METALS LTD

2007

DIRECTORS	Seng Fai Chan ***Non-Executive Chairman*** Dr Brett Teale ***Managing Director*** Dr Roger Taylor ***Non-Executive Director*** William Shire ***Non-Executive Director***
COMPANY SECRETARY	Bruno Firriolo
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	Suite 4 213 Balcatta Road Balcatta WA 6021 Telephone: (08) 9240 4111 Facsimile: (08) 9240 4054
AUDITORS	PKF Level 6, 10 Eagle Street Brisbane QLD 4001
SHARE REGISTRY	Advanced Share Registry Services 110 Stirling Highway Nedlands WA 6009
BANKERS	National Australia Bank Limited
STOCK EXCHANGE	Listed on the Australian Stock Exchange The Home Exchange is in Perth, Western Australia
ASX CODE	KML Fully Paid Ordinary Shares KMLO Options expiring 19 August 2009
E-MAIL	admin@chellingtons.com.au
WEB SITE	**www.kangaroometals.com.au**

CONTENTS

Dear Shareholder,

Since listing on April 19 this year, Kangaroo Metals Limited (KML) has embarked on a rapid and comprehensive analysis of the available data on our tenements. With over 390 mines and additional diggings, this has been, and continues to be, a work in progress. The employment of an exploration manager, Brian New, has expedited the operations and fieldwork to confirm findings are currently underway. Drilling, geophysical and geochemical programs are planned to commence shortly.

While we have identified ten project areas, several are of great interest and will prove to be key regions for the rapid growth of the company in the next two years. These targets will be drilled in the coming months to delineate their extent and potential for extraction.

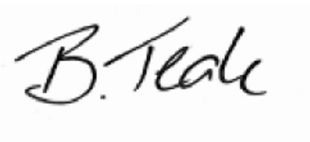
One area in particular, the Holmes-Carbine project, will be a key short-term target which may produce significant long-term benefits. This region encompasses significant alluvial and eluvial Tin mineralisation along with Tungsten in the form of Wolfram at one location and Scheelite at another, all mineralisation occurring within a 5km zone of activity. This "deposit-rich" environment will assist in the planning and development of a rapid and efficient extraction program.

Identification of additional deposits of Antimony at Antimony Reward will be delineated by a drilling program to begin in November 2007. These results, coupled to available sale contracts for Antimony into China, will see KML begin planning and development for extraction as quickly as possible.

Other regions, such as the Crystalhaven project, have significant potential for KML. As a large epithermal vein system, exposed at surface, the potential for significant epithermal gold findings, along the lines of the Pajingo deposit, is to be investigated. Historic data has identified alluvial gold in the drainage systems in the region surrounding the volcanic neck. Recent diamond drill cores on a neighbouring tenement, taken less than 5 km away from the volcanic neck, have confirmed the potential for gold-copper vein deposits. KML sees this as a significant project with a 2-3 year lead time.

As I stated in pre-IPO interviews, the key to KML's success will be acquiring revenue producing assets to support ongoing exploration and growth. During these first few months of operation, KML has been assessing acquisition targets, and with many and varied operations available, due diligence on the true value to KML has been important in reviewing which assets to bring into the KML stable. KML will aim to complete a series of revenue producing acquisitions in order to diversify its metal portfolio and safeguard its base against fluctuations in the metal markets.

I believe KML will grow rapidly in the next twelve months as key parts of our corporate strategy are implemented. Establishing KML as a miner with a strong exploration base, both here and overseas, should see the company become a secure and sought after stock.



Dr Brett Teale PhD JD MHGSA MAICD
Managing Director
Brisbane, Queensland

28 September 2007

Overview

Kangaroo Metals Limited (KML) listed on the Australian Securities Exchange (ASX) on April 19 at a 20% premium. As a Tin-Tungsten exploration company holding 2955 km2 of tenements at listing, analysis of all the available data was an initial step in fully understanding the potential for mineralisation across the region. This desktop study quickly identified the potential across tenements for significant Tin, Tungsten, Copper, Zinc, Molybdenum, Antimony, Gold and Uranium deposits.

Exploration in these first few months has been limited primarily to field examination of the key target regions delineated by the desktop study of the tenements. The exploration plan now determined, KML is progressing project regions with the highest potential for returns in the near future. These will be discussed further below.

KML has also reviewed several Tin and Gold operations in Queensland, Victoria and Tasmania for their potential as acquisition targets. The key parameters in this assessment being operations that once improved through efficiency of volume and effective management would reap a significant long-term cashflow to support ongoing exploration, acquisitions and company growth.

Queensland Exploration Targets

KML has established ten key projects that will be the primary target of the $1.9 million exploration program to be carried out over 2007 and 2008.

Geochemistry, geophysical and reverse circulation drill programs have now been initiated and the results of these are expected to be released to the market over the next twelve months.

These projects are;

Holmes-Carbine Project (EPM 14871, 14872)

KML is currently initiating work at Mt Holmes, Station Creek and additional tin, tungsten and gold targets (Mt Holmes Tungsten sample, pictured right). Mineralization at Little Plum Creek, Rifle Creek and Lustre Creek are expected to add to the projects metal inventory. KML will be mapping and performing site preparation in the third quarter of 2007 to supplement the currently held data, with follow-up programs of 1500-3000 metres expected in the fourth quarter of 2007. Soil and stream geochemistry will also be performed across the eastern zones, Station Creek, Lustre Creek, Rifle Creek, Holmes Creek and Little Plum Creek to determine the economics of tin, scheelite and gold recovery from these sites.

Crystalhaven Project (EPM14947)

The eastern region of the Mungana tenement encompasses the Crystalbrook volcanic neck ("The Neck"). The Neck appears to be under explored, and based on the historic reports of tin and gold being sourced from the creeks leading from the volcanic neck itself. A high-density rock chip and soil geochemistry program will commence in the last quarter of 2007, along with a complete analysis for precious and base metals. KML believes The Neck represents an epithermal gold target with significant lengths of exposure at surface (epithermal veining pictured right with Director, William Shire). This target will be advanced in the late 2007 and throughout 2008.

Stannary Hills Project (EPM14875)

Analysis of the data across the Stannary Hills tenement has identified two distinct metallogenic regions, namely Carbonate Creek (copper/molybdenum/bismuth) and Central Stannary (tin/tungsten). Central Stannary has a very high density of historic tin mines (Iona mine pictured right) which exploited lode tin along continuous structures, several of which were magnetite associated. High-resolution aeromagnetics, along with past and planned soil geochemistry, is expected to extend the known mineralised zones delineated by past diggings. Drilling of these targets is anticipated for the second quarter of 2008. Carbonate Creek will be investigated for molybdenum, bismuth, tungsten and fluorite to extend previous studies on the economics of this deposit. Soil geochemistry data will be reviewed from Carbonate Creek and any additional geochemistry needed will be performed in the late 2007 and into 2008.

Silver Valley-Brownville Project (EPM14879, EPM14880)

The area in and around Silver Valley shows significant thematic trends based on historic records for tin and tungsten production. One of these regions is "Tungsten Ridge" which will be investigated. Aeromagnetics will be used to identify iron and the underlying geology and targeted geochemistry will also be applied across specific regions to identify the structural controls of the tin-tungsten vein clustering and delineate drill targets.

California Project (EPM14877)

The California tenement is divided into three regions north to south. The north is a mixture of intrusive bodies, the middle is tin-bearing, while the south is a clear circular intrusion complex with associated copper mineralisation. The California Project will commence in late 2007 with an aeromagnetic survey of the southern regions to develop a geological model of the tenement. This, in combination with ground mapping and geochemical surveys, will identify areas of interest to be advanced in the second quarter of 2008.

Maneater Project (EPM14949)

The Maneater Project is centred on the breccia structure of Maneater Peak (pictured right). Previous stream geochemistry indicates anomalous gold in the creeks leading from the structure. Mapping and geochemistry around Maneater Peak will focus on gold and precious metals. Additional studies will be carried out to the south west of Maneater Peak to determine the nature and extent of the previously identified uranium mineralisation.

Borium Project (EPM14842)

Situated to the northwest of the Kidston gold mine, Mt Borium hosts a zinc, copper and gold deposit which was initially investigated towards the end of the Kidston mine era. Geochemical sampling identified a gold, lead and copper halo, which was found to be associated to an Induced Polarisation anomaly. Shallow drilling indicated a broad low-grade gold mineralisation. KML will undertake aeromagnetics and geochemistry to rationalise the previous data and a short drilling program in the first quarter 2008 will be undertaken to test this project before extending the program.

Ewan Project (EPM14943)

The Ewan tenement hosts several clusters of historic polymetallic mines that appear to cluster around magnetic anomalies identified by government surveys. KML will undertake high resolution aeromagnetics in late 2007 across these clusters to get clear understanding of the underlying geology followed by a detail geochemical study in the second quarter of 2008 to identify drill targets.

Featherbed Project (EPM14951)

The Featherbed Project encompasses a rich mineralisation zone to the southern edge of the tenement. A detailed aeromagnetic survey will be undertaken across the region in late 2007, and a grided geochemical survey will begin around the known deposit at Antimony Reward. In addition, earlier mapping around the Antimony Reward prospect identified a base-metal gossan which was interpreted as a possible exhalative unit along the base of the Featherbed volcanic complex. This horizon is equivalent to the unit that hosts the Orient Camp base-metals district further to the east. Drilling of this target to delineate the mineralisation extent will commence in late 2007. Stibnite vein sample collected from Antimony Reward site pictured right.

Esmeralda Project (EPM14889)

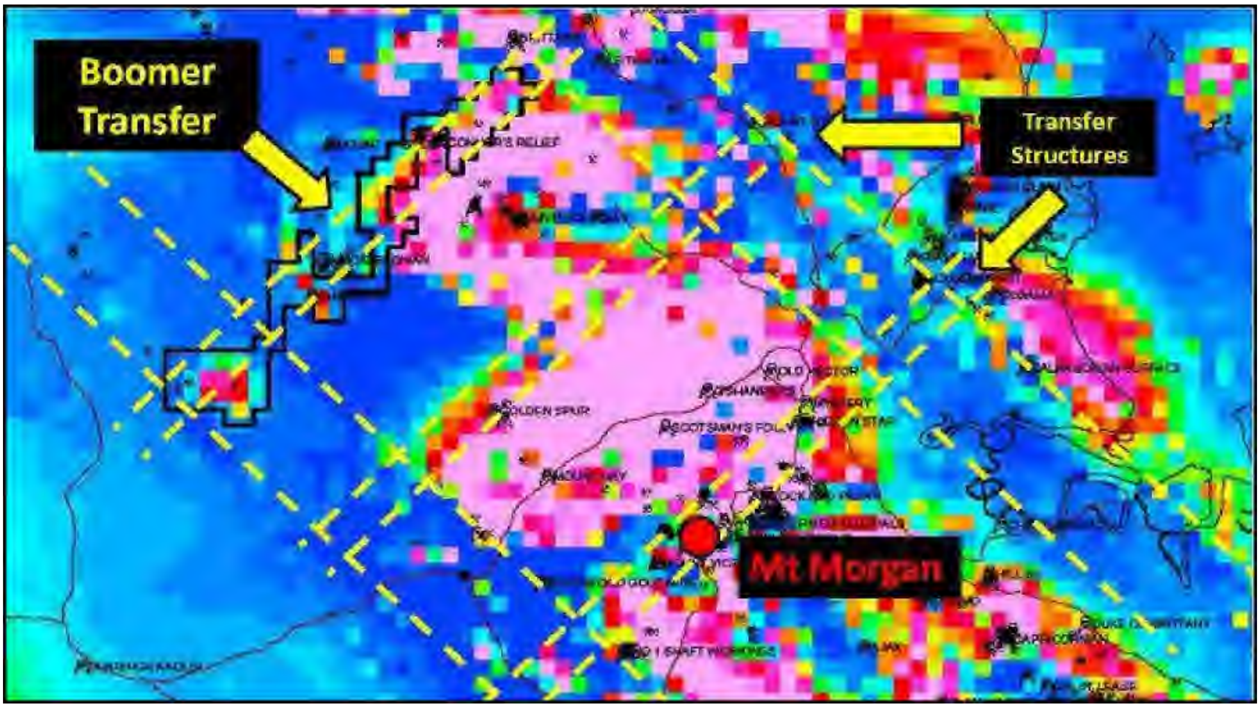
Situated within the Croydon tenement, the Esmeralda project aims to explore pipe-like structures which were the main basis for the historically rich tin lode mines in the region. While alluvial deposits are present across the tenement, the identification of key pipe structures will significantly add to the viability of the project. An aeromagnetic survey is planned for late 2007 across the region to identify controls for these pipe-like structures in order to assist in identifying sample programs and drill targets to commence in the third quarter of 2008.

Additional Tenements

Boomer Transfer (EPM16749)

KML has also pegged new tenements on the Central Queensland coast along a transfer unit showing significant mineralisation potential and a strong aeromagnetic signature. This tenement, called the "Boomer Transfer", hosts historic Copper-Gold-Molybdenum mines and is parallel to the nearby transfer unit hosting the Mt Morgan mine, which ran for 99 years and produced 7.2 million ounces of gold and 360,000 tonnes of copper, valued today at $9.7billion.

The strong aeromagnetic signal to the southwest end of the tenement (pictured below) will be investigated in the coming year and field investigations across the tenement region should help identify drill targets in the near future.



Acquisition Targets

KML intends to identify strategic acquisitions that would see a positive cashflow as a result of value adding and efficiencies introduced through increased production volume and effective management.

KML has examined several historic gold mines in Queensland known to hold greater than 20,000 oz gold still *in-situ* as potential targets to assemble a combined asset. The current standing of these mines was reviewed and the potential for economic recovery in the current market is good; however, KML believes that dedicating resources to these projects at this time would weaken its growth and more suitable targets for revenue can be identified elsewhere.

Assessment of gold mining ventures in Victoria's historically rich gold mining areas failed to identify suitable targets with the potential for significant returns.

Assessment of gold and tin mining ventures in Tasmania is ongoing and due to the current rapid growth in the Tasmanian industry, additional targets are expected to be assessed in the coming year from this region.

Directors and Company Secretary

The names and particulars of the qualifications, experience and special responsibilities of the Directors and Company Secretary in office at any time during or since the end of the financial year are:

Seng Fai Chan B.Comm B.Juris LLB CPA
Non-Executive Chairman (Appointed 20 June 2006)

Mr Chan is a barrister and solicitor and has been practising as a legal practitioner for over 20 years, specialising in commercial law, taxation, leasing and company structures. He previously worked in the Australian Taxation Office for 7 years. Mr Chan acts for a number of major high net worth overseas clients, particularly within the Asian region. Mr Chan is a non-executive director of Aspen Group (since 1 November 2002) which is listed on ASX.

Dr Brett Teale PhD JD MHGSA MAICD
Managing Director (Appointed 16 November 2006)

Dr Teale has a doctorate in Molecular Genetics and a Juris Doctor in Law covering fields of Corporations and Business Law and over 10 years experience at the executive management level in high-risk and start-up ventures. Dr Teale is a specialist with a broad base of skills in scientific and analytical roles, efficiencies management and sustainability skills which he has applied to help grow medical and biotechnology companies before being asked to manage Kangaroo Metals. Dr Teale did not hold any directorships in other listed companies in the previous 3 years.

Dr Roger Taylor PhD DIC BSc
Non-Executive Director (Appointed 16 November 2006)

Dr Taylor is a world renowned geologist with over 30 years experience both in Australia and at mining sites around the globe. His experience ranges from Chile, Indonesia, China, Brazil, Peru, Mexico to Bolivia and Southern Asia. Dr Taylor has consulted for some of the world's largest mining houses including MIM, Rio Tinto, Codelco, CVRD, Newcrest and BHP-Billiton. His vast experience and knowledge of the North Queensland mining region represents one of the key company assets needed for a successful exploration programme. Dr Taylor did not hold any directorships in other listed companies in the previous 3 years.

William Shire
Non-Executive Director (Appointed 27 September 2006)

Mr Shire is a professional investor and deal broker whose career commenced in real estate and business broking in 1984. He has established a number of successful real estate and broking businesses, and in the last 4 years has assisted in arranging up to $25 million in funding for the establishment of oil and gas, minerals exploration and property development companies. Mr Shire did not hold any directorships in other listed companies in the previous 3 years.

Bruno Firriolo CPA. B.Bus (Acctg)
Company Secretary (Appointed 18 July 2006)

Mr Firriolo is a Certified Practising Accountant. He has been a partner with the accounting firm Cleaver & Associates since April 1991 dealing with all aspects of accounting and taxation. Mr Firriolo did not hold any directorships in other listed companies in the previous 3 years, other than Conquest Mining Limited (November 2003 to the present).

Brian Cleaver CPA B.Bus (Acctg)
Non-Executive Director (Appointed 17 July 2006, Resigned 27 September 2006)

Mr Cleaver is a Certified Practising Accountant. He has been a partner with the accounting firm Cleaver & Associates since April 1991 dealing with all aspects of accounting and taxation. Mr Cleaver did not hold any directorships in other listed companies in the previous 3 years.

George Papamihail BA BAB NSW Dip Law
Non-Executive Director (Appointed 18 July 2006, Resigned 31 January 2007)

Mr Papamihail is a practising Barrister with over 20 years experience in the legal field. He is also a professional investor with many years of experience in the mining and resource markets. Mr Papamihail did not hold any directorships in other listed companies in the previous 3 years.

Directors' Meetings

The following table sets out the number of meetings of the Company held during the year ended 30 June 2007 and the number of meetings attended by each Director.

During the year 7 Directors meetings were held and 5 circular resolutions were made during the period 1 July 2006 to 30 June 2007.

The number of meetings at which Directors were in attendance is as follows:

	Board Meetings		Audit Committee Meetings	
	A	B	A	B
S F Chan	7	7	1	1
B Teale	7	7		
R Taylor	5	5		
W Shire	7	7	1	1
B Cleaver	0	0		
G Papamihail	1	1		

A – Number of meetings held while in office
B – Meetings attended

Principal Activities

The principal activity of the Group during the year was mineral exploration.

Operating and Financial Review

The consolidated loss from ordinary activities of the Group for the financial year ended 30 June 2007 was $401,691 (2006 - $2,004).

The Company listed on the Australian Stock Exchange (ASX) on 19 April 2007 as a multi-commodity explorer. The IPO raised $3,017,500 upon subscriptions for 15,087,500 fully paid ordinary shares at $0.20 each. These funds (after cash IPO costs of $81,898) provided the Group with budgeted working capital requirements for the next 2 years. The Group's mineral exploration tenements are all held by its wholly owned subsidiary, Stonebase Pty Ltd.

Since listing on the ASX, the Company has been assessing potential acquisition targets and undertaking due diligence on many and varied operations available. The Company aims to complete a series of revenue producing acquisitions in order to diversify its metal portfolio and safeguard its base against fluctuations in the metal markets.

Further details of operations undertaken during the year are set out in the accompanying Review of Operations Report on the pages immediately preceding the Directors' Report.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

^ In July 2006, the Company acquired a portfolio of mineral exploration tenements when Stonebase Pty Ltd became a wholly owned subsidiary representing a reverse acquisition.

^ In April 2007, the Company was admitted to the Official List of ASX Limited following a successful Initial Public Offering.

In the opinion of the Directors, as at the date of this report, the state of affairs of the Group is satisfactory.

Dividends

Up until the date of this report, no dividend has been declared or paid by the Company and the Directors do not recommend payment of a dividend.

Events Subsequent to Balance Date

In August 2007, the Company completed a fundraising of $244,000, before the costs of the issue, via an Entitlement Issue of options to the Company's shareholders.

Other than as noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in subsequent financial years.

Likely Developments

The Group will focus on the exploration of its portfolio of mining tenements and the acquisition of new projects and/or assets.

Further information about likely developments in the operations of the Group and the expected results of those operations on future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental Regulation and Performance

The Group's operations were subject to environmental regulations under both Commonwealth and State legislation in relation to its exploration activities.

The Directors are not aware of any breaches during the period covered by this report.

Directors'Interests

The relevant interest of each Director in the share capital of the Company as at the date of this report is:

Director	Fully Paid Ordinary Shares	19 August 2009 Listed Options
S F Chan	1	-
B Teale	1,570,000	785,000
R Taylor	Nil	-
W Shire	1,500,000	750,000

Share Options

Options Granted to Directors and Officers of the Company

During or since the end of the year there were no Directors or Officers of the Company for whom disclosure is required under this section.

Share Options (continued)

Unissued Shares Under Option

At the date of this report there were unissued ordinary shares of the Company under option all of which related to an Entitlement Issue of options to the Company's shareholders resulting in the issue during August 2007 of 24,393,751 options at an issue price of $0.01 each, expiry 19 August 2009, exercisable at $0.20 each.

Options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Indemnification and Insurance of Officers

The Company has not, during or since the financial year-end, 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.

Remuneration Report

1. Principles of compensation - audited

All compensation/remuneration arrangements for Directors and Executive Officers are determined at Board level after taking into account the current competitive rates prevailing in the market. Further details of principles, policies and elements of remuneration are contained in the Corporate Governance Statement.

2. Directors' and executive officers' remuneration (Company and Group) - audited

The aggregate remuneration for non-executive Directors has been set at an amount not to exceed $150,000 per annum. During the year there were no executive officers, other than the Managing Director and the Company Secretary, for whom disclosure of remuneration is required. Details of the nature and amount of each major element of the remuneration of those persons and all Directors of the Company and Group are:

		Short Term	Short Term	Short Term	Post Employment	Share based payments	Other Long Term		
Directors		Base Remuneration $	Non-cash Benefits $	Insurance Premiums $	Superannuation Contributions $	Value of Options $	$	Total $	Value of Options as a Proportion of Remuneration
S F Chan	2007	-	-	-	7,266	-	-	7,266	-
	2006	-	-	-	-	-	-	-	-
B Teale	2007	92,588	-	-	8,325	-	-	100,913	-
R Taylor	2007	-	-	-	15,861	-	-	15,861	-
W Shire	2007	-	-	-	26,358	-	-	26,358	-
B Firriolo	2007	-	-	-	12,910	-	-	12,910	-
B Cleaver	2007	-	-	-	-	-	-	-	-
G Papamihail	2007	-	-	-	-	-	-	-	-
TOTALS	2007	92,588	-	-	70,720	-	-	163,308	-
	2006	-	-	-	-	-	-	-	-

Remuneration Report (continued)

3. Equity instruments – audited

All options refer to options over ordinary shares of Kangaroo Metals Limited, which are exercisable on a one-for-one basis.

Options and rights over equity instruments granted as compensation during the financial year were nil.

Options issued at any time to Directors and executive officers and exercised during or since the end of the financial year were nil.

Options may be issued by the Company as an appropriate form of remuneration to provide Directors, executive officers and employees with incentives to maximise returns to shareholders.

4. Service Agreements - audited

Remuneration and other terms of employment for Dr Teale are formalised in a service agreement as discussed below:

Dr B Teale – Managing Director

Term of agreement – 3 years commencing 1 October 2006;
Base annual salary at commencement $130,000 inclusive of superannuation, to be reviewed annually;

^ Payment of a termination benefit on early termination by the Company in certain circumstances not exceeding twelve months base salary (plus superannuation and accrued entitlements).

^ Subject to the approval of shareholders, upon successful listing of the Company on the ASX, Dr Teale is entitled to receive up to 5,750,000 performance options for no consideration, at an exercise price of $0.20 each subject to price hurdles. The first tranche of such options is 750,000 options with a trigger value of $0.30. Other tranches of the remainder 5,000,000 options have trigger values ranging from $0.40 to $1.00.

5. Other Transactions

Where Directors had other transactions with the Group particulars of those transactions, which do not form part of this Remuneration Report, are shown at the "Related Parties" note to the audited Financial Statements.

Corporate Governance Statement

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Kangaroo Metals Limited support and have endeavoured to adhere to the appropriate ASX Corporate Governance Council's "Principles of Good Corporate Governance" and "Best Practice Recommendations", having regard to the Company's size and operations. The Company's corporate governance statement is the final section of this Director's Report and is located following the Declaration referred to below.

Non-Audit Services

During the year the Company's auditors has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and the scope of non-audit services has been assessed by the Board to ensure that auditor independence was not compromised.

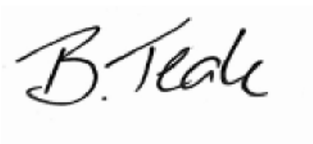
Amounts received or due and receivable for other services by auditors of the company:

PKF Chartered Accountants	$4,100

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on the following page and forms part of the Directors Report for the year ended 30 June 2007.

This report is made in accordance with a resolution of Directors.



Dr Brett Teale
Managing Director
Brisbane, Queensland
28 September 2007

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

PKF

Chartered Accountants
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF KANGAROO METALS LIMITED
AND ITS CONTROLLED ENTITIES**

As lead engagement partner for the audit of Kangaroo Metals Limited and its Controlled Entities for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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

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

PKF

PKF
Chartered Accountants

Wayne Wessels
Partner

Dated at Brisbane, Queensland this 28th day of September 2007

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The ASX Listing Rules require listed companies to include in their annual report details of specific aspects of their corporate governance practices, and disclose and explain any departures from the Best Practice Recommendations contained in the ASX Corporate Governance Council's *"Principles of Good Corporate Governance and Best Practice Recommendations"*.

The Board of Kangaroo Metals Limited is committed to high standards of corporate governance and during the 2007 financial year maintained its review of the Company's corporate governance framework to ensure that appropriate best practices are in place having regard to the Company's size and operations.

The following documents form the basis of the Company's corporate governance system and can be viewed in their entirety at the Company's Website at www.kangaroometals.com.au

1. Board Charter
2. Audit Committee Charter
3. Executive Committee Charter
4. Directors' and Executive Officers' Code of Conduct
5. Performance Evaluation Process
6. Code of Business Conduct
7. Dealings in Conquest Mining Limited Securities
8. Communications Strategy
9. Disclosure Policy
10. Risk Management and Internal Control Policy

The Managing Director and Chief Financial Officer have made declarations in writing to the board in relation to the Company's financial report as required by Recommendation 4.1, and, risk management as required by Recommendation 7.2.

Relevant details of any departures from Best Practice Recommendations are listed in the table at the end of this section.

The Board of Directors

Details of the skills, experience and expertise of each of the directors in office at the date of this report, and their terms of office, are included in the "Directors and Company Secretary" section of the director's report.

Independence

An independent Director is a non-executive Director (i.e. is not a member of management) and:

^ is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

^ within the last three years has not been employed in an executive capacity by the Company or its subsidiaries, or been a Director after ceasing to hold any such employment;

^ is not a principal or employee of a professional adviser to the Company or its subsidiaries whose billings exceed five per cent of the adviser's total revenue. A Director who is a principal or employee of a professional adviser will not participate in the provision of any service to the Company by the professional adviser;

^ is not a significant supplier or customer of the Company or its subsidiaries, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from the Company exceed five per cent of the supplier's total revenue. A significant customer is one whose amounts payable to the Company exceed five per cent of the customer's total operating costs;

^ has no material contractual relationship with the Company or its subsidiaries other than as a Director of the Company;

^ is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board considers that Messrs Chan, Taylor and Shire meet the above criteria to be classed as independent Directors.

Independent Professional Advice

Procedures are in place to allow any Director or Committee of the Board to seek external professional advice as considered necessary, at the Company's expense.

Performance Evaluation

The Chairman is responsible for undertaking a continuous review of the performance and contribution of individual directors. The Board will continually review its evaluation processes in order to ensure the effectiveness of the board and any committees to which the Board delegated its power.

Audit Committee

The members of the Audit Committee, at any time during or since the end of the financial year, were Messrs Chan, Shire and Firriolo. Their relevant expertise and experience are detailed in the "Directors and Company Secretary" section of the Directors' report. There was one meeting of the Audit Committee held during the reporting period.

Remuneration Policies

Responsibility for the Company's remuneration policies have been delegated by the Board to the Executive Committee, which will:

^ Determine appropriate compensation arrangements for the directors, the Managing Director, and employees, and make appropriate recommendations to the Board;
^ Determine the executive remuneration policy; and
^ Review and submit to the Board equity-based plans.

Overall Director Remuneration

Directors shall receive remuneration for their services as Directors within fixed annual limits approved by shareholders. The Executive Committee recommends the actual payments to Directors and the Board is responsible for ratifying any recommendations if appropriate. The maximum aggregate Directors' fees approved by shareholders is currently $500,000. Further, shareholders must approve the framework for any equity schemes and if a Director is recommended for being able to participate in an equity scheme, this participation must be approved by the shareholders.

Director Remuneration
Main principles

The remuneration policy reflects the Company's obligation to align Executive Directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the group. The main principles of the policy are:

^ Reward reflects the competitive global market in which the company operates. Individual reward should be linked to performance criteria; and
^ Executives should be rewarded for both financial and non-financial performance.

Elements of Remuneration

The Executive Directors' total remuneration consists of the following:

^ Salary - salaried Executive Directors receive a fixed sum payable fortnightly in cash;
^ Bonus - salaried Executive Directors are eligible to participate in a bonus scheme if deemed appropriate;
^ Superannuation – salaried Executive Directors are eligible to participate in superannuation schemes;
^ Long Term Incentives - Executive Directors may participate in share option schemes with the approval of shareholders;
^ Directors' fees – Executive Directors are entitled to be paid Directors' fees; and
^ Other benefits - Executive Directors are entitled to have their indemnity insurance, if any, paid by the Company.

The non-executive Directors total remuneration consists of the following:

^ Directors fees – non-executive Directors are entitled to be paid directors fees;
^ Superannuation – non-executive Directors are entitled to participate in superannuation schemes; and
^ Other benefits – non-executive Directors are entitled to have their indemnity insurance, if any, paid by the Company.

Departures From Best Practices Recommendations

Principle Ref	Recommendation Ref	Notification of departure and explanation
2	2.4	**There was no Nomination Committee.** In the Board's view there are no efficiencies to be gained by establishing a separate Nomination Committee. The Board's Executive Committee carries out the functions of the Nomination Committee.
4	4.3	**The Audit Committee consists of three members, one of which is not independent.** The majority of the Audit Committee comprises 2 non-executive, independent Directors. The Board considers that the current structure of the Audit Committee is sufficient to properly fulfil the objectives of the Committee.
9	9.2	**There was no Remuneration Committee.** In the Board's view there are no efficiencies to be gained by establishing a separate Remuneration Committee. The Board's Executive Committee follows appropriate procedures to evaluate levels of remuneration.

DIRECTORS' DECLARATION

In the opinion of the Directors of Kangaroo Metals Limited:

(a) the financial statements and notes set out on pages 20 to 39 (and the remuneration disclosures which are the subject of audit and are contained in the Remuneration Report section of the Directors' Report), are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and the Group as at 30 June 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

(b) the remuneration disclosures which are the subject of audit and are contained in the Remuneration Report section of the Directors' Report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Board

B. Teale

Dr Brett Teale
Managing Director
Brisbane, Queensland
28 September 2007

INCOME STATEMENTS
For the year ended 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Continuing operations					
Financial income	5	65,945	-	65,945	-
Expenses					
Finance expenses		276	-	141	-
Depreciation expense		2,758	-	2,758	-
Impairment in value of investments		18,448	-	11,785	-
IPO Costs		183,295	-	183,295	-
Administration expenses		262,859	2,004	252,214	18,448
Total expenses		467,636	2,004	450,193	18,448
Loss before income tax expense	6	(401,691)	(2,004)	(384,248)	(18,448)
Income tax expense	8	-	-	-	-
Net loss for the year	16	(401,691)	(2,004)	(384,248)	(18,448)

Earnings per share		**2007**	**2006**
Basic and diluted loss per share	20	($0.013)	($37.11)

The income statements should be read in conjunction with the accompanying notes.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE
For the year ended 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Loss for the year		(401,691)	(2,004)	(384,248)	(18,448)
Total recognised income and expense for the year		(401,691)	(2,004)	(384,248)	(18,448)

Other movements in equity arising form transactions with owners as owners are set out in note 15.

The statements of recognised income and expense should be read in conjunction with the accompanying notes.

BALANCE SHEETS
As at 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Current Assets					
Cash and cash equivalents		3,035,554	-	3,034,164	
Trade and other receivables	9	19,393	9,942	19,393	
Total Current Assets		3,054,947	9,942	3,053,557	
Non-Current Assets					
Receivables	9	30,000	30,000	-	
Investments	10	-	-	893,256	
Property, plant & equipment	11	37,470	-	37,470	
Exploration and evaluation expenditure	12	862,078	570,030	-	
Total Non-Current Assets		929,548	600,030	930,726	
Total Assets		3,984,495	609,972	3,984,283	
Current Liabilities					
Trade and other payables	13	40,310	610,976	40,098	18,447
Employee benefits	14	7,278	-	7,278	-
Total Current Liabilities		47,588	610,976	47,376	18,447
Total Liabilities		47,588	610,976	47,376	18,447
Net Assets / (Liabilities)		3,936,907	(1,004)	3,936,907	(18,447)
Equity					
Issued capital	15	4,340,602	1,000	4,339,603	1
Accumulated losses	16	(403,695)	(2,004)	(402,696)	(18,448)
Total Equity		3,936,907	(1,004)	3,936,907	(18,447)

The balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2007

	Note	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Cash flows from operating activities					
Cash receipts from customers				-	-
Payments to suppliers and employees		(357,116)	-	(364,655)	-
Interest received		50,596	-	50,596	
Interest paid		(276)	-	(141)	
Net cash used in operating activities	21	(306,796)	-	(314,200)	
Cash flows from investing activities					
Exploration and evaluation expenditure		(292,048)	-	-	
Acquisition of property, plant and equipment		(40,228)	-	(40,228)	
Net cash used in investing activities		(332,276)	-	(40,228)	
Cash flows from financing activities					
Proceeds from issue of equity securities	21	4,367,500	-	4,367,500	
Transaction costs of issuing shares		(81,898)	-	(81,898)	
Investment in controlled entities		-	-	(897,010)	
Repayment of loans		(610,976)	-	-	
Net cash provided by financing activities		3,674,626	-	3,388,592	
Net increase/(decrease) in cash and cash equivalents		3,035,554	-	3,034,164	
Cash and cash equivalents at beginning of year		-			
Cash and cash equivalents at end of year	21	3,035,554	-	3,034,164	

The statements of cash flows should be read in conjunction with the accompanying notes.

1. Reporting Entity

Kangaroo Metals Limited (the "Company") is a company domiciled in Australia. The financial report includes separate financial statements for Kangaroo Metals Limited as an individual entity and the consolidated entity comprising the Company and its subsidiary (together referred to as the “Group”).

2. Basis of Preparation

(a) Statement of compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on the date the directors’ report and declaration was signed.

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis with the exception of loans and receivables and available-for-sale financial assets at fair value through income statement which are stated at their fair value.

On 17 July 2006 the Company issued 17,500,000 fully paid ordinary shares to the shareholders of Stonebase Pty Ltd resulting in Stonebase Pty Ltd becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 ‘Business Combinations’, this transaction represents a reverse acquisition with the result that Stonebase Pty Ltd was identified as the acquirer of Kangaroo Metals Limited (the “acquiree” and “legal parent”).

Further to the reverse acquisition described above, the consolidated financial statements for the year ended 30 June 2007 and 30 June 2006 reflect the assets, liabilities and results of operations of Stonebase Pty Ltd, the legal subsidiary prior to the reverse acquisition and the consolidated assets, liabilities and results of the operations of the Company and Stonebase Pty Ltd subsequent to the reverse acquisition.

The consolidated financial statements are issued under the name of the legal parent (the Company) but are deemed to be a continuation of the legal subsidiary (Stonebase Pty Ltd).

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company’s functional currency and the functional currency of the Group.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There were no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have had a significant effect on the amount recognised in the financial statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In the Company financial statements, investments in subsidiaries are carried at cost less impairment losses.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising form intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Exploration and evaluation expenditure

Exploration, evaluation and development costs represent intangible assets and are accumulated in respect of each separate area of interest. Exploration and evaluation costs are carried forward where right of tenure to the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest, or where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period in which the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

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

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, loans and receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchased and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Groups obligations specified in the contract expire or are discharged or cancelled.

3. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

(i) Non-derivative financial instruments (continued)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets, subsequent to initial recognition are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The collectibility of debts is assessed at reporting date and where required specific provision is made for any doubtful debts.

Other financial liabilities

Other financial liabilities comprise loans, borrowings and other payables being measured at amortised cost using the effective interest method.

(ii) Share capital

Ordinary Shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

(d) Impairment of financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

3. Significant Accounting Policies (continued)

(e) Employee benefits

(i) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as living accommodation and cars, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long service leave

A liability for long service leave is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payment transactions

The fair value of options granted to employees in relation to the employee share scheme is recognised as an employee expense, with a corresponding increase in equity, over the period in which the shares vest.

(f) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date. Dividend revenue is recognised net of any franking credits.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

(g) Income tax

Income tax expenses comprise current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Effective, 1 July 2006 the entity is taxed at the ordinary company tax rate of 30%.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to t e extent that they probably will not reverse in the foreseeable future.

3. Significant Accounting Policies (continued)

(g) Income Tax (continued)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(h) Tax consolidation legislation

Kangaroo Metals Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Kangaroo Metals Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Kangaroo Metals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(j) Earnings per share

Basic earnings per share
Basic earnings per share is determined by dividing the net profit/(loss) after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(k) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

3. Significant Accounting Policies (continued)
(k) New standards and interpretations not yet adopted (continued)

^ AASB 7 *Financial Instruments: Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Group's financial instruments and share capital.

^ AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting,* AASB 117 *Leases,* AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

^ AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 107 *Cash Flow Statements,* AASB 119 *Employee Benefits,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment Assets.* AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments.* This standard is only expected to impact disclosures contained within the financial report.

^ Interpretation 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. Interpretation 10 will become mandatory for the Group's 2008 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of AASB 136 and AASB 139 respectively (i.e. 1 July 2004 and 1 July 2005 respectively).

^ AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 117 *Leases,* AASB 118 *Revenue,* AASB 121 *The Effects of Changes in Foreign Exchange Rates,* AASB *127 Consolidated and Separate Financial Statement,* AASB *131 Interest in Joint Ventures, and AASB* 139 *Financial Instruments: Recognition and Measurement.* AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008.

4. Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $

5. Financial Income

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Interest income-other entities	65,945	-	65,945	-

6. Loss from continuing activities

Loss from operating activities before income tax has been arrived at after charging/(crediting) the following items:

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Depreciation - plant & equipment	2,758	-	2,758	-
Depreciation capitalised to carrying value of exploration and evaluation expenditure	(127)	-	(127)	-
Net depreciation	2,631	-	2,631	-
Operating lease rental expense	6,000	-	6,000	-
Net movements in provision for:				
Impairment in investments	-	-	11,785	-
Employee entitlements	7,278	-	7,278	-

7. Auditor's Remuneration

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Auditors of the Company – PKF				
Audit services	15,000	-	15,000	-
Other services	4,100	-	4,100	-
Total	19,100	-	19,100	-

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

8. Income Tax Expense

(a) Recognised in the income statement

Current income tax expense	-	-	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	-	-
Total income tax expense	-	-	-	-

(b) Reconciliation between income tax expense and pre-tax loss

Loss before tax	(401,691)	(2,004)	(384,248)	(18,448)
Income tax using the domestic corporation tax rate of 30% (2006: 30%)	(120,507)	(601)	(115,274)	(5,534)
Tax effect of:				
Non-deductible expenses	5,554	601	3,555	5,534
Unused tax losses and temporary differences not recognised as deferred tax assets	114,953	-	111,719	-
Income tax expense on pre-tax loss			-	-

(c) Unrecognised deferred tax balances

Deferred tax assets and (liabilities) calculated at 30% (2006: 30%) have not been recognised in respect of the following:				
Income tax losses	67,005	-	63,770	-
Temporary differences	72,510	-	72,510	-
Net deferred tax asset	139,515	-	136,280	-

Deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets (net of deferred tax liabilities relating to capitalised exploration expenditure for which immediate tax write-off is available) have not been recognised in the financial statements because it is not probable that there will be future taxable amounts available to utilise these losses and temporary differences.

(d) Movement in temporary differences during the year

	30 June 2007 $	Movements 2007 $	30 June 2006 $	Movements 2006 $	1 July 2005 $
Temporary differences					
(a) Recognised in income					
Exploration expenditure	(258,623)	(258,623)	-	-	
Income tax loss	(4,605)	(4,605)	-	-	
(b) Recognised in equity					
Fundraising expenses	263,228	263,228	-	-	
Totals	-	-	-	-	

Movements are shown for the Consolidated Entity which comprises a tax-consolidated group headed by the Parent Company.

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

9. Trade and other receivables

Current				
Other debtors	19,393	9,942	19,393	
Non-current				
Tenement security bonds	30,000	30,000	-	

10. Investments

Non-Current				
Held-to-maturity investments				
Controlled entities				
- Unlisted Shares and additional investments at cost	-	-	905,041	-
- Less: impairments	-	-	(11,785)	-
	-	-	893,256	-

11. Property, Plant and Equipment

Plant & Equipment – at cost	40,228	-	40,228	-
Less: Accumulated depreciation	(2,758)	-	(2,758)	-
Carrying amount at end of year	37,470	-	37,470	-

Reconciliations

Plant & Equipment				
Carrying amount at beginning of year	-	-	-	
Additions	40,228	-	40,228	
Less: depreciation	(2,758)	-	(2,758)	-
Carrying amount at end of year	37,470	-	37,470	-

12. Exploration Expenditure

Costs carried forward in respect of areas of interest in exploration phase - at cost				
Balance at beginning of the year	570,030		-	-
Tenement acquisition costs	-	570,030	-	-
Exploration & evaluation expenditure	292,048		-	-
Balance at end of the year	862,078	570,030	-	-

The ultimate recoupment of costs carried forward for exploration expenditure phases is dependent on the successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $

13. Trade and Other Payables

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Trade payables	12,914	-	12,702	18,447
Other payables and accruals	27,396	610,976	23,396	-
	40,310	610,976	40,098	18,447

14. Provisions

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Current				
Employee entitlements	7,278	-	7,278	-
Number of employees at year end	3	-	3	-

15. Issued Capital

Ordinary Shares - Fully Paid

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Balance at beginning of year	1,000	-	1	-
Original subscription	-	1,000	-	1
Consideration for Kangaroo Metals Ltd	-	-	-	-
Seed capital issued	1,350,000	-	1,350,000	-
Shares issued per IPO	3,017,500	-	3,017,500	-
Shares issued in lieu of cash	54,000	-	54,000	-
Capital raising costs	(81,898)	-	(81,898)	-
Total Issued Capital at end of year	4,340,602	1,000	4,339,603	1

Note:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Reconciliation of number of shares on issue

	Consolidated & The Company 2007	Consolidated & The Company 2006
Balance at beginning of year	1	-
Original subscription	-	1
Result of business combination	17,500,000	-
Seed capital issued	13,500,000	-
Shares issued per IPO	15,087,500	-
In lieu of cash	2,700,000	-
Total Issued Capital at end of year	48,787,501	1

16. Accumulated Losses

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Accumulated losses at beginning of year / upon consolidating for the first time	2,004	-	18,448	-
Net losses attributable to members of the parent entity	401,691	2,004	384,248	18,448
Accumulated losses at the end of the year	403,695	2,004	402,696	18,448

	Consolidated		The Company	
	2007	2006	2007	2006
	$	$	$	$

17. Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Group are required to perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

Not later than one year	870,000	870,000	-	-
Later than one year but not later than five years	3,930,000	4,800,000	-	-
Total	4,800,000	5,670,000	-	-

Employee remuneration commitments

Directors

Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:

Within one year	141,700	-	141,700	-
One year or later and no later than five years	177,125	-	177,125	-
	318,825	-	318,825	-

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	4,000	-	4,000	-
Later than one year but not later than five years	-		-	-
	4,000	-	4,000	-

The Consolidated Entity leases property under an operating lease, termination of which is subject to two months notice. Lease payments comprise a fixed base amount plus outgoings.

18. Particulars in relation to controlled entities

	2007	2006
Name of Controlled Entity (incorporated in Australia)	%	%
Stonebase Pty Ltd	100	-

Acquisition and Disposal of Controlled Entities

2007

The controlled entity referred to below was acquired during the financial year. There were no other acquisitions or disposals of controlled entities during the current or previous financial years.

On 17 July 2006, the Company issued 17,500,000 fully paid ordinary shares, fair value being Nil, to the shareholders of Stonebase Pty Ltd resulting in Stonebase Pty Ltd becoming a wholly owned subsidiary. Pursuant to Australian Accounting Standard AASB 3 'Business Combinations', this transaction represents a reverse acquisition with the result that Stonebase Pty Ltd was identified as the acquirer of Kangaroo Metals Limited (the "acquiree" and "legal parent").

At the time of acquisition, Kangaroo Metals Limited had a deficiency of net assets of $18,448, representing administration costs since incorporation in June 2006. The assets and liabilities of Kangaroo Metal Limited comprised:

Assets	**Nil**
Liabilities	
Trade creditors and other payables	18,448
Net Liabilities	$(18,448)

19. Related Parties

The following were key management personnel of the consolidated entity at any time during the reporting period and unless indicated were key management personnel for the entire period.

S F Chan	Non-Executive Chairman
B Teale	Managing Director (since 16 November 2006)
R Taylor	Non-Executive Director (since 16 November 2006)
W Shire	Non-Executive Director (since 27 September 2006)
B Firriolo	Company Secretary (since 18 July 2006)
B Cleaver	Non-Executive Director (17 July 2006 to 27 September 2006)
G Papamihail	Non-Executive Director (18 July 2006 to 31 January 2007)

Movements in Shares and Share Options

The movements during the reporting period in the numbers of shares and share options in the Parent Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

Seng Fai Chan	Fully Paid Ordinary Shares
Opening Balance 1/7/06	1
Closing Balance 30/6/07	1

Brett Teale	Fully Paid Ordinary Shares
Commencing to be a director	1,520,000
Purchases	50,000
Closing Balance 30/6/07	1,570,000

Roger Taylor	Fully Paid Ordinary Shares
Commencing to be a director	-
Closing Balance 30/6/07	-

William Shire	Fully Paid Ordinary Shares
Commencing to be a director	1,500,000
Closing Balance 30/6/07	1,500,000

Brian Cleaver	Fully Paid Ordinary Shares
Commencing to be a director	-
Ceasing to be a director	-

George Papamihail	Fully Paid Ordinary Shares
Commencing to be a director	-
Ceasing to be a director	-

Bruno Firriolo	Fully Paid Ordinary Shares
Commencing as key management personnel	630,000
Purchases	10,000
Closing balance 30/6/07	640,000

19. Related Parties (continued)

Key management personnel compensation

The key management personnel compensation is as follows:

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
Short term employee benefits	92,588	-	92,588	-
Other long term benefits	-	-	-	-
Post employment benefits	70,720	-	70,720	-
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	163,308	-	163,308	-

Individual directors and executives disclosure

Information regarding individual directors and executives compensation, service agreements and some equity instruments disclosures is provided in the Remuneration Report section of the Director's Report.

Other key management personnel transactions

During the year the group made other payments to key management personnel and related parties as follows:

^ Dr Brett Teale (Director) and Carrie Teale: $6,000 (2006: Nil) for lease of residential property.
^ Roger Taylor (Director): $2,000 (2006: Nil) for geological field work
^ Melior Pty Ltd, a company associated with Director, William Shire: $20,000 (2006: Nil) for development of business plan and financial model for the company.
^ George Papamihail: $4,000 taken as equity in lieu of cash (2006: Nil) for legal services rendered.
^ Brian Cleaver (Director): $111,982 (2006: Nil) being reimbursement of tenements acquisition payment and out of pocket expenses at cost.

Non-key management disclosures

In addition to its key management personnel, the consolidated entity has a related party relationship with its subsidiary (see Note 18).

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries for exploration and evaluation expenditure. The loans have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2007, such loans to subsidiaries totalled $905,041. These loans have been recognised as an additional investment in Stonebase Pty Ltd.

20. Earnings per Share

	Consolidated 2007	Consolidated 2006
Basic loss per Share	($0.013)	($37.11)
Weighted average number of Ordinary Shares on issue used in the calculation of basic earnings per Share	30,703,974	54

Basic earnings/(loss) per share ('EPS') is calculated by dividing the net profit/(loss) attributable to ordinary shareholders for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company.

Other potential ordinary shares have not been included in the calculation of diluted earnings per share as they are not considered dilutive.

21. Statement of Cash Flows

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

	Consolidated 2007 $	Consolidated 2006 $	The Company 2007 $	The Company 2006 $
(a) Reconciliation of cash and cash equivalents				
Reconciliation of cash balance comprises:				
Cash at bank	3,035,554	-	3,034,164	-
	3,035,554	-	3,034,164	-
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities:				
Loss from ordinary activities after income tax	(401,691)	(2,004)	(384,248)	(18,448)
Add/(less) non-cash items:				
Depreciation	2,631	-	2,631	-
Impairment in value of investments	18,448	-	11,785	-
Equity issued in lieu of cash for IPO costs	54,000	-	54,000	
Change in assets and liabilities during the financial year:				
Increase/(decrease) in administration payables	21,989	2,004	10,296	18,448
Increase/(decrease) in employee entitlements	7,278	-	7,278	-
(Increase) /decrease in administration receivables	(9,451)	-	(15,942)	-
Net cash used in Operating activities	(306,796)	-	(314,200)	-

(c) Non cash financing and investing activities

During the financial year the Company and the Group:

^ Issued 17,500,000 fully paid ordinary shares in connection with Stonebase Pty Ltd becoming a wholly owned subsidiary representing a reverse acquisition.

^ Issued 2,700,000 fully paid ordinary shares as payment for IPO costs totalling $54,000 (2006: Nil)

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 changes in market interest rates and the range of interest rates on those financial assets and financial liabilities, is as follows:

2007	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Fixed Interest 1 to 5 Years $	Non-Interest Bearing $	Total $
Financial assets					
Cash and cash equivalents	3,035,554				3,035,554
Trade and other receivables				19,393	19,383
	3,035,554			19,393	3,054,947
Weighted average interest rate	**6.24%**				
Financial Liabilities					
Trade and other payables				40,310	40,310
Weighted average interest rate					

22. Financial Instruments (continued)

(a) Interest Rate Risk (continued)

2006	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Fixed Interest 1 to 5 Years $	Non-Interest Bearing $	Total $
Financial assets					
Cash and cash equivalents				-	
Trade and other receivables				39,942	39,942
				39,942	39,942
Weighted average interest rate					
Financial Liabilities					
Trade and other payables				610,976	610,976
Weighted average interest rate					

(b) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. 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 doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

(c) Net Fair Values

Valuation approach

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

Listed shares included in "Investments" are traded in an organised financial market. The net fair value of listed shares is determined by valuing them at the current quoted market sale price, adjusted for transaction costs necessary to realise the asset.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of expected future cash flows. The carrying amounts of bank term deposits, accounts receivable, accounts payable, bank loans and lease liabilities approximate net fair value.

The net fair value of investments in interests in other corporations is determined by reference to the expected future cash flows from the underlying assets.

The carrying amounts of financial assets and liabilities approximate their fair value as at the reporting date.

Listed shares in other corporations are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

23. Segment Reporting

The Company operates predominantly in one industry of mineral exploration and one geographical segment being Australia.

24. Subsequent Events

In August 2007, the Company completed a fundraising of $244,000, before the costs of the issue, via an Entitlement Issue of options to the Company's shareholders.

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF KANGAROO METALS LIMITED

Report on the Financial Report and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying financial report of Kangaroo Metals Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Kangaroo Metals Limited ("the company") and the consolidated entity. The consolidated entity comprises 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 remuneration of directors and executives ('remuneration disclosures') required by accounting standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 12 to 13 of the directors' report and not in the financial report

Directors' Responsibility for the Financial Report and AASB 124 remuneration disclosures contained in the directors' 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 controls 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.

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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures 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

In our opinion the financial report of Kangaroo Metals Limited is in accordance with the *Corporations Act 2001*, including:

(a) 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

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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 12 to 13 of the directors' report comply with Accounting Standard AASB 124.

PKF

PKF
Chartered Accountants

Wayne Wessels
Partner

Dated at Brisbane, Queensland this 28th day of September 2007

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

1. Shareholder Information

1.1 As at 10 September 2007 the Company had 446 holders of Ordinary Fully Paid Shares and 277 holders of Listed Options expiring 19 August 2009.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each Fully Paid Share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid Shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the Share.

1.2 Distribution of Share and Option Holders (as at 10 September 2007)

No.	**Fully Paid Shares**	**Listed Options 19 August 2009**
1-1,000	8	3
1,001-5,000	32	81
5,001-10,000	129	40
10,001-100,000	228	108
100,001-over	49	45
	446	277

The number of shareholders holding less than a marketable parcel is 19.

1.3 Substantial Shareholders

The following shareholders are recorded in the register of substantial shareholders:

George Papamihail
Westgreen Investment Pty Ltd <Beamish Family A/C>
Stellar Group Incorporated
Neil David Irvine
Simon Jessamine

1.4 Share Buy-Backs

There is no current on-market buy-back scheme.

1.5 Twenty Largest Shareholders (as at 10 September 2007)

Ordinary Shareholders	Fully Paid Ordinary Number	Percentage
George Papamihail	6,447,500	13.215
Westgreen Investment Pty Ltd <Beamish Family A/C>	5,100,000	10.453
Stellar Group Incorporated	2,502,500	5.129
Neil David Irvine	2,500,000	5.124
Simon Jessamine	2,500,000	5.124
ANZ Nominees Limited <Cash Income A/C>	1,500,010	3.075
Western Oak Nominees Pty Ltd	1,500,000	3.075
Lute Investments Pty Ltd	1,242,500	2.547
Shanelle Lorene Curtis	1,125, 000	2.306
Jevain Pty Ltd <P Melanko Family A/C>	1,007,500	2.065
Melior Pty Ltd <WF & H Shire Family A/C>	1,000,000	2.050
Troika Strategic Pty Ltd	1,000,000	2.050
Robert Richter <Robert Richter Superfund A/C>	1,000,000	2.050
Rhys Edgar Edwards	1,000,000	2.050
Lynn Palm	997,500	2.045
Capalt Investments Pty Ltd	997,500	2.044
Intrepid Bay Pty Ltd <The O'neil Super Fund A/C>	792,695	1.625
Carmela Firriolo	640,000	1.312
Arodam Pty Ltd <The Arodam A/C>	630,000	1.291
William Hallam & Gabriella Hallam <Hallam Family A/C>	600,000	1.230
Total	**34,082,705**	**69.86**

1.6 Twenty Largest 19 August 2009 Listed Option Holders (as at 10 September 2007)

19 August 2009 Listed Option Holders	19 August 2009 Listed Options Number	Percentage
George Papamihail	2,667,500	10.935
Westgreen Investment Pty Ltd <Beamish Family A/C>	2,500,000	10.248
Intrepid Bay Pty Ltd <O'neil Family A/C>	1,375,000	5.636
Stellar Group Incorporated	1,251,250	5.129
Neil David Irvine	1,250,000	5.124
ANZ Nominees Limited <Cash Income A/C>	750,005	3.074
Western Oak Nominees Pty Ltd	750,000	3.074
David Jennings	575,000	2.357
Danny Tak Tim Chan	570,000	2.336
William Geoffrey Kroon	516,500	2.117
William Hallam & Gabriella Hallam <Hallam Family A/C>	500,000	2.049
Melior Pty Ltd <WF & H Shire Family A/C>	500,000	2.049
Robert Richter <Robert Richter Superfund A/C>	500,000	2.049
Daniel Christopher Macri <Macri Investment A/C>	500,000	2.049
Lynn Palm	498,750	2.044
Lamonde Industries Pty Ltd <Dorizzi Super Fund A/C>	375,000	1.537
Heatherbell Discretion Trust	300,000	1.229
Ashley Quentin Chan <Howa Income A/C>	276,400	1.133
Tradshar Pty Ltd <The Ebony A/C>	272,500	1.117
Intrepid Bay Pty Ltd <The O'neil Super Fund A/C>	271,348	1.112
Total	**16,199,253**	**66.398**

2. Schedule of Tenements

Project	Tenement Details	Registered Holder	KML Interest %	Application or Grant Date	Expiry Date	Area
QUEENSLAND						
The Oaks	EPM14842	Stonebase Pty Ltd	100	14/09/2005	13/09/2010	50 blks
Mount Carbine South	EPM14871	Stonebase Pty Ltd	100	13/12/2005	12/12/2010	64 blks
Mount Carbine South	EPM14872	Stonebase Pty Ltd	100	12/12/2005	11/12/2010	70 blks
Stannary Hills	EPM14875	Stonebase Pty Ltd	100	13/12/2005	12/12/2010	98 blks
California	EPM14877	Stonebase Pty Ltd	100	13/12/2005	12/12/2010	98 blks
Ravenshoe	EPM14879	Stonebase Pty Ltd	100	13/12/2005	12/12/2010	14 blks
Ravenshoe	EPM14880	Stonebase Pty Ltd	100	28/02/2006	27/02/2011	58 blks
Croyden South #1	EPM14889	Stonebase Pty Ltd	100	09/11/2005	08/11/2010	85 blks
Ewan	EPM14943	Stonebase Pty Ltd	100	12/12/2005	11/12/2010	87 blks
Mungana	EPM14947	Stonebase Pty Ltd	100	12/12/2005	11/12/2010	82 blks
Featherbed	EPM14949	Stonebase Pty Ltd	100	12/12/2005	11/12/2010	100 blks
Featherbed	EPM14951	Stonebase Pty Ltd	100	12/12/2005	11/12/2010	80 blks
Boomer Transfer	EPM 16749	Stonebase Pty Ltd	100	07/08/2007	06/08/2012	100 blks

3. Restricted Securities

Class	Number	Expiry Date
Ordinary Fully Paid	6,750,000	30 October 2007
Ordinary Fully Paid	8,974,500	19 April 2009

4. Between admission and the end of the reporting period, the Company used the cash, and assets in a form readily convertible to cash, that it had at the time of admission in a way consistent with its business objectives.

5. Other Information

Kangaroo Metals Limited, incorporated and domiciled in Australia, is a public listed Company limited by Shares.