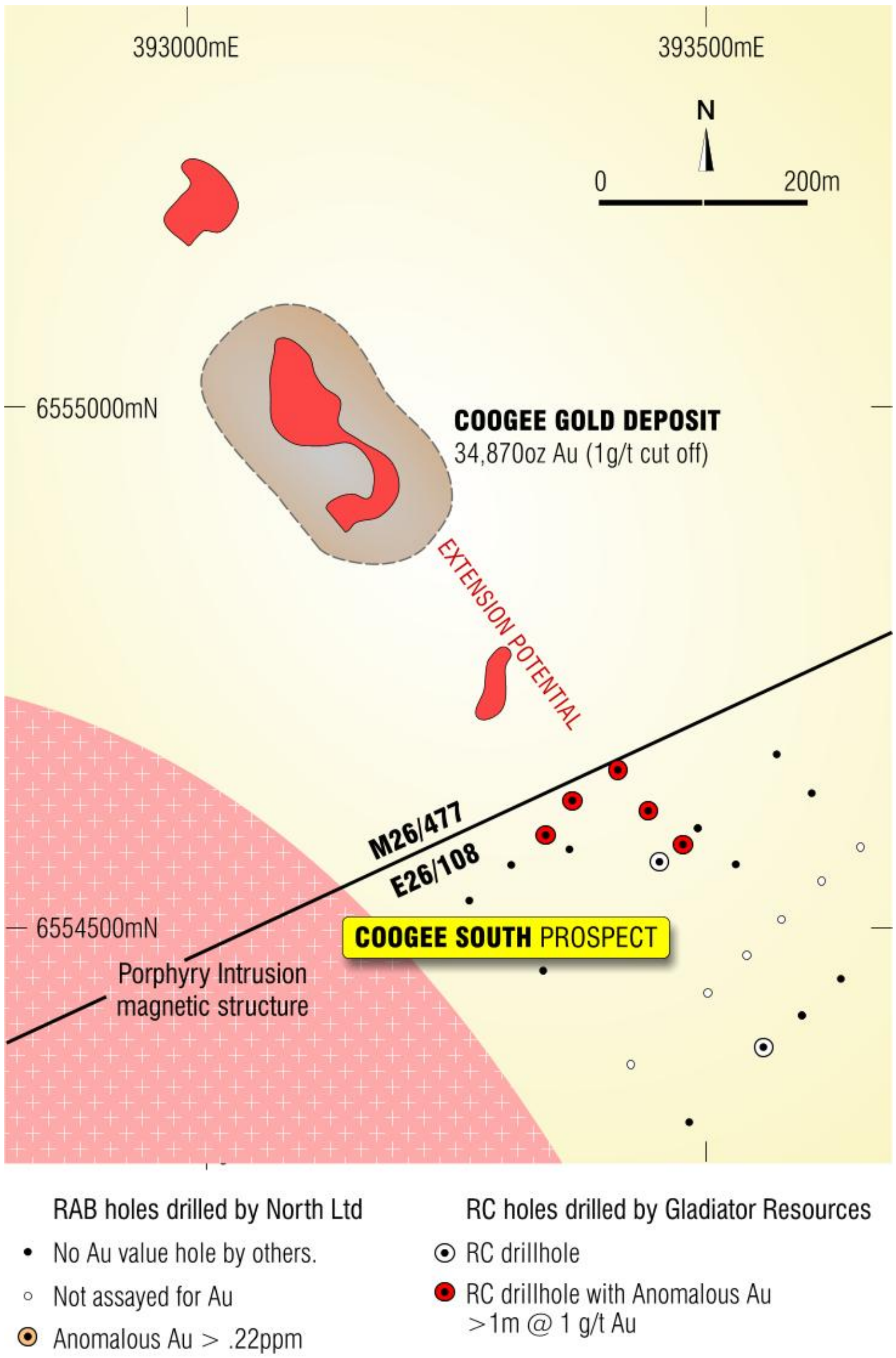
Conductor GSC5: Holes 5 and Hole 6 (GSRC005 and 6GSRC 006) encountered graphitic shale at the modeled target depth and were terminated at 148 metres and 110 metres respectively.

Assay results were generally disappointing but of interest were:

- Elevated nickel levels of up to 0.37% Ni in Hole 3 returned in composite 8 metre samples from within a 48 metre section of the laterite (from 8 metre to 56 metre downhole) averaging 0.26% Ni.
- Hole 4 returned elevated nickel levels of up to 8 metres at 0.31% within a 32 metre section of the laterite profile (from 8 metre to 40 metre downhole) averaging 0.238% Ni.



REVIEW OF OPERATIONS ***(continued)***



REVIEW OF OPERATIONS *(continued)*

SIX MILE PROJECT

P27/1572, P27/1573 and P27/1574
Interest: **100%**
Operator: **Barrick Gold of Australia**

The Six Mile Project comprises three Prospecting Licences, P27/1572, P27/1573 and P27/1574 covering a total of 6 square kilometres. The project is located some 16 kilometres north northwest of Kalgoorlie and lies 2.5 kilometres southwest of the large Kanowna Belle gold mine

The area is mainly covered by soils of various origins averaging about one metre in thickness. Bedrock rarely crops out and the understanding of the underlying Archaean geology is based on drill and costean data. It is underlain by the deformed and metamorphosed Archaean rocks of the Boorara Domain of the Kalgoorlie Terrane. Regionally, the area is characterised by a series of parallel slightly curved (convex to the north) west-northwest trending shear zones. The most northerly of these shears is the Kanowna Shear with the Reward Shear Zone, a parallel structure of considerable displacement, bisecting the project area.

To the south of the Reward Shear Zone, the succession mainly comprises finely bedded shales which are usually graphitic and sulphide rich and often interbedded with siltstones and graywackes. In places they have been intruded by felsic porphyry dykes and stocks.

To the north of the Reward Shear Zone, the sequence comprises metamorphosed felsic siltstones, tuffs and lavas intruded by porphyritic and non-porphyritic stocks that appear to be of both felsic and intermediate granodioritic composition.

LAKE WELLS

EL38/1849
Interest: **100%**
Operator: **Gladiator Resources Limited**

The Lake Wells Project consists of a single Exploration Licence Application of 80 square kilometers in area located over part of Lake Wells on the western edge of the Great Victoria Desert some 320 kilometres east of Wiluna and 280 kilometres northeast of Leinster.

Lake Wells is filled with gypsiferous clay and sand with minor silcrete and extensive calcrete development. Elsewhere in Western Australia, calcrete-hosted uranium deposits occur in Tertiary to Recent drainage channels. Lake Wells is reported to contain a strong airborne radiometric anomaly associated with the calcrete.

No work has been carried out on the tenement.

REVIEW OF OPERATIONS *(continued)*

ASHBURTON

MANYINGEE EAST

EL08/1608 and EL08/1611
Interest: 100%
Operator: Gladiator Resources Limited

The Manyingee Project comprises two Exploration Licence Applications, EL08/1608 and EL08/1611 located approximately 100 kilometres south of the small town of Onslow and only a few kilometres north of the bitumen North West Coastal Highway.

The project area covers the junction between the Proterozoic basement lithologies of the northern part of the Gascoyne Complex and the most easterly exposed limits of the Peedamullah Shelf domain of the large Carnarvon Basin.

In 1974, Total Mining Australia Pty Ltd discovered the Manyingee uranium deposit which lies only about 5 kilometres northwest of the western boundary of EL08/1611. The Manyingee uranium deposit was ultimately acquired by Paladin and has a quoted resource of 12,078 t U_3O_8 at 0.08% U_3O_8. It is a typical stacked, roll-front deposit formed in a palaeochannel with the Birdrong Sandstone hosting the bulk of the uranium. The Manyingee Palaeochannel is thought to continue into the Gladiator project area.

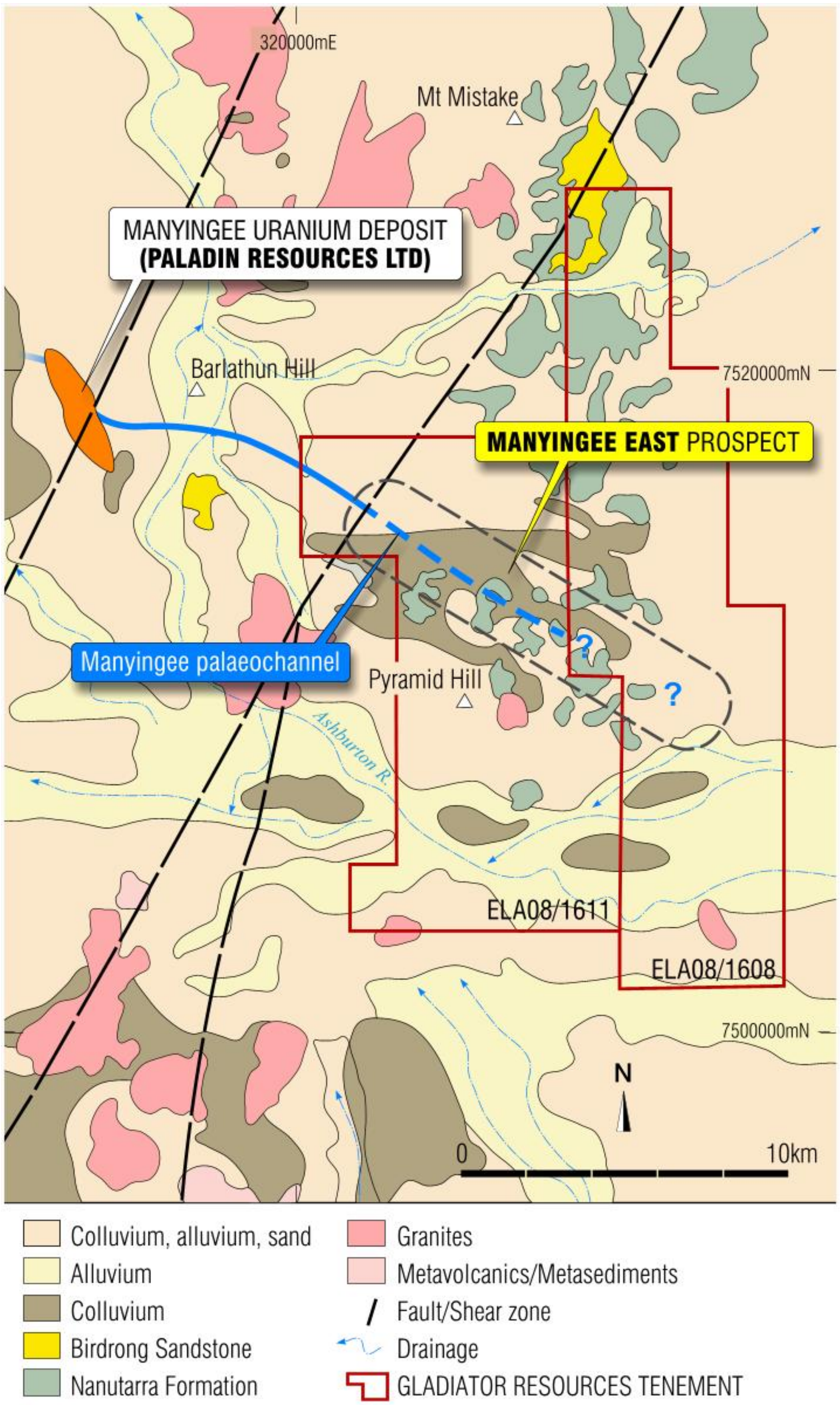
SkyTEM surveying was performed at the Manyingee Project by Geoforce Pty Ltd during mid April 2007 on behalf of Gladiator Resources Limited and a total of 224.3 line kilometres of SkyTEM surveying was flown (32 survey lines, ~84 square kilometres).

The SkyTEM system was powered by a large, hexagonal transmitter loop.

Final processing/interpretation was done by Southern Geoscience Consultants. They reported that the basement geological sequence at the Manyingee Project is highly resistive and is well suited to SkyTEM surveying. Near surface variations in weathering/overburden have been well defined by the resultant dataset.

Average conductivity plans at 10 metre depth slices show a possible channel (or series of channels) in the northwest corner of the survey area. This is well defined from 10 metres to 40 metres below surface and lies beneath a series of small pans marking the course of a palaeochannel that can be seen on Landsat to trend in a north westerly direction towards the Manyingee uranium deposit.

REVIEW OF OPERATIONS ***(continued)***



TENEMENT SUMMARY

PROJECT NAME	TENEMENT NUMBER	AREA	EQUITY/ EARNING	LOCATION
Hogans	E26/107	7 blocks	100%	25 km east of Kambalda and 45 km southeast of Kalgoorlie, WA
	E26/108	54 blocks	100%	
	E15/774	51 blocks	100%	
	E15/803	5 blocks	100%	
Gindalbie South	E27/293	24 blocks	100%	30 km northeast of Kalgoorlie, WA
	E27/302	30 blocks	100%	
Six-Mile	P27/1572	200 ha	100%	16 km to the north-northeast of Kalgoorlie, WA
	P27/1573	200 ha	100%	
	P27/1574	200 ha	100%	
Lake Wells	EL38/1849	27 blocks	100%	280 km northeast of Leinster, WA
Manyingee East	EL08/1608	33 blocks	100%	100 km south of Onslow, WA
	EL08/1611	37 blocks	100%	

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Gladiator Resources Limited and its controlled entity for the financial year ended 30 June 2007. This report is made in accordance with a resolution of directors.

DIRECTORS

The following persons were directors of Gladiator Resources Limited during the whole of the financial year and up to the date of this report:

John Palermo (Chairman)
John Henry Hills
Douglas Arthur Cunningham
Mark Kevin O'Malley

PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity during the year was mineral exploration.

CONSOLIDATED RESULTS

The consolidated loss for the year after income tax was $1,092,777 (2006: loss of $108,391).

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or recommended for the year ended 30 June 2007.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the following options were issued:

Date	Details	No. of Options	Issue Price	Exercise Price	Exercisable By
15/10/2006	Rights issue	20,092,130	$0.005	$0.20	30 June 2009
15/10/2006	Placement offer	4,200,000	$0.005	$0.20	30 June 2009

DIRECTORS' REPORT *(continued)*

REVIEW OF OPERATIONS

The Company and its controlled entity continued their exploration activities.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company and its controlled entity intend to continue their exploration activities.

ENVIRONMENTAL REGULATION

The consolidated entity has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low, and has not identified any compliance breaches during the year.

INFORMATION ON DIRECTORS

John Palermo, B.Bus, FCA, FCPA, JP – Chairman and Company Secretary
Mr Palermo is a Chartered Accountant and a consultant to the Chartered Accounting Practice, Palermo Chartered Accountants. He was the Principal of that practice from 1978 to 2006. His main areas of expertise are corporate consulting services and company administration. During the past three years Mr Palermo has also served as a director of the following other listed companies:

- Pharmanet Group Ltd *
- Consolidated Global Investments Ltd *
- Pelican Resources Ltd *

(* denotes current directorship)

John Henry Hills B.Sc. Hons, M.Sc, PH.D, MAusIMM – Director
Dr J Hills is a qualified geologist with forty-six (46) years experience in the industry, twelve (12) years of which were spent with BP as Minerals Exploration Manager. His experience in the mineral industry spans diamond exploration in Botswana, mine geology and mineragraphic research with RST in Zambia, mineral exploration and research in the Alligator Rivers Uranium Province in the Northern Territory and the initiation of an Australia-wide minerals exploration programme in 1974 for BP Group. During the past three years, Mr Hills has held the following listed company directorships:

- Pelican Resources Ltd *

(* denotes current directorship)

DIRECTORS' REPORT *(continued)*

INFORMATION ON DIRECTORS *(continued)*

Douglas Cunningham – Director
Doug has a long and successful background in mainstream media, marketing, public relations and government affairs spanning 36 years. His career embraces print and electronic media, and includes WA Newspapers Ltd, News Limited (London and Perth), STW Channel 9, NEW Channel 10 and the Western Australian Government Media Office, where he was senior media advisor to two State Transport Ministers between 1997 and 2001.

He is involved in business management through his family investment company Daffodil Holdings Pty Ltd. He has held interests in a number of mining tenements in WA over the past 20 years. During the past three years, he has not served as a director of any other listed companies.

Mark O'Malley B.Bus, CPA (Curtin) – Director
Mark O'Malley is a qualified Accountant and Member of the Australian Society of CPA's. Mark commenced his career with BDO Nelson Parkhill in the Business Services Division and worked throughout Western Australia on a diverse range of assignments in various industries. Mark was subsequently recruited to the position of Financial Controller of one of Australia's largest privately owned transport and mining companies a position he held for a period of 5 years.

The commercial and professional experience gained from this employment allowed Mark the opportunity to establish himself in public practice and to further develop his business acumen and knowledge. Whilst in public practice Mark assisted several public companies to list on ASX and was actively involved in the establishment of their corporate governance and accounting systems. Mark has been involved in the float process of several public companies including Andean Resources Ltd and HotCopper Ltd and was actively involved in the establishment of their corporate governance and accounting systems. During the past three years, he has not served as a director of any other listed companies.

COMPANY SECRETARY

John Palermo, B.Bus, FCA, FCPA, JP
Mr J Palermo has been the Company Secretary of Gladiator Resources Limited since 31 March 2005. He is a Chartered Accountant and a consultant to the Chartered Accounting Practice, Palermo Chartered Accountants and was the Principal of that practice from 1978 to 2006. His main areas of expertise are corporate consulting services and company administration.

DIRECTORS' REPORT *(continued)*

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Company.

Remuneration policy (audited)

The remuneration policy of Gladiator Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's ability to attract and retain the best executives and directors to run and manage the consolidated entity.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows:

The remuneration policy setting out the terms and conditions for the executive directors and other senior executives was developed by the Board.

Executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice.

As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's diverse operations.

Remuneration and other terms of employment for the executive Directors and certain other senior executives have been formalised in service agreements.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time and which currently stands at $250,000 per annum.

The Board undertakes an annual review of its performance against goals set at the start of the year. The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

DIRECTORS' REPORT *(continued)*

Performance-based Remuneration (audited)

The Company currently has no performance-based remuneration component built into director and executive remuneration packages.

Key management personnel compensation (audited)

Details of the nature and amount of emolument paid for each Director of Gladiator Resources Limited are set out below:

	Primary Benefits			Post Employment		Equity	Other	TOTAL
	Salary & Fees	Cash Bonus	Non-Monetary	Super-annuation	Retirement Benefits	Shares/ Options	Benefits	
Directors	$	$	$	$	$	$	$	$
Palermo, J								
2007	78,860	--	--	--	--	--	--	78,860
2006	72,262	--	--	--	--	--	--	72,262
Hills, J H								
2007	55,000	--	--	--	--	--	--	55,000
2006	51,264	--	--	--	--	--	--	51,264
Cunningham, DA								
2007	31,637	--	--	--	--	--	--	31,637
2006	--	--	--	--	--	--	--	--
O'Malley, M K O								
2007	--	--	--	--	--	--	--	--
2006	--	--	--	--	--	--	--	--
Total								
2007	165,497	--	--	--	--	--	--	165,497
2006	123,526	--	--	--	--	--	--	123,526

Interest in shares and options of the Company (audited)

As at the date of this report, the Directors' interests in shares and options of Gladiator Resources Limited were:

	Number of Ordinary Shares	**Number of Options over Ordinary Shares**
John Palermo	3,735,000	1,867,500
John Henry Hills	3,380,000	1,690,000
Douglas Arthur Cunningham	1,730,000	982,000
Mark Kevin O'Malley	3,000,000	1,500,000

DIRECTORS' REPORT *(continued)*

Service Agreement (audited)

Remuneration and other terms of employment for the Non-Executive Chairman and the Executive director are formalised in service agreements. No service agreements exist for the Non Executive directors. The main provisions of the agreements are set out below.

John Palermo, Company Secretary (Effective 13 December 2005)

- Terms of the agreement – permanent and no specific term.
- Basic salary, for the provision of secretarial services, of $30,000 dollars per year.
- For all additional work, remuneration has been set at $175 per hour or at such rate agreed upon with the company.
- The remuneration payable to John Palermo shall be increased by ten (10) percent on each anniversary of the consultancy agreement and such increase shall be calculated on the rate of remuneration payable immediately prior to the date of review with the first increase to be on 1 January 2006 and thereafter each twelve months.
- Payment of termination benefit on termination by the employer, other than for gross misconduct, equal to the total remuneration in the six (6) months immediately preceding the Notice of Termination, or three (3) months for every year of service up to a maximum of twelve months, whichever is greater.

John Henry Hills, Executive Director (Effective 30 December 2005)

- Terms of the agreement – The company has entered into a service agreement with Veltox Pty Ltd for the services of John Henry Hills, part-time permanent and no specific term.
- Basic salary, for the provision of geological consultancy services, of $5,000 dollars per calendar month for up to 6.5 days per month.
- For all additional work, the company will be charged at the rate of $770 dollars per day.
- The service agreement may be terminated by either party giving one month's notice to the other party.

DIRECTORS' REPORT *(continued)*

DIRECTORS' MEETINGS

The following table sets out the number of meetings, including memoranda of resolution, the Company's Directors held during the year ended 30 June 2007 and the number of meetings, including memoranda of resolution, attended by each Director:

	Number Eligible To Attend	Number Attended
John Palermo (Chairman)	7	7
John Henry Hills	7	7
Douglas Arthur Cunningham	7	7
Mark Kevin O'Malley	7	7

SHARE OPTIONS

At the date of this report, there existed the following outstanding options to acquire ordinary shares:

Listed Options

24,292,130 options remain on issue, exercisable at $0.20 on or before 30 June 2009.

MATTERS SUBSEQUENT TO THE END OF FINANICAL YEAR

Details of subsequent events are set out in note 23.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

PROCEEDINGS ON BEHALF OF THE 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.

The Company was not a party to any such proceedings during the 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 page 49.

NON-AUDIT SERVICES

Any non-audit services that may have been provided by the entity's auditor, RSM Bird Cameron Partners, is shown at Note 15. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Dated at Perth this 19th day of September, 2007.

Signed in accordance with a resolution of the Directors.

JOHN HENRY HILLS
Director

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Revenue	2	108,721	15,719	108,721	15,719
Depreciation	3(a)	(1,836)	(100)	(1,836)	(100)
Consulting fees	3(b)	(62,717)	(40,572)	(62,717)	(40,572)
Diminution in value of investments and loans	3(b)	--	--	(210,706)	(11,782)
Exploration expenditure written off	3(b)	(936,540)	--	(712,291)	--
Legal costs	3(b)	(880)	(395)	(880)	(395)
Rent and outgoings	3(b)	(23,356)	--	(23,356)	--
Other expenses	3(b)	(176,169)	(83,043)	(173,481)	(83,043)
Loss before income tax	4	(1,092,777)	(108,391)	(1,076,546)	(120,173)
Income tax		--	--	--	--
Loss after income tax		(1,092,777)	(108,391)	(1,076,546)	(120,173)
Loss attributable to members of Gladiator Resources Limited		(1,092,777)	(108,391)	(1,076,546)	(120,173)
Basic loss per share (cents per share)	18	(2.72)	(0.44)		

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

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		$	$	$	$
Current Assets					
Cash and cash equivalents	5	1,461,265	2,217,461	1,458,398	2,217,461
Trade and other receivables	6	37,488	33,065	36,445	33,065
Total Current Assets		1,498,753	2,250,526	1,494,843	2,250,526
Non Current Assets					
Other financial assets	7	--	--	--	150,030
Plant and equipment	8	3,384	--	3,384	--
Mineral exploration and evaluation expenditure	9	--	336,639	--	174,827
Total Non Current Assets		3,384	336,639	3,384	324,857
Total Assets		1,502,137	2,587,165	1,498,227	2,575,383
Current Liabilities					
Trade and other payables	10	50,299	94,129	41,940	94,129
Non interest bearing liabilities	11	--	34,816	--	34,816
Total Liabilities		50,299	128,945	41,940	128,945
Net Assets		1,451,838	2,458,220	1,456,287	2,446,438
Equity					
Contributed equity	12	2,626,021	2,629,796	2,626,021	2,629,796
Reserves	13	90,170	--	90,170	--
Accumulated losses		(1,264,353)	(171,576)	(1,259,904)	(183,358)
Total Equity		1,451,838	2,458,220	1,456,287	2,446,438

The above balance sheet should be read
in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Ordinary Share Capital	Option Reserves	Accumulated Losses	Total
Consolidated	**$**	**$**	**$**	**$**
Balance at 01/07/2005	8,002	--	(63,185)	(55,183)
Shares issued during the year	2,621,794	--	--	2,621,794
Loss attributable to members of parent entity	--	--	(108,391)	(108,391)
Balance at 30/06/2006	2,629,796	--	(171,576)	2,458,220
Balance at 01/07/2006	2,629,796	--	(171,576)	2,458,220
Options issued during the year	--	121,460	--	121,460
Transaction costs	(3,775)	(31,290)	--	(35,065)
Loss attributable to members of parent entity	--	--	(1,092,777)	(1,092,777)
	2,626,021	90,170	(1,264,353)	1,451,838
Parent				
Balance at 01/07/2005	8,002	--	(63,185)	(55,183)
Shares issued during the year	2,621,794	--	--	2,621,794
Loss attributable to members of parent entity	--	--	(120,173)	(120,173)
Balance at 30/06/2006	2,629,796	--	(183,358)	2,446,438
Balance at 01/07/2006	2,629,796	--	(183,358)	2,446,438
Options issued during the year	--	121,460	--	121,460
Transaction costs	(3,775)	(31,290)	--	(35,065)
Loss attributable to members of parent entity	--	--	(1,076,546)	(1,076,546)
	2,626,021	90,170	(1,259,904)	1,456,287

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent Entity	
		2007	**2006**	**2007**	**2006**
		$	**$**	**$**	**$**
Cash Flows from Operating Activities					
Payments to suppliers		(311,375)	(94,059)	(376,679)	(105,841)
Interest received		108,721	15,719	108,721	15,719
Net Cash Used in Operating Activities	14	(202,654)	(78,340)	(267,958)	(90,122)
Cash Flows from Investing Activities					
Payments for exploration expenditure		(599,901)	(304,164)	(537,464)	(142,352)
Payment for plant and equipment		(5,220)	--	(5,220)	--
Payment for the purchase of subsidiary		--	--	--	(150,030)
Net Cash Used in Investing Ativities		(605,121)	(304,164)	(542,684)	(292,382)
Cash Flows from Financing Activities					
(Repayments)/proceeds from borrowings		(34,816)	(22,007)	(34,816)	(22,007)
Proceeds from issue of shares and options		121,460	2,926,850	121,460	2,926,850
Costs associated with share and option issues		(35,065)	(305,056)	(35,065)	(305,056)
Net Cash Provided by Financing Activities		51,579	2,599,787	51,579	2,599,787
Net (decrease)/increase in cash and cash equivalents held		(756,196)	2,217,283	(759,063)	2,217,283
Cash and cash equivalents at the beginning of the financial year		2,217,461	178	2,217,461	178
Cash and cash equivalents at the end of the financial year	5	1,461,265	2,217,461	1,458,398	2,217,461

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

The financial report was authorised for issue by the Board on 18 September 2007.

The financial report of Gladiator Resources Limited complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

The financial report has been prepared on an accruals basis and is based on historical costs. Cost is based on the fair values of the consideration given in exchange for assets.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entity controlled by Gladiator Resources Limited (parent entity) as at 30 June 2007 and the results of the controlled entity for the year then ended. The effects of all transactions between Gladiator Resources Limited and its controlled entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for the part of the year for which control exists.

(b) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Income Tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future profit will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value method commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	37.5 – 100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property of the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Controlled entities

Investments in controlled entities are carried at cost.

Impairment

At each reporting date, the directors assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and service tax (GST).

(j) 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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) Earnings per share

(i) *Basic Earnings per share*
Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of Gladiator Resources Limited by the weighted average number of ordinary shares outstanding during the financial year.

(ii) *Diluted Earnings per Share*
Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(m) Australian accounting standards and amendments issued but not yet effective

No new Australian Accounting Standards that have been issued but are not yet effective have been applied in the preparation of this financial report. Such standards are not expected to have a material impact on the Company's financial report on initial application.

(n) Critical accounting estimates and judgments

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

The Company is of the view that there are no critical accounting estimates and judgments in this financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
NOTE 2: REVENUE	**2007**	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Revenue				
Interest earned	108,721	15,719	108,721	15,719
NOTE 3: EXPENSES AND LOSSES/(GAINS)				
(a) Expenses				
Depreciation of non-current assets				
Plant and equipment	1,836	100	1,836	100
(b) Significant Items				
Loss before income tax includes the following expenses whose disclosure is relevant in explaining the financial performance of the entity:				
Administration expenses	59,464	58,405	57,550	58,405
Auditor’s remuneration	17,250	9,518	17,250	9,518
Company secretarial costs	42,502	--	42,502	--
Consulting fees	62,717	40,572	62,717	40,572
Diminution in value of loans	--	--	210,706	11,782
Exploration expenditure written off	936,540	--	712,291	--
Legal costs	880	395	880	395
Rent and outgoings	23,356	--	23,356	--
Other	56,953	15,120	56,179	15,120
	1,199,662	124,010	1,183,431	135,792

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 4: INCOME TAX

No income tax is payable by the Company or consolidated entity as each incurred a loss for tax purposes for the year and each has available recoupable income tax losses at balance date. The aggregate amount of income tax attributable to the financial year differs from the amount calculated on the operating loss. The differences are calculated as follows:

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
Loss before income tax	(1,092,777)	(108,391)	(1,076,546)	(120,173)
Income tax calculated at 30%	(327,833)	(32,517)	(322,964)	(36,052)
Non-allowable expenditure and provisions	61,773	3,686	75,196	3,686
Tax asset not recognised	266,060	28,831	247,768	32,366
Income tax attributable to operating loss	--	--	--	--
The directors estimate that the potential deferred tax asset at 30% arising from tax losses not brought to account at balance date is approximately:	363,370	97,310	341,534	93,766

Deferred income tax assets have not been recognised as it is not probable that future profit will be available against which deductible temporary differences can be utilised.

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank	61,265	17,461	58,398	17,461
Term deposits	1,400,000	2,200,000	1,400,000	2,200,000
	1,461,265	2,217,461	1,458,398	2,217,461

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT				
GST refundable	32,559	33,065	31,516	33,065
Prepayments	4,929	--	4,929	--
	37,488	33,065	36,445	33,065
NON-CURRENT				
Related party receivables:				
Controlled entity	--	--	72,458	11,782
Less: provision for non recovery	--	--	(72,458)	(11,782)
	--	--	--	--

Current receivables with a short duration are not discounted and the carrying values are assumed to approximate the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
NOTE 7: OTHER FINANCIAL ASSETS				
Unlisted investments at cost:				
Shares on controlled entity	--	--	150,030	150,030
Less: provision for diminution in value	--	--	(150,030)	--
	--	--	--	150,030
NOTE 8: PLANT AND EQUIPMENT				
Plant and equipment at cost	5,220	--	5,220	--
Less accumulated depreciation	(1,836)	--	(1,836)	--
Total plant and equipment	3,384	--	3,384	--
Reconciliation of the carrying amount for plant and equipment is set out below:				
Carrying amount at beginning of year	--	783	--	783
Additions	5,220	--	5,220	--
Disposals	--	(683)	--	(683)
Depreciation expense	(1,836)	(100)	(1,836)	(100)
Carrying amount at end of year	3,384	--	3,384	--
NOTE 9: MINERAL EXPLORATION AND EVALUATION EXPENDITURE				
Balance at beginning of year	336,639	32,475	174,827	32,475
Exploration and mining expenditure incurred during year	599,901	304,164	537,464	142,352
Expenditure written off	(936,540)	--	(712,291)	--
Balance at end of year	--	336,639	--	174,827
NOTE 10: TRADE AND OTHER PAYABLES				
Trade creditors and accrued expenses	50,299	94,129	41,940	94,129

The other payables are with short-term durations. The notional amount is deemed to reflect the fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	$	$	$	$
NOTE 11: NON INTEREST BEARING LIABILITIES				
Current				
Unsecured loans	--	34,816	--	34,816

The above loans are unsecured, interest free and are repayable upon demand.

NOTE 12: CONTRIBUTED EQUITY

(a) Issued Capital

	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
40,184,250 Ordinary shares fully paid (2006: 40,184,250)	2,626,021	2,629,796	2,626,021	2,629,796

(b) Movements in ordinary share capital of the Company during the past two years were as follows:

Date	Details	No. of Shares	Issue Price	$
01/07/2005	Opening balance	20,000,000		8,002
10/08/2005	Working capital	1,600,000	$0.05	80,000
15/12/2005	Conversion of debt	3,000,000	$0.05	150,000
05/01/2006	Working capital	1,500,000	$0.05	75,000
05/01/2006	Conversion of debt	1,300,000	$0.05	65,000
16/06/2006	Working capital	12,784,250	$0.20	2,556,850
	Less: transaction costs arising on share issues	--	--	(305,056)
30/06/2006	Closing balance	40,184,250		2,629,796
	Less: transaction costs arising on previous year share issues	--	--	(3,775)
30/06/2007	Closing balance	40,184,250		2,626,021

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
NOTE 13: RESERVES				
(a) Composition				
Options reserve	90,170	--	90,170	--

(b) Movements in options of the Company during the year were as follows:

Details		No. of Listed Options	Issue Price	$
01/07/2006	Opening balance	--	--	--
15/10/2006	Pursuant to offer information statement (rights issue)[(a)]	20,092,130	$0.005	100,460
15/10/2006	Pursuant to offer information statement (placement offer)[(a)]	4,200,000	$0.005	21,000
	Less: transaction costs arising on option issues	--	--	(31,290)
30/06/2007	Closing balance	24,292,130		90,170

(a) Options exercisable at $0.20 on or before 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent Entity	
	2007	2006	2007	2006
NOTE 14: NOTES TO THE CASH FLOW STATEMENT	$	$	$	$
(a) Reconciliation of net cash and cash equivalents used in operating activities to loss after income tax:				
Loss after income tax	(1,092,777)	(108,391)	(1,076,546)	(120,173)
Depreciation	1,836	100	1,836	100
Diminution in value of investments	--	--	150,030	--
Exploration expenditure written off	936,540	--	712,291	--
Loss on disposal of plant and equipment	--	683	--	683
Movements in assets and liabilities:				
Receivables	(4,423)	(25,878)	(3,380)	(25,878)
Payables	(43,830)	55,146	(52,189)	55,146
Net cash used in operating activities	(202,654)	(78,340)	(267,958)	(90,122)

(b) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
NOTE 15: REMUNERATION OF AUDITORS	$	$	$	$
Amount paid or due and payable to RSM Bird Cameron Partners for:				
- Audit services	17,250	9,518	17,250	9,518
- Other services	--	--	--	--
	17,250	9,518	17,250	9,518

NOTE 16: KEY MANAGEMENT PERSONNEL

This note is to be read in conjunction with the Remuneration Report, which is included in the Directors' Report.

The Directors of the Company are:
J Palermo (Non-Executive Chairman)
J H Hills (Executive)
D A Cunningham (Non-Executive)
M K O'Malley (Non-Executive)

There are no other specified executives in position of control or exercising management authority.

Remuneration of Key Management Personnel
Refer to Remuneration Report for details of remuneration paid to key management personnel.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 16: KEY MANAGEMENT PERSONNEL *(continued)*

Share holdings

	Balance 1 July 2006 (No. of Shares)	Received Remuneration (No. of Shares)	No. of Options Exercised	Net Other Change (No. of Shares)	Balance 30 June 2007 (No. of Shares)
Director					
J Palermo	3,735,000	--	--	--	3,735,000
J H Hills	3,380,000	--	--	--	3,380,000
D A Cunningham	1,630,000	--	--	100,000	1,730,000
M K O'Malley	3,000,000	--	--	--	3,000,000
Total Directors	11,745,000	--	--	100,000	11,845,000

Options and Rights Holdings

	Balance 01/07/06 (No. Options)	Granted as Remuneration (No. Options)	No. of Options Exercised	Net Change Other (No. Options)	Balance 30/06/07 (No. Options)	Total Vested 30/06/07 (No. Options)	Total Exercisable (No. Options)
Parent Entity Director							
J Palermo	--	--	--	1,867,500	1,867,500	1,867,500	1,867,500
J H Hills	--	--	--	1,690,000	1,690,000	1,690,000	1,690,000
D A Cunningham	--	--	--	982,000	982,000	982,000	982,000
M K O'Malley	--	--	--	1,500,000	1,500,000	1,500,000	1,500,000
Total	--	--	--	6,039,500	6,039,500	6,039,500	6,039,500

Service Agreements

Refer to the Remuneration Report for details of service agreements with key management personnel.

Transactions with Key Management Personnel

Aggregate amounts of each type of transaction with Directors are as follows:

	2007 $	2006 $
Consulting (Douglas Cunningham)	31,637	--
Geological expenses (John Hills)	132,310	51,264
Consulting, secretarial, administrative and rental (John Palermo)	99,616	72,262

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17: ASSOCIATED COMPANIES

The consolidated financial statements include the financial statements of Gladiator Resources Limited and the subsidiary listed in the following table.

	Country of Incorporation	% Equity Interest 2007 $	% Equity Interest 2006 $	Book Value of Shares held by Parent Entity 2007 $	Book Value of Shares held by Parent Entity 2006 $
Brightflow Investments Pty Ltd	AUS	100%	100%	--	150,030
				--	150,030

	Consolidated 2007 $	Consolidated 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Related party receivables with controlled entity:				
Brightflow Investments Pty Ltd	--	--	72,458	11,782
Less: provision for non recovery	--	--	(72,458)	(11,782)
	--	--	--	--

NOTE 18: LOSS PER SHARE

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

	2007 $	2006 $
Loss before income tax	(1,092,777)	(108,391)
Earnings used in calculating basic loss per share	(1,092,777)	(108,391)
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	40,184,250	24,879,944

Diluted loss per share is not disclosed as it would not reflect an inferior position.

There have been no conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares since the balance date and before the completion of this financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19: COMMITMENTS FOR EXPENDITURE

(a) Tenement expenditure commitments

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in the year ended 30 June 2008 amounts of $145,600 in respect of minimum tenement expenditure requirements and lease rentals. These non-cancellable obligations are not provided for in the financial statements and are payable as follows:

	2007 $	2006 $
Not later than one year	145,600	510,500
Later than one year but not later than 2 years	145,600	510,500
Later than 2 years but not later than 5 years	436,800	1,531,500
	728,000	2,552,500

NOTE 20: CONTINGENT LIABILITIES

Gladiator Resources Limited has no known material contingent liabilities at the end of the financial year.

NOTE 21: SEGMENT INFORMATION

Gladiator Resources Ltd and its controlled entity operate in one business segment, being mineral exploration, and in one geographical region, being Australia.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 22: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of change in the market, interest rate and the effective weighted average interest rate on these financial assets, is as follows:

	Non Interest Bearing $		Weighted Average Effective Interest Rate %		Floating Interest Rate $		Total $	
	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets								
- Cash and cash equivalents	61,265	17,461	6.27	5.88	1,400,000	2,200,000	1,461,265	2,217,461
- Trade and other receivables	37,488	33,065	--	--	--	--	37,488	33,065
Total Financial Assets	98,753	50,526			1,400,000	2,200,000	1,498,753	2,250,526
Financial Liabilities								
- Trade and other payables	50,299	94,129	--	--	--	--	50,299	94,129
- Amounts payable to other parties	--	34,816	--	--	--	--	--	34,816
Total Financial Liabilities	50,299	128,945			--	--	50,299	128,945
Net Financial Assets/(Liabilities)	48,454	(78,419)			1,400,000	2,200,000	1,448,454	2,121,581

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised in the balance sheet are as follows:

Financial assets

- **Trade and other receivables**
  Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. There are no repayment terms in relation to this debtor.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 22: FINANCIAL INSTRUMENTS *(continued)*

(a) Interest Rate Risk *(continued)*

Financial liabilities

- **Trade and other payables**
  Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the entity. Creditors are paid and cleared in a 30 day cycle.

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date, to recognised financial assets is the carrying amount net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity.

(c) Net fair values

For assets and other liabilities the net fair value approximates their carrying value except for Director related receivables which are not interest bearing. The consolidated entity has no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

NOTE 23: MATTERS SUBSEQUENT TO THE END OF FINANCIAL YEAR

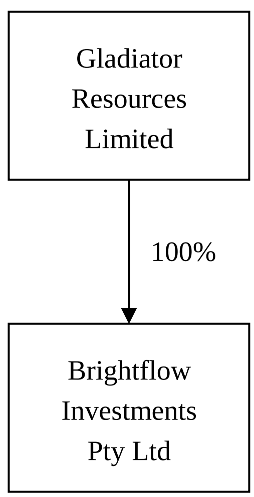
Subsequent to the end of the financial year ended 30 June 2007, the following event has occurred:

- The Company entered into an agreement with major international producer Newmont Mining Corporation to explore for gold on its highly-rated Hogans Project 50 kilometres south east of Kalgoorlie, Western Australia.

NOTE 24: COMPANY DETAILS

Gladiator Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. Its registered office is located at Level 1, 284 Oxford Street, Leederville, Western Australia and its principal place of business is located at Ground Floor, 284 Oxford Street, Leederville, Western Australia.

Gladiator Resources Limited has prepared this consolidated financial report incorporating the entity that it controlled during the financial year, which are outlined in the following illustration of the consolidated entity's corporate structure:



DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 23 to 45 are in accordance with the Corporations Act 2001, including:

1. (a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) 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 financial year ended on that date.

2. The Chief Executive Officer and Chief Finance Officer have each 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. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 19th day of September, 2007.

JOHN HENRY HILLS
Director

RSM! Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GLADIATOR RESOURCES LIMITED

We have audited the accompanying financial report of Gladiator Resources Limited ("the company"), 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, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 18 to 20 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes 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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

(a) the financial report of Gladiator Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 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; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 18 to 20 of the directors' report comply with Accounting Standard AASB 124.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C CUBITT
Partner

Perth, WA
Dated: 19 September 2007

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AUDITOR'S INDEPENDENCE DECLARATION
TO THE BOARD OF DIRECTORS OF
GLADIATOR RESOURCES LIMITED

As lead audit partner for the audit of the financial report of Gladiator Resources Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt

Perth, WA
Dated: 19 September 2007

S C CUBITT
Partner

ASX ADDITIONAL INFORMATION

1. QUOTED SECURITIES

(a) ORDINARY FULLY PAID SHARES

(i) DISTRIBUTION OF SHAREHOLDERS AS AT 4 SEPTEMBER 2007:

SPREAD OF HOLDINGS	HOLDERS	SHARES	PERCENTAGE OF ISSUED CAPITAL %
1 - 1,000	1	1	0.00
1,001 - 5,000	18	78,246	0.19
5,001 - 10,000	169	1,670,298	4.16
10,001 - 100,000	189	6,251,622	15.56
100,001+	35	32,184,083	80.09
	412	40,184,250	100.00

The number of shareholdings held in less than marketable parcels is 19.

(ii) TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES:-

The names of the twenty largest shareholders of ordinary fully paid shares are listed below:

	NAME	NO. OF ORDINARY SHARES HELD	PERCENTAGE OF ISSUED SHARES %
1.	Monarch Corporation Pty Ltd <Monarch A/c>	4,455,000	11.09
2.	Reton Holdings Pty Ltd	3,400,000	8.46
3.	Veltox Pty Ltd	3,350,000	8.34
4.	M & M Family Pty Ltd <M & M Family A/c>	3,000,000	7.47
5.	Red Oaks Pty Ltd	3,000,000	7.47
6.	Dirki Pty Ltd	2,900,000	7.22
7.	Dolphin Technology Pty Ltd <Dolphin A/c>	1,975,000	4.91
8.	Seashells Resort Pty Ltd <Polar A/c>	1,750,000	4.35
9.	Daffodil Holdings Pty Ltd <Kandahar Family A/c>	1,600,000	3.98
10.	Primelane Pty Ltd <Lane A/c>	1,150,000	2.86
11.	Vernon C Stocklmayer	500,000	1.24
12.	D F Lynton Brown Pty Ltd <D F Lynton-Brown Super A/c>	450,000	1.12
13.	Hamelin Nominees Pty Ltd <Chanel Family A/c>	375,000	0.93
14.	Sarah Georgina D'Onofrio <Bamboo A/c>	370,000	0.92
15.	ANZ Nominees Limited <Cash Income A/c>	365,000	0.91
16.	Australian Executor Trustees Limited <No. 1 A/c>	267,500	0.67
17.	Rand Mining NL	250,000	0.62
18.	Tribune Resources NL	250,000	0.62
19.	Intercorp Pty Ltd	240,195	0.60
20.	Diamond Grove Pty Ltd	210,000	0.52
		29,857,695	74.30

ASX ADDITIONAL INFORMATION *(continued)*

(iii) VOTING RIGHTS

Articles 15 of the Constitution specify that on a show of hands every member present in person, by attorney or by proxy shall have:

(a) for every fully paid share held by him one vote

(b) for every share which is not fully paid a fraction of the vote equal to the amount paid up on the share over the nominal value of the shares.

(iv) SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as recorded in the Register of Members as at 4 September 2007;

Name	Ordinary Shares No.	%
Monarch Corporation Pty Ltd <Monarch A/c>	4,455,000	11.09
Reton Holdings Pty Ltd	3,400,000	8.46
Veltox Pty Ltd	3,350,000	8.34
M & M Family Pty Ltd <M & M Family A/c>	3,000,000	7.47
Red Oaks Pty Ltd	3,000,000	7.47
Dirki Pty Ltd	2,900,000	7.22

(b) OPTIONS EXERCISABLE AT $0.20 ON OR BEFORE 30 JUNE 2009

(i) DISTRIBUTION OF OPTIONHOLDERS AS AT 4 SEPTEMBER 2007:

SPREAD OF HOLDINGS	NO. OF HOLDERS	NO. OF OPTIONS	PERCENTAGE OF ISSUED OPTIONS %
1 - 1,000	--	--	0.00
1,001 - 5,000	123	607,783	2.50
5,001 - 10,000	40	334,956	1.38
10,001 - 100,000	81	2,085,952	8.59
100,001+	23	21,263,439	87.53
	267	24,292,130	100.00

ASX ADDITIONAL INFORMATION *(continued)*

(b) OPTIONS EXERCISABLE AT $0.20 ON OR BEFORE 30 JUNE 2009 (*continued)*

(ii) TOP 20 HOLDERS OF OPTIONS EXERCISABLE AT $0.20 ON OR BEFORE 30 JUNE 2009:

The names of the twenty largest holders of options exercisable at $0.20 on or before 30 June 2009 are listed below:

	NAME	NO. OF OPTIONS HELD	PERCENTAGE OF ISSUED OPTIONS %
1.	Monarch Corporation Pty Ltd <Monarch A/c>	6,427,500	26.46
2.	Reton Holdings Pty Ltd	1,683,000	6.93
3.	Veltox Pty Ltd	1,675,000	6.90
4.	M & M Family Pty Ltd <M & M Family A/c>	1,500,000	6.17
5.	Red Oaks Pty Ltd	1,500,000	6.17
6.	Dirki Pty Ltd	1,450,000	5.97
7.	Monarch Corporation Pty Ltd <Monarch A/c>	1,351,251	5.56
8.	Dolphin Technology Pty Ltd <Dolphin A/c>	987,500	4.07
9.	Seashells Resort Pty Ltd <Polar A/c>	875,000	3.60
10.	Daffodil Holdings Pty Ltd <Kandahar Family A/c>	800,000	3.29
11.	Primelane Pty Ltd <Lane A/c>	560,000	2.31
12.	Intercorp Pty Ltd	313,260	1.29
13.	Lawrence Crowe Cons Pty Ltd <LCC Super Fund A/c>	256,000	1.05
14.	Vernon C Stocklmayer	250,000	1.03
15.	Hamelin Nominees Pty Ltd <Chanel Family A/c>	250,000	1.03
16.	Louise Baguley	243,260	1.00
17.	D F Lynton Brown Pty Ltd <D F Lynton-Brown Super A/c>	225,000	0.93
18.	Sarah Georgina D'Onofrio <Bamboo A/c>	200,000	0.82
19.	Australian Executor Trustees Limited <No. 1 A/c>	181,250	0.75
20.	CBU Videowork Pty Ltd	172,000	0.71
		20,900,021	86.04

iii) VOTING RIGHTS

Holders of options are not entitled to vote at a General Meeting of Members in person, by proxy or upon a poll, in respect of their option holding only.

2. DIRECTORS' INTERESTS

Interests of each Director in the share capital of the Company at 30 June 2007 are detailed in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council requires that the Company must disclose the extent to which it has followed best practice recommendations, identify which recommendations have not been followed and the reason for not adopting the recommendations.

The ASX Corporate Governance Council recognises that not all recommendations are appropriate for all companies and that companies should only adopt those recommendations that are suitable in each individual case.

The following is a summary of policies adopted by the Company and where appropriate, explanations of where best practice recommendations have not been applied. The various policies and procedures were followed throughout the entire financial year.

Board Composition and Functions

Under the Company's Constitution, the Board is required to consist of at least 3 and no more than 10 directors. If the Company has 3 or more directors, one third of the directors, with the exception of the Managing Director, must retire and seek re-election at the Annual General Meeting each year.

The Board of the Company currently consists of three non-executive directors and one executive director. The Board includes the Chairman (non-executive).

The Board composition does not follow ASX recommendations, in that a majority of directors are not independent. However, the roles of Chairman and Managing Director are not exercised by the same person, and the Board is considered to be comprised of directors with the experience and qualifications best suited to the Company's size and range of activities.

The Company has followed ASX recommendations in the assessment of whether a director is considered to be "independent". The independent director is Douglas Cunningham.

The Board delegates responsibilities to committees, executive directors and senior management.

The Board is responsible for corporate strategy, implementation of business plans, allocation of resources, approval of budgets and capital expenditure, and the adherence to Company policies.

The Board is also responsible for compliance with the Code of Conduct, overseeing risk management and internal controls, and the assessment, appointment and removal of the Managing Director, Company Secretary and other senior management.

Directors of the Company during the financial year and information pertaining to individual directors is included in the Directors' Report.

Board members have the right to seek independent professional advice in the furtherance of their duties as directors at the Company's expense.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Director Independence

The Company has established guidelines for testing the independence of directors.

A director is considered to be independent if they satisfy certain criteria, the most significant being as follows:

- The director must be in a non-executive role where any fees payable by the Company could not be considered to make the director reliant on such remuneration. The director must have no other material contractual relationship with the Company other than as a director of the Company.
- The director is not a substantial shareholder of the Company.
- The director has not been employed in an executive capacity by the Company and has not been a principal of a material adviser or consultant to the Company within the last 3 years, and
- The director is free from any interest which could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Risk Management

The Board is responsible for the identification of significant areas of business risk, implementing procedures to manage such risks and developing policies regarding the establishment and maintenance of appropriate ethical standards to:

- Ensure compliance in legal, statutory and ethical matters;
- Monitor the business environment;
- Identify business risk areas;
- Identify business opportunities; and
- Monitor systems established to ensure prompt and appropriate responses to shareholder complaints and enquiries.

The Board meets on a regular basis. The Company does not follow the ASX best practice recommendation that the Company should have an internal control function. The Board considers that the Company is not of a size or operational complexity to warrant the implementation of a separate internal control function.

The Managing Director and Company Secretary are required to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

Audit Committee

The Company believes it is not of a size to justify having an Audit Committee. All directors are involved in overseeing the existence and maintenance of internal controls, accounting systems and external audit arrangements.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Procedure for the Selection of New Directors

The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement.

Corporate performance is enhanced when the Board has an appropriate mix of skills and experience. The Board is evaluated before a candidate is selected to join the Board. Candidates are nominated by existing Board members and independent search consultants are also utilised if necessary. Where a director nominates a candidate for the Board, the director must disclose any pre-existing relationship with the nominee.

New directors are provided with a letter of appointment setting out their responsibilities and rights, and are provided with a copy of the Company's Constitution.

Remuneration of Board Members

The Company believes it is not of a size to justify having a Remuneration Committee. All directors are involved in the review of executive and non-executive directors' and senior management's remuneration. No director may be involved in setting their own remuneration or terms and conditions.

Conflicts of Interest

The Board has put in place Code of Conduct and Share Trading Policies which have been designed to ensure that all directors and employees of the Company act ethically and do not use confidential information for personal gain.

Code of Conduct

The Board is responsible for setting the tone of legal, ethical and moral conduct to ensure that the Company is considered reputable by the industry and other outside entities. This involves considering the impact of the Company's decisions on the industry, colleagues and the general community. The Code of Conduct adopted by the Company requires that all employees abide by the laws, regulations and business practices whenever the Company operates. The Board maintains an approach that preserves the integrity of any laws or regulations under which the Company operates. The Company has also put in place various internal Policies which provide internal controls to ensure employees only act within the authority given to them by the Board. This is to ensure that the Board has responsibility for any material transactions and dealings with outside parties, and that any legal, environment and social consequences of such dealings will be properly considered before any action is taken.

The Company has an Environmental Policy which requires all employees to comply with the environmental regulations in force in the region in which work is undertaken. The Company is committed to dealing fairly and equitably with interested parties relating to environmental issues, such as landholders, governmental agencies and native title claimants.

Annual General Meeting

The Company's Auditors are invited to each Annual General Meeting.