SUPERSORB ENVIRONMENTAL NL

(ABN 29 060 352 990)

Annual Report

30 June 2008

Contents

DIRECTORS' REPORT

For the Reporting period ended 30 June 2008

Your directors submit the financial report of Supersorb Environmental NL ("Company") for the reporting period ended 30 June 2008.

Directors

The names of the directors of the Company in office during the reporting period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Bradley Sourness (Appointed 23 December 2002)
Martin Shuttleworth (Appointed 23 December 2002)
Anthony Parry (Appointed 9 September 1993, Resigned 25 March 2008)

Review of operations

During the year ended 30 June 2008 the company continued to hold its interest in tin and molybdenum exploration properties with a view to changing focus from industrial minerals production and retail products marketing, to minerals exploration. The interests of the Company are in the two following tenement sites.

Khartoum *North Queensland (100% interest)*

The Khartoum Project of about 33km^2 is located about 100km southwest of the town of Mareeba in north Queensland, 14km southwest of the hamlet of Almaden. Almaden is linked to Mareeba by bitumen road.

Access to the area is good as the Almaden to Forsayth road, a well maintained gravel road, runs through the project area. The Savannah Lander railway line from Forsayth to Cairns passes through the project area but is only suitable for very light railcar traffic.

The Khartoum project 100km south west of Mareeba in North Queensland contains numerous old molybdenum prospects that were abandoned before 1919. Production from the field was small with probably around 50t of molybdenite being mined with the Kitchener Mine being the largest producer. The mineralization is hosted in a complex of granitic intrusions. Most of the mineralization seems to be close to the contact between the coarse grained Kitchener Granite and the other granite bodies especially the Martin Creek Microgranite. Only limited systematic modern exploration has been undertaken with no drilling in the immediate vicinity of the old workings.

Supersorb is planning a program of geochemical sampling including rock chip, soil and drainage sampling together with geological mapping and prospecting. A detailed aeromagnetic survey is proposed as part of the initial program which will attempt to locate structures and other targets which may host mineralization. It is expected this work will identify drilling targets.

Jeannie River *North Queensland (100% interest)*

The project covers approximately 22km^2 (part of northern three sub-blocks lies within the Cape Melville National Park (Cape Melville NP) and are therefore excluded from the EPM). It is located about 250km northwest of Cairns, about 90km northwest of Cooktown by air. The project area is accessed by 4WD track from Cooktown via Starcke and Munburra Homesteads then to Wakooka outstation and then on non-maintained station tracks, the road distance from Cooktown is about 150km.

Jeannie River about 90km northwest of Cooktown in North Queensland is remote and does not currently have viable road access. It contains three tin prospects discovered around 1980. The northern boundary of the project abuts the Cape Melville National park.

The main Jeannie River prospect contains three mineralised zones partially defined by percussion and diamond drilling with tin intercepts exceeding 0.5%Sn. None of the zones has been closed-off and there is indication of mineralization between the zones.

The Saddle Hill prospect has been partially percussion drilled with tin intercepts exceeding 0.5% tin. While close to the northern boundary of the project most of the prospect, including the mineralised intercepts, is in the project area.

DIRECTORS' REPORT CONTINUED

The Radio Hill prospect, discovered by geological mapping and rock chip sampling has not been drilled and remains to be tested.

The mineralization is hosted mainly by quartz sulphide veins in metasediments but may be related to the Saddle Hill Granite on the northern edge of the project area. Drill core from past exploration is stored on site and is in generally good condition. Most old drill holes have been marked and can therefore be accurately located.

Supersorb's program will include a comprehensive assessment of the existing data, including the drill core, together with a detailed aeromagnetic survey which should assist in locating potential new drill targets. Drilling will be undertaken on the known targets as well as new targets that may be identified.

Results of Operations

The Consolidated entity recorded a net profit for the year to 30 June 2008 of $2,889,021 (30 June 2007 loss $3,854,232).

The current year net profit has arisen from the Supersorb Environmental NL and Supersorb Minerals NL progressing in to a Deed Of Company Arrangement, which gave rise to a transfer of Supersorb Minerals NL out of the group resulting in a forgiven of debt of $3,626,920.

Subsequent events

A number of significant corporate events have occurred since that reporting period:

- On 22 February 2008, the Directors Company appointed Kim Strickland, Christopher Williamson and David Hurt of SimsPartners Chartered Accountants (now WA Insolvency Solutions Pty Ltd) as Administrators of the Company (Administrator).

- At a meeting on 13 June 2008, the creditors resolved that the Company enter into a Deed of Company Arrangement (DOCA), which was executed on 4 July 2008.

  On 4 July 2008:

  (a) the Company and Kimberley Andrew Strickland, Christopher Michael Williamson and David Ashley Norman Hurt (Trustee) executed the Creditor's Trust Deed, under which the:

    (i) Trustee became the Trustee of the Creditor's Trust;

    (ii) Company was required to reconstruct and recapitalise the Company by no later than 4 July 2009; and

    (iii) Company was required, and covenanted, to transfer all assets and liabilities, with the exception of the Bullfinch Royalty Deed and pay the Settlement Sum of $1,066,333 to the Trustee by no later than 4 July 2009;

  (b) the Company and the Trustee executed a Deed of Charge, under which the:

    (i) Trustee is entitled to register a second ranking fixed and floating charge against the Company to secure the obligations of the Company referred to in Section 2.1(a)(iii) above; and
    (ii) Quangi Pty Ltd is entitled to retain its first ranking fixed and floating charge (ASIC charge no. 900156) to secure the debts owed to Quangi Pty Ltd;

  (c) the Company and Supersorb Minerals NL executed a Share Sale Agreement under which Supersorb Minerals NL will transfer all right, title and interests in all of the issued capital of Friends Exploration Pty Ltd to the Company in consideration for the payment of $200,000;

  (d) the DOCA was terminated on the basis that it had been fully effectuated;

  (e) the Administrators resigned as administrators of the Company; and

  (f) control of the Company reverted to the Directors.

DIRECTORS' REPORT CONTINUED

- On 21 August 2008, the Company, and the Trustee entered into a Reconstruction Deed pursuant to which Trident Capital agreed to facilitate the recapitalisation of the Company referred to below.

Principal Features of the Recapitalisation Proposal, which at the date of this report has not yet taken place;

(a) ***Consolidation of Capital:*** Consolidation of the existing issued capital of the Company on a 1 for 30 basis from 721,663,860 shares on issue to 24,055,462 post consolidation shares on issue.

(b) ***Issue of New Shares and New Options to Trident Capital or its nominees****:* The issue of 80,000,000 New Shares (in consideration of Trident paying $400,000 to the Company) and 60,000,000 New Options in the Company, exercisable at 1 cent each at any time on or before 31 December 2012, to Trident Capital or its nominees under the Prospectus to be issued by the Company.

(c) ***Prospectus Issue****:* The issue of up to 240,000,000 New Shares in the Company at a price of not less than 1 cent each under a Prospectus to raise not less than $2.4 million.

(d) ***Issue of New Shares to Major Shareholders:*** The Company will issue 50,000,000 New Shares for nil consideration by way of a priority offer to the Major Shareholders; Quangi Pty Ltd and Achilles Pty Ltd.

(e) ***Board Changes****:* The board of Directors of the Company will change as soon as practicable after the date of the Prospectus being fully subscribed at which time the Proposed Directors being Mr Keith John, Mr Joe Graziano and Mr Adam Sierakowski will be appointed and such of the Existing Directors as Trident Capital requests will resign.

(f) ***Company Type and New Constitution:*** The Company will convert from a public no liability company to a public company limited by shares and adopt a new Constitution.

(g) ***Company Name:*** The Company will change its name to "Red Dragon Resources Limited".

(h) ***Acquisition of Friends Exploration Pty Ltd:*** Supersorb Environmental NL will acquire all of the issued capital of Friends Exploration Pty Ltd in consideration for the payment of $200,000 to Supersorb Minerals NL, this is reflected as a liability as at 31 December 2006.

In consideration of the above arrangement, Supersorb Environmental NL are not to pursue recovery of the intercompany loan previously granted to Supersorb Minerals NL. Full provision for non recovery of the loan was effected within the year ended 30 June 2006.

- The Directors; Mr M Shuttleworth and Mr B Souness have entered in to a deed of guarantee for the benefit of Supersorb Minerals NL in the event that the ADE loan is not settled. The guaranteed obligation for which the Directors are jointly and severally liable is $200,000.

Dividends

No dividends were paid or proposed to be paid to members during the reporting period.

Principal Activities

The principal activity of the Consolidated Entity during the financial year was mining and exploration.

DIRECTORS' REPORT CONTINUED

Information on Directors

Bradley Wade Sounness (Non Executive Chairman)

Experience and Expertise

Mr Sounness is a successful Western Australian Businessman with over 30 years in commerce through a wide variety of businesses

Other Current Directorships

Nil

Former Executive Directorships in the Last Three Years

Nil

Interests in Shares and Options

253,973,008 Ordinary Shares in Supersorb Environmental NL

Martin Shuttleworth (Non Executive Chairman)

Experience and Expertise

Mr Shuttleworth is a Certified Practising Accountant, with over 20 years experience in finance, taxation and all commercial aspects of a wide variety of businesses. He operates an accounting practice in Albany, Western Australia. He is primarily responsible for financial management.

Other Current Directorships

Nil

Former Executive Directorships in the Last Three Years

Nil

Interests in Shares and Options

56,000,000 Ordinary Shares in Supersorb Environmental NL

Anthony Nigel Parry B.Sc (Met.), PhD (Executive Director)

Experience and Expertise

Dr Parry holds a Bachelor of Science and Doctor of Philosophy degrees in Metallurgy from the University of NSW. In the past 27 years he has worked in the Australian mining industry, international stockbroking and corporate finance. He is a founding director of Supersorb Environmental NL and has been an Executive Director of Supersorb Minerals NL for the last 9 years. He is primarily responsible for corporate strategy, investor relations, zeolite and retail product operations, exploration strategies and acquisitions, and group reporting.

Other Current Directorships

Nil

Former Executive Directorships in the Last Three Years

Nil

Interests in Shares and Options

1,520,877 Ordinary Shares in Supersorb Environmental NL

DIRECTORS' REPORT CONTINUED

Company Secretary

The Company secretary is Mr Craig Lemon whom was appointed on the 7 June 2006. He is currently Supersorb Group Accountant, a position he has held for over 10 years. He holds an Advanced Diploma in Accounting. Mr Lemon has also been the Company Secretary for the Company's wholly owned subsidiary, Supersorb Minerals NL for the past 10 years.

Likely Developments and expected results of operations

There were no likely developments in the operations of the Company that were not finalised at the date of this report. Further information on likely developments in the operations of the Company and the expected results of operations have not been included in the financial report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental legislation

The Company complies with all environmental legislation in all jurisdictions it operates in.

Indemnification and insurance of Directors and Officers

The Company has paid a premium to insure each Director and each Officer of the Company for all liabilities and costs relating to any claim made against them arising out of their conduct whilst acting as a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total amount of premium payable is $35,633.

Meetings of Directors

The number of meetings of the Company's board of directors held during the reporting period ended 30 June 2008, and the number of meetings attended by each director were:

Name of Director	Number of Meetings - A	Number of Meetings – B
Bradley Wade Sounness	4	4
Martin Shuttleworth	4	4
Anthony Nigel Parry	4	4

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Remuneration Report

The remuneration report is set out under the following headings:
(1) Principles used to determine the nature and amount of remuneration;
(2) Details of remuneration;
(3) Service agreements;
(4) Share-based compensation; and
(5) Additional information.

1 Principles used to determine the nature and amount of remuneration (audited)

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) competitiveness and reasonableness;
(ii) acceptability to shareholders;
(iii) performance linkage / alignment of executive compensation;
(iv) transparency; and
(v) capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

DIRECTORS' REPORT CONTINUED

Alignment to shareholders' interests:

(i) focuses on sustained growth in shareholder wealth; and
(ii) attracts and retains high calibre executives.

Alignment to program participants' interests:

(i) rewards capability and experience; and
(ii) provides a clear structure for earning rewards.

Executive directors
Fees and payments to executive directors reflect the demands which are made on, and the responsibilities of, the directors. Executive directors' fees and payments are reviewed annually by the Board. The Board also ensures that executive directors' fees and payments are appropriate and in line with the market. Executive directors do not receive security based payments as part of their compensation package.

Retirement allowances and benefits for directors
There are no retirement allowances or other benefits paid to directors.

Directors' fees
The amount of remuneration of the directors of the Company (as defined in AASB 124 *[Related Party Disclosures]*) is set out in the following table. During the year there were no executives other than the directors.

2 Details of Remuneration (audited)

2008	**Fees paid to director or related entity $**	**Salary & Consultation fees $**	**Super - annuation $**	**Security based payment $**	**Total $**
Name of directors					
Bradley Wade Sounness	10,000	-	-	-	10,000
Martin Shuttleworth	10,000	29,645	-	-	39,645
Anthony Nigel Parry	10,000	83,574	-	-	93,574
Totals	**30,000**	**113,219**	**-**	**-**	**143,219**

2007	**Fees paid to director or related entity $**	**Salary & Consultation Fees $**	**Super - annuation $**	**Security based payment $**	**Total $**
Name of directors					
Bradley Wade Sounness	20,000	-	-	-	20,000
Martin Shuttleworth	20,000	50,000	-	-	70,000
Anthony Nigel Parry	20,000	169,709	-	-	189,709
Totals	**60,000**	**219,709**	**-**	**-**	**279,709**

3 Service Agreements (audited)

There are no service agreements with directors. As at the date of this report there are no executives or management personnel, other than the directors, engaged by the Company. Executive directors serve on a month to month basis and there are no termination payments payable.

4 Share Based Compensation

There is currently no provision in policies of the consolidated entity for the provision of share based compensation to directors or senior executives.

DIRECTORS' REPORT CONTINUED

5 Additional Information (unaudited)

There was no share-based or option-based compensation paid to executive directors during the financial year.

Proceedings on Behalf of the Company

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the *Corporations Act 2001*.

Non Audit Services

The Company may decide to employ its auditor PKF on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or Group are important.

During the year there were no non-audit services provided.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Co*rporations Act 2001* is set out on page 10 and forms part of this directors' report.

Auditor

PKF Chartered Accountants and Business Advisors were the appointed auditors of the Company on the 27th of April 2007 and remain in office in accordance with Section 327 of the *Corporations Act 2001.*

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Martin Shuttleworth
Director
Perth
Dated in Perth, Western Australia on this 8 December 2008

B Sounness
Director
Dated in Perth, Western Australia on this 8 December 2008

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Supersorb Environmental NL for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Supersorb Environmental NL and the entities it controlled during the year.

PKF

PKF
Chartered Accountants

C Manifis

Conley Manifis
Partner

Dated at Perth, Western Australia on the 8th day of December 2008

INCOME STATEMENT
For the year ended 30th June 2008

		Consolidated		Company	
	Note	**2008 $**	2007 $	**2008 $**	2007 $
Revenue		**-**	-	-	-
Cost of sales		**-**	-	**-**	-
Gross profit	4	**-**	-	**-**	-
Other income	2 (a)	**22,503**	28,107	**95**	3,905
Administration expenses		**(461,117)**	(706,247)	**(370,048)**	(158,513)
Depreciation and amortisation		**(5,699)**	(6,750)	**-**	-
Exploration costs write-off	9	**(142,423)**	(964,459)	**-**	-
Employee benefit expenses	2 (c)	**(30,000)**	(60,000)	**(30,000)**	(40,000)
Net Finance expenses	2 (b)	**-**	(1,006,375)	**-**	(55,914)
Forgiveness of debt	3	**3,626,920**	-	**-**	-
Profit/(loss) before income tax expense		**3,010,185**	(2,715,725)	**(399,953)**	(250,522)
Income tax relating to ordinary activities	5	**-**	-	**-**	-
Profit/(loss) after tax but before profit and loss, and loss on sale of discontinued operation		**3,010,185**	(2,715,725)	**(399,953)**	(250,522)
Loss of discontinued operation	4	**(121,165)**	(1,138,507)	**-**	-
Profit/(loss) attributable to members of the parent entity		**2,889,020**	(3,854,232)	**(399,953)**	(250,522)
Basic earnings per share (cents per share)	23	**0.004**	(0.005)		
Diluted earnings per share (cents per share)	23	**0.004**	(0.005)		

BALANCE SHEET
As at 30th June 2008

	Note	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Current Assets					
Cash and cash equivalents	20(a)	**-**	374,292	**-**	13,301
Trade and other receivables	7	**-**	125,479	**-**	-
Other current assets	8	**-**	14,900	**-**	-
Assets for disposal group held for sale	4	**-**	49,218	**-**	-
Total Current Assets		**-**	563,889	**-**	13,301
Non-Current Assets					
Exploration expenditure	9	**200,000**	200,000	**-**	-
Other financial assets	11	**-**	-	**200,000**	-
Property, plant & equipment	10	**-**	27,252	**-**	-
Total Non-Current Assets		**200,000**	227,252	**200,000**	-
TOTAL ASSETS		**200,000**	791,141	**200,000**	13,301
Current Liabilities					
Trade and other payables	12	**1,120,640**	4,056,403	**1,120,640**	26,664
Provision for Employee benefits		**-**	13,321	**-**	2,152
Interest bearing liabilities	13	**-**	12,195	**-**	-
Total Current Liabilities		**1,120,640**	4,081,919	**1,120,640**	28,816
Non-Current Liabilities					
Interest bearing liabilities	13	**-**	518,882	**-**	505,172
Total Non-Current Liabilities		**-**	518,882	**-**	505,172
TOTAL LIABILITIES		**1,120,640**	4,600,801	**1,120,640**	533,988
NET LIABILITIES		**(920,640)**	(3,809,660)	**(920,640)**	(520,687)
Equity					
Contributed equity	15	**18,336,409**	18,336,409	**18,336,409**	18,336,409
Accumulated losses	16	**(19,257,049)**	(22,146,069)	**(19,257,049)**	(18,857,096)
NET CAPITAL DEFICIENCY		**(920,640)**	(3,809,660)	**(920,640)**	(520,687)

The accompanying notes form part of these Financial Statements.

SUPERSORB ENVIRONMENTAL NL
ABN 29 060 352 990

STATEMENT OF CHANGES IN EQUITY
For the year ended 30th June 2008

Consolidated		Issued capital $	Accumulated losses $	Total $
Balance at 1 July 2006		18,065,788	(18,291,837)	(226,049)
Shares issued during the year		270,621	-	270,621
Loss attributable to members of the parent entity		-	(3,854,232)	(3,854,232)
Balance at 30 June 2007		18,336,409	(22,146,069)	(3,809,660)
Balance at 1 July 2007		**18,336,409**	**(22,146,069)**	**(3,809,660)**
Profit attributable to members of the parent entity		**-**	**2,889,020**	**2,889,020**
Balance at 30 June 2008		**18,336,409**	**(19,257,049)**	**(920,640)**

Company				
Balance at 1 July 2006		18,065,788	(18,606,574)	(540,786)
Shares issued during the year	5	270,621	-	270,621
Loss attributable to members of the parent entity		-	(250,522)	(250,522)
Balance at 30 June 2007		18,336,409	(18,857,096)	(520,687)
Balance at 1 July 2007		**18,336,409**	**(18,857,096)**	**(520,687)**
Loss attributable to members of the parent entity		**-**	**(399,953)**	**(399,953)**
Balance at 30 June 2008		**18,336,409**	**(19,257,049)**	**(920,640)**

The accompanying notes form part of these Financial Statements.

SUPERSORB ENVIRONMENTAL NL
ABN 29 060 352 990

CASH FLOW STATEMENT
For the year ended 30th June 2008

		Consolidated		Company	
		2008	2007	**2008**	2007
	Note	**$**	$	**$**	$
Cash Flows from/(used in) Operating Activities					
Cash receipts in the course of operations		**163,391**	550,978	**-**	157,863
Cash payments in the course of operations		**(427,396)**	(1,993,599)	**(46,495)**	(122,501)
Interest received		**2,723**	338,372	**95**	3,905
Interest paid		**-**	-	**(41,776)**	(55,914)
Cash balance transferred to Creditors Trust		**(4,354)**	-	**-**	-
Net operating cash flows	20(b)	**(265,636)**	(1,104,249)	**(88,176)**	(16,647)
Cash Flows from/(used in) Investing Activities					
Proceeds from the sale of property, plant and equipment		**125,000**	855,000	**-**	**-**
Payments for purchase of investments		**(300,000)**	(120,000)	**-**	**-**
Net investing cash flows		**(175,000)**	735,000	**-**	**-**
Cash Flows from/(used in) Financing Activities					
Proceeds from borrowings		**77,668**	-	**74,876**	-
Payments in respect of hire purchase liabilities repaid		**(6,951)**	(16,812)	**-**	-
Payments in respect of other loans repaid		**(4,375)**	(96,837)	**-**	(94,086)
Net financing cash flows		**66,342**	(113,649)	**74,876**	(94,086)
Net increase/(decrease) in cash		**(374,294)**	(482,898)	**(13,300)**	(110,733)
Cash and cash equivalents at the beginning of financial year		**374,294**	857,190	**13,300**	124,034
Cash and cash equivalents at the end of financial year	20(a)	**-**	374,292	**-**	13,301

The accompanying notes form part of these Financial Statements.

1. Statement of significant accounting policies

Supersorb Environmental NL ('the Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the 'Consolidated Entity').

(a) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards ("AASB's") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") which include the Australian equivalents to International Financial Reporting Standards ("IFRS"). The financial report has also been prepared on a historical cost basis, unless otherwise stated.

The financial report is presented in functional currency which is Australian dollars and amounts have been rounded to the nearest dollar.

(b) Going concern

At the financial year end, the consolidated entity had;

- a net deficiency of assets of $920,640,
- no cash or revenue generating assets,
- progressed in to Administration and a Deed of Company Arrangement,
- insufficient contractual evidence to support the ability of the company to raise sufficient capital.

The uncertainty of the current economic environment makes it difficult for the entity to raise capital.

These conditions cast significant doubt about the consolidated entity's and parent entity's ability to continue as going concerns.

On 21 August 2008, the Company and the Trustee entered in to a Reconstruction Deed to facilitate the recapitalisation of the Company. The principal features of the recapitalisation proposal are detailed as a subsequent event in note 24.

Should the consolidated entity and the parent entity be unable to continue as a going concern, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent be unable to continue as a going concern.

(c) New Standards and Interpretations Not Yet Adopted

A number of adopted Accounting Standards have been amended, the impacts of these amendments are assessed to have no direct impact on amounts in the financial report. They are available for early adopted at 30 June 2008 but have not been applied in preparing the financial report.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on the Consolidated Entity
AASB 101 Presentation of Financial Statements (Revised), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers shall make use in financial reports of the descriptions-Statement of Financial Performance and Position and use the term "financial report" and not "financial statement." The Amending Standard updates references in various other pronouncements	Beginning 1 January 2009	Optional for early adoption for year ending 30 June 2008	AASB 101 is a disclosure standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures.
AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12 This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.	Beginning 1 January 2009	Optional for early adoption for year ending 30 June 2008	AASB 7 is a disclosure standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures.
AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 AASB 8 replaces AASB 114 Segment Reporting and introduces new 'management approach' to segment reporting to align IFRS and US GAAP. Unlike AASB 114, AASB 8 only applies to entities which have on issue debt or equity securities that are traded in a public market (or which are in the process of issuing any class of instruments in a public market). Therefore, reporting entities that are out of scope of AASB 8 may wish to early adopt this Standard to avoid segment reporting in their financial reports.	Beginning 1 January 2009	Optional for half-year ending 30 June 2007 Optional for early adoption for year ending 30 June 2007	AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures.

(d) Principles of consolidation

The consolidated financial statements comprise the financial statements of Supersorb Environmental NL and its subsidiaries as at 30 June each year (the Consolidated entity).

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

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

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

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

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated entity and the revenue can be reliable measured.

Sale of Non – Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest Revenue

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

(f) Income tax

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

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

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

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

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

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

Statement of significant accounting policies continued

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

(g) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(h) Financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method.
Borrowing costs are expensed as incurred and included in net financing costs.

(i) Leases

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

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

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

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

(j) Cash and cash equivalents

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

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

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

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Statement of significant accounting policies continued

(l) Plant and equipment

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

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

Buildings	20 years
Leasehold improvements	5 years
Plant and equipment	10 years
Motor Vehicles	4 – 5 years

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

(i) Impairment

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

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

(ii) Derecognition and disposal

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

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

(m) Inventories

Raw materials are stated at the lower of cost and net realisable value.

(n) Investments and other financial assets

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured as fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Statement of significant accounting policies continued

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.
Recoverable amount

Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount. In determining recoverable amount, the expected net cash flows were discounted to their present value using a market determined risk adjusted discount rate.

(o) Exploration and evaluation expenditure

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

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

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

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

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

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

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

Statement of significant accounting policies continued

(p) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(q) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(r) Interest bearing liabilities

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

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

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

(s) Employee benefits

Wages, salaries, annual leave and sick leave

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

Statement of significant accounting policies continued

Long service leave

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

(t) Share based payments

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Supersorb Environmental NL (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 23).

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Earnings per share

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

Statement of significant accounting policies continued

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

(u) Financial Instruments

Debt and Equity Instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial Assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Group financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Group financial statements.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th June 2008

NOTE 2 REVENUE FROM ORDINARY ACTIVITIES

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a)				
Interest received	**2,723**	15,045	**95**	3,905
Sundry income	**19,780**	13,062	**-**	-
	22,503	28,107	**95**	3,905

(b) Loss from ordinary activities before income tax expense

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
Net finance costs				
- Finance (expenses) / revenue	**-**	(1,006,375)	**-**	(55,914)
	-	(1,006,375)	**-**	(55,914)

The finance expense in the year includes the reflection of interest accruing on a liability to the Australian Tax Office.

(c) Employee benefit expenses

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
- Wages and salaries	**-**	212,141	**-**	-
Less: included in costs of sales	**-**	-	**-**	-
	-	212,141	**-**	-
- Directors fees	**30,000**	60,000	**30,000**	40,000
	30,000	272,141	**30,000**	40,000

(d) Auditors remuneration

	Consolidated 2008	Consolidated 2007	Company 2008	Company 2007
- Audit services only	**22,500**	22,500	**22,500**	22,500

NOTE 3 FORGIVENESS OF DEBT

On 4 July 2008 control of Supersorb Minerals NL passed to the Creditors Trust absolving Supersorb Environmental NL of any responsibility in relation to the settlement of liabilities arising and carried by that entity as set out in the Creditors Trust Deed. This transaction has been treated as an adjusting balance sheet event, as the conditions giving rise to the passing of control were present at 30 June 2008.

The forgiveness of debt is granted to the Group by the Creditors Trust who are responsible for future settlement of liabilities and also on the understanding that Supersorb Environmental NL will not seek recovery of the intercompany loan owed by Supersorb Minerals NL.

Refer to note 24, subsequent events for detailed information in relation to the Deed of Company Arrangement.

NOTE 4 DISCONTINUED OPERATIONS

30 June 2008

During the period the Company sold its RiverSafe retail garden products and related inventory for a total consideration of $125,000. At 30 June 2007 the total carrying value of the fixed assets and Inventory sold was $49,218, giving rise to a profit on sale of $75,782.

30 June 2007

At the end of the prior period the Company had entered in to sale agreements in relation to its Zeolite mining and processing operations and its Riversafe retail garden products and related inventory for a total consideration of $595,000. The total of the fixed assets sold following review and reduction to fair value was $557,945. The discontinued analysis presented is in relation to the current period amounts derived from those operations.

Financial performance for the period of operations held for sale

	Notes	**30 June 2008**	30 June 2007
		$	$
Revenue		**11,024**	474,073
Cost of sales		**(29,629)**	(573,063)
Gross loss / profit		**(18,605)**	(98,990)
Selling and promotional expenses		**(3,563)**	(97,494)
Administration expenses		**(174,780)**	(688,747)
Depreciation and amortisation		**-**	(101,223)
Fair value adjustment	(a)	**-**	(403,913)
Employee benefit expenses		**-**	(46,123)
Bad debt recovery		**-**	-
Loss from discontinued operations		**(196,948)**	(1,436,490)
Gain / (loss) on sale of discontinued operation		**75,782**	297,983
Income tax expense		**-**	-
Loss on sale of discontinued operation after tax		**(121,166)**	(1,138,507)
Assets held for sale operations			
Trade and other receivables		**-**	-
Inventory		**-**	49,218
Property, plant and equipment	(b)	**-**	-
Net cash flows of discontinued operations			
Operating activities		**(625,142)**	(1,442,621)
Investing activities		**125,000**	855,000

Notes
(a) The prior year fair value adjustment is in relation to the recognition of assets held for sale at their net realisable value, being equal to the amount of consideration agreed in the sale contract.
(b) The items of plant and equipment held at 30 June 2007 in relation to discontinued operations had a nil carrying value.

NOTE 5 BUSINESS COMBINATION

On 24th July 2006, Supersorb Minerals NL acquired 100% of the voting shares in Friends Exploration Pty Ltd based in Australia involving in mining exploration activities.

Pursuant to Australian Standard AASB 3 "Business Combination" the acquirer in this business combination was identified as Supersorb Minerals NL.

	CONSOLIDATED Recognised on acquisition 30 June 2007 $
Cash and cash equivalents	-
Exploration Assets recognised on acquisition	944,621
Total Assets	944,621
Total Liabilities	-
Cost of the combination:	
54,124,788 fully paid shares issued, at fair value	270,621
Cash paid to vendors	674,000
Total cost of combination	944,621
Goodwill arising on acquisition	-

NOTE 6 INCOME TAX

a) *Income tax recognised in profit and loss*
The prima facie tax expense/benefit on operating result is reconciled to the income tax provided in the financial statements as follows:

	Consolidated		**Company**	
	2008 $	2007 $	**2008 $**	2007 $
Loss before tax from continuing operations	**3,010,185**	(2,715,725)	**(399,953)**	(250,522)
Loss before tax from discontinued operations	**(121,165)**	(1,138,507)	**-**	-
Loss before tax from operations	**2,889,020**	(3,854,232)	**(399,953)**	(250,522)
Income tax expense/(benefit) at 30%	**866,706**	(1,156,270)	**(119,986)**	(75,157)
Non deductible expenses	**97**	1,007	**-**	-
Unused tax losses and temporary differences not recognised as deferred tax assets	**221,273**	1,155,263	**119,986**	75,157
Non assessable income	**(1,088,076)**	-	**-**	-
Income tax expense per income statement	-	**-**	**-**	-

The tax rate used is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change to the corporate tax rate during the current or prior reporting period.

b) *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items				
Provision for non-recovery	**-**	318,814	**3,787,626**	3,792,591
Accrued expenses and liabilities	**92,732**	11,408	**93,378**	7,396
Tax losses	**3,219,767**	3,727,009	**1,365,235**	1,326,267
Potential deferred tax asset at 30%	**3,312,499**	4,057,231	**5,246,239**	5,126,253

The tax losses and temporary differences do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

NOTE 6 INCOME TAX continued

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

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

(i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 165 of the Income Tax Assessment Act 1997;
(ii) the company continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the company in realising the benefits.

NOTE 7 TRADE AND OTHER RECEIVABLES

	Consolidated		**Company**	
	2008 $	2007 $	**2008 $**	2007 $
Current				
Trade debtors	**-**	5,479	**-**	-
Amounts receivable from the sale of assets	**-**	120,000	**-**	-
	-	125,479	**-**	-
Non-Current				
Loan to controlled entity	**-**	-	**-**	10,230,437
Provision for non recoverability (a)	**-**	-	**-**	(10,230,437)
Loan – ADE (b)	**-**	4,286,012	**-**	-
Bad debt provision	**-**	(4,286,012)	**-**	-
	-	-	**-**	-

(a) The loan to the controlled entity; Supersorb Minerals NL was forgiven on 30 June 2008 on transfer of control to the Creditors Trust and on signing of the Share Sale Agreement, refer to note 24 subsequent events and the acquisition of Friends Exploration Pty Ltd.

(b) The ADE loan was a non current receivable of Supersorb Minerals NL and has been transferred as part of the assets of that company to the Creditors Trust on 30 June 2008.

NOTE 8 OTHER CURRENT ASSETS

Deposits paid	**-**	14,900	**-**	-
	-	14,900	**-**	-

NOTE 9 EXPLORATION EXPENDITURE

Exploration expenses capitalised	**342,423**	1,164,459	**-**	-
Impairment	**(142,423)**	(964,459)	**-**	-
	200,000	200,000	**-**	-

As part of the settlement in relation to the Reconstruction Deed and Creditors Trust Deed Supersorb Environmental NL has gained the interests in two tenements and the associated exploration expenditure previously held by Supersorb Minerals NL.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the mining areas. The Directors have reviewed the exploration costs capitalised during the year and have reflected impairment accordingly to ensure the carrying value is not exceeding the net amount expected to be recoverable on commencement of production

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

		Consolidated		Company	
		2008	2007	**2008**	2007
Plant and equipment		**$**	$	**$**	$
At cost		**25,278**	58,263	**-**	-
Accumulated depreciation		**(19,130)**	(51,491)	**-**	-
Disposal		**(6,148)**	-	**-**	-
	(a)	**-**	6,772	**-**	-
Office furniture and equipment					
At cost		**45,136**	45,136	**-**	-
Accumulated depreciation		**(43,567)**	(41,603)	**-**	-
Disposal		**(1,569)**	-	**-**	-
	(a)	**-**	3,533	**-**	-
Motor vehicles					
At cost		**30,450**	30,450	**-**	-
Accumulated depreciation		**(16,614)**	(13,503)	**-**	-
Disposal		**(13,836)**	-		
	(a)	**-**	16,947	**-**	-
Total net book value of property, plant and equipment		**-**	**27,252**	**-**	-

(a) All property, plant and equipment was held by Supersorb Minerals NL, the Parents investment in this company was transferred to the Creditors Trust in line with the Deed of Company Arrangement.

(b) Reconciliations

Reconciliations of each class of property, plant and equipment is set out below:

Buildings				
Carrying amount at the beginning of the year	**-**	88,333	-	-
Movement: Disposals	**-**	(86,957)	-	-
Depreciation	**-**	(1,376)	-	-
Carrying amount at the end of the year	**-**	-	-	-
Plant and Equipment				
Carrying amount at the beginning of the year	**6,772**	871,454	-	-
Movement: Fair value adjustment	**-**	(403,913)	-	-
Disposals	**(6,148)**	(409,278)	-	-
Depreciation	**(624)**	(51,491)	-	-
Carrying amount at the end of the year	**-**	6,772	-	-

NOTE 10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Office Equipment				
Carrying amount at the beginning of the year	**3,533**	14,040	**-**	**-**
Movement: Additions	**-**	31,096	**-**	**-**
Disposals	**(1,569)**	-	**-**	**-**
Depreciation	**(1,964)**	(41,603)	**-**	**-**
Carrying amount at the end of the year	**-**	3,533	**-**	**-**
Motor Vehicles				
Carrying amount at the beginning of the year	**16,947**	75,272	**-**	-
Movement: Disposals	**(13,836)**	(44,822)	**-**	-
Depreciation	**(3,111)**	(13,503)	**-**	-
Carrying amount at the end of the year	**-**	16,947	**-**	-
Total carrying value of property plant and equipment	**-**	27,252	**-**	-

NOTE 11 OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Non-Current				
Unlisted shares in controlled entities – at cost	**-**	-	**2,306,283**	2,306,283
Acquisition of unlisted shares in Friends Exploration Pty Ltd	**-**	-	**200,000**	-
Impairment of investment	**-**	-	**(2,306,283)**	(2,306,283)
	-	-	**200,000**	-

Supersorb Environmental NL's 100% investment in the unlisted shares of Supersorb Minerals NL were transferred to the Creditors Trust in line with the entities Deed of Company Arrangement on 4 July 2008.

On 4 July 2008, Supersorb Environmental NL acquired 100% share interest in Friends Exploration Pty Ltd. Consideration of $200,000 was paid to acquire such shares as part of the Reconstruction Deed and as further detailed in note 24 subsequent events. This transaction has been accounted for as a adjusting subsequent event given the presence of these arrangements at 30 June 2008.

NOTE 12 PAYABLES

	Consolidated		Company	
Current				
Trade creditors	**-**	138,732	**-**	20,548
Accruals, GST and payroll liabilities	**54,607**	3,917,671	**54,607**	6,116
Creditors Trust Settlement fee	**1,066,033**	-	**1,066,033**	-
	1,120,640	4,056,403	**1,120,640**	26,664

The settlement fee is payable to the trustee no later than 4 July 2009.

NOTE 13 INTEREST BEARING LIABILITIES

Current					
Hire purchase liability		-	6,195	-	-
Loan – Department of Trade		-	6,000	-	-
		-	12,195	-	-
Non-Current					
Shareholder Loan	(a)	-	505,172	-	505,172
Hire purchase liability		-	13,710	-	-
		-	518,882	-	505,172

(a) The prior year shareholder loan has been provided by Quangi Pty Ltd and Mr B Sounness, details of the loan from this shareholder are detailed in the key management personnel note 21.

NOTE 14: FINANCIAL INSTRUMENTS

Overview
The Company's principal financial instruments comprise of trade and other payables. The main risk arising from the Company's financial instruments is liquidity risk.

This note presents information about the Company's exposure to financial risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

At this point in time, due to the Company's circumstances, there is no risk management policy in place.

Given the nature and size of the business and uncertainty as to the timing of cash inflows and outflows the Company does not enter into derivative transactions to mitigate the financial risks.

Interest rate risk
The Company has no exposure to interest rate risk as at 30 June 2008.

Credit risk
The Company has no exposure to credit risk as at 30 June 2008.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Company will always have sufficient liquidity to meet its liabilities when due.

The maturity of the Company's financial liabilities is 12 months. The Company's ability to meet its financial obligations is dependent on the recapitalisation of the Company, which is disclosed in note 24 of the accounts.

Commodity price risk
The Company is exposed to commodity price risk. Commodity prices can be volatile and are influenced by factors beyond the Company's control. As the Company is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

Capital management
The Board's policy is to recapitalise the company, to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Fair value
The net fair value of financial liabilities approximate their carrying value. Net fair value and carrying amounts of financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

NOTE 15 CONTRIBUTED EQUITY

		Consolidated		Company	
		2008	2007	**2008**	2007
		$	$	**$**	$
(a)	**Issued and paid up share capital**				
	721,663,870 fully paid ordinary shares (2005 – 667,539,082)	**18,336,409**	18,065,788	**18,336,409**	18,065,788
	54,124,788 fully paid ordinary shares	**-**	270,621	**-**	270,621
		18,336,409	18,336,409	**18,336,409**	18,336,409

(b) Movements in ordinary share capital

During the financial year to 30 June 2007 54,124,788 Ordinary shares were issued at a total consideration of $270,621 for the purchase of Friends Exploration Pty Limited. Refer to note 5 for details of this Business Combination.

(c) Options

At balance date no options were on issue under the Employee Share Option Plan.

NOTE 16 ACCUMULATED LOSSES

	Consolidated		Company	
	2008	2007	**2008**	2007
	$	$	**$**	$
Accumulated losses at the beginning of the financial year	**(22,146,069)**	(18,291,837)	**(18,857,096)**	(18,606,574)
Net profit (loss) attributable to members of the parent entity	**2,889,020**	(3,854,232)	**(399,953)**	(250,522)
Accumulated losses at the end of the financial year	**(19,257,049)**	(22,146,069)	**(19,257,049)**	(18,857,096)

NOTE 17 CONTROLLED ENTITIES

		Interest Held	
		2008	2007
		%	%
(a)	**Supersorb Environmental NL's Interests in controlled entities**		
	Supersorb Minerals NL	**-**	100
	Australian Diatomite Mining Pty Ltd	**-**	100
	Friends Exploration Pty Ltd	**100**	100

On 4 July 2008 the share interest held by Supersorb Environmental NL was transferred to the Creditors Trust in line with the Deed of Company Arrangement, as detailed in note 24 subsequent events.

On 4 July 2008 Supersorb Environmental NL acquired 100% interest in the share capital of Friends Exploration Pty Ltd, a company incorporated and operating in Australia.

These transaction have been accounted for as subsequent adjusting events given that the conditions giving rise to these transactions were present on 30 June 2008.

NOTE 17 CONTROLLED ENTITIES CONTINUED

(b)	Contribution to the consolidated operating profit/(loss)	Consolidated 2008 $	Consolidated 2007 $
	Supersorb Environmental NL	**(399,953)**	(250,522)
	Supersorb Minerals NL	**3,288,972**	(3,603,710)
	Australian Diatomite Mining Pty Ltd	**-**	-
	Friends Exploration Pty Ltd	**-**	-
		2,889,019	(3,854,232)

NOTE 18 SEGMENTAL REPORTING

At the beginning of this financial period the Group sold its Riversafe Garden product line, which was its final involvement with operations other than mining and exploration. As such the financial information reflected within note 4, discontinued operations presents the segmental information in relation to the activities previously undertaken in relation to its mineral processing and marketing operations.

As previously disclosed the Group is now focused on its principal activity and one segmental operation of mining and exploration.

On a geographical basis the Group operated within Australia throughout the financial period, 100% of revenue, all operating losses and assets are derived from discontinued and continuing operations.

NOTE 19 EXPENDITURE COMMITMENTS

In order to maintain current rights to tenure of its mineral tenement leases, the Company and its Controlled Entity Friends Exploration Pty Ltd, will be required to outlay amounts in respect of rent and to meet minimum expenditure requirements of the Department of Industry and Resources (WA) and similarly to the relevant Government Departments in NSW and Queensland. These obligations may be varied from time to time, are subject to approval and are expected to be fulfilled in the normal course of operations by the relevant Company.

The following minimal expenditure is per annum until expiry of the tenure.

	30 June 2008 $	30 June 2007 $
Minimal expenditure to retain rights to tenure	**114,000**	114,000
Rent on tenement sites held	**2,460**	2,460
	116,460	116,460

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th June 2008

NOTE 20 NOTES TO STATEMENT OF CASH FLOWS

		Consolidated		Company	
(a)	**Reconciliation of cash and cash equivalents**	**2008 $**	2007 $	**2008 $**	2007 $
	For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and net of bank overdrafts.				
	Cash balances comprise:				
	- Cash at bank	**-**	374,292	**-**	13,301

		Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
(b)	**Reconciliation of cash flows from operating activities with loss after income tax:**				
	Profit/(loss) from ordinary activities after income tax	**2,889,020**	(3,854,232)	**(399,953)**	(250,522)
	Non cash flows in operating loss:				
	- Amortisation	**-**	1,720	**-**	-
	- Depreciation	**-**	106,253	**-**	-
	- (Increase)/decrease in inventories	**49,218**	168,959	**-**	-
	- Increase/(decrease) in payables	**(3,225,261)**	1,917,322	**311,777**	231,723
	- (Increase)/decrease in debtors	**21,387**	178,396	**-**	-
	- Increase/(decrease) in leave liabilities	**-**	(9,771)	**-**	2,152
	- Increase/(decrease) in interest bearing liabilities	**-**	(16,810)	**-**	-
	- Fair value adjustment	**-**	403,913	**-**	-
	Cash flow from operations	**(265,636)**	(1,104,249)	**(88,177)**	(16,647)

NOTE 21 KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the consolidated entity are:

Directors
Mr B Souness
Mr M Shuttleworth
Mr A Parry

a) Remuneration report

Remuneration policy

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

The policy of the consolidated entity is to offer competitive salary packages which properly incentivise Key Management Personnel and are designed to reward and motivate. Non executive Directors receive fees agreed on an annual basis by the Board.

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

NOTE 21 KEY MANAGMENET PERSONNEL (continued)

Details of remuneration for key management personnel

The remuneration of each Key Management Personnel is set out in the following table.

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

During the year there were no other personnel which were employed by the Company for whom disclosure is required.

		Short-term		Post employment	Share based payments	
Remuneration of directors		Director Fees	Salary / Consulting fees	Superannuation	Equity Compensation	Total
Mr Bradley W Sounness	**2008**	**10,000**	**-**	-	-	**10,000**
(Chairman - since December 2002)	2007	20,000	-		-	20,000
Mr Martin J Shuttleworth	**2008**	**10,000**	**29,645**	-	-	**39,645**
(Director – since December 2002)	2007	20,000	50,000	-	-	70,000
Mr Anthony N Parry	**2008**	**10,000**	**83,574**	-	-	**93,574**
(Director - since May 1994)	2007	20,000	169,709	-	-	189,709
Total All Directors	**2008**	**30,000**	**113,219**	**-**	**-**	**143,219**
	2007	60,000	219,709	-	-	279,709

Service agreements

There are no service agreements with any of the Company's Directors.

Share based compensation

There is currently no provision in policies of the consolidated entity for the provision of share based compensation to Key Management Personnel. The interest of Key Management Personnel in shares and options is set out below.

c) Interests in Shares and Options

The particulars of Key Management Personnel interests in shares and options of the Company at the date of this Report are set out below.

Number of Ordinary shares	**Held at 1 July 2007**	**Movement during the year**	**Held at 30 June 2008**
Directors			
Mr Bradley W Sounness	253,973,008	-	253,973,008
Mr Martin J Shuttleworth	56,000,000	-	56,000,000
Mr Anthony N Parry	3,066,763	-	3,066,763
	313,039,771	-	313,039,771

d) Loans and other transactions with Key Management Personnel

	Balance at 1 July 2007	Interest Accrued	Transferred to Creditors Trust	Balance at 30 June 2008
Loans from Key Management Personnel	300,435	445	(300,880)	-

The Company has made no loans to any individuals.

Loans monies outstanding accrue interest at a rate of 0.15%

NOTE 21 KEY MANAGMENET PERSONNEL (continued)

d) Other transactions with the company

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

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

The aggregate amounts recognised during the year ending 30 June 2008 relating to Key Management Personnel and their personally related entities totalled an expense of $143,219 (2007: $314,709). Details of the transactions are set out in the table at note 21 (a).

NOTE 22 RELATED PARTY TRANSACTION

Related party transactions occurring during and subsequent to the year end are disclosed within the Key Management Personnel note 21 and the Subsequent Events note 24.

NOTE 23 EARNINGS PER SHARE

		Consolidated	
		2008	2007
(a)	Basic earnings/(loss) per share (cents per share)	**0.004**	(0.005)
(b)	Diluted earnings/(loss) per share (cents per share)	**0.004**	(0.005)
(c)	Weighted average number of ordinary shares on issue during the year used in calculation of basic earnings per share	**721,663,870**	721,663,870
	Potentially dilutive shares in respect of options on issue	-	-
(d)	Weighted average number of potentially ordinary shares on issue during the year used in calculation of diluted earnings per share	**721,663,870**	721,663,870

Diluted earnings per share are calculated after classifying all options on issue as potential ordinary shares. There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these Financial Statements.

NOTE 24 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A number of significant corporate events have occurred since that reporting period:

- On 22 February 2008, the Directors Company appointed Kim Strickland, Christopher Williamson and David Hurt of Sims Partners Chartered Accountants (now WA Insolvency Solutions Pty Ltd) as Administrators of the Company (Administrator).

- At a meeting on 13 June 2008, the creditors resolved that the Company enter into a Deed of Company Arrangement (DOCA), which was executed on 4 July 2008.
  On 4 July 2008:

  (a) the Company and Kimberley Andrew Strickland, Christopher Michael Williamson and David Ashley Norman Hurt (Trustee) executed the Creditor's Trust Deed, under which the:

    (i) Trustee became the Trustee of the Creditor's Trust;
    (ii) Company was required to reconstruct and recapitalise the Company by no later than 4 July 2009; and
    (iii) Company was required, and covenanted, to transfer all assets and liabilities, with the exception of the Bullfinch Royalty Deed and pay the Settlement Sum of $1,066,333 to the Trustee by no later than 4 July 2009;

  (b) the Company and the Trustee executed a Deed of Charge, under which the:

    (i) Trustee is entitled to register a second ranking fixed and floating charge against the Company to secure the obligations of the Company referred to in Section 2.1(a)(iii) above; and
    (ii) Quangi Pty Ltd is entitled to retain its first ranking fixed and floating charge (ASIC charge no. 900156) to secure the debts owed to Quangi Pty Ltd;

  (c) the Company and Supersorb Minerals NL executed a Share Sale Agreement under which Supersorb Minerals will transfer all right, title and interests in all of the issued capital of Friends Exploration Pty Ltd to the Company in consideration for the payment of $200,000;

  (d) the DOCA was terminated on the basis that it had been fully effectuated;

  (e) the Administrators resigned as administrators of the Company; and

  (f) control of the Company reverted to the Directors.

- On 21 August 2008, the Company, and the Trustee entered into a Reconstruction Deed pursuant to which Trident Capital agreed to facilitate the recapitalisation of the Company referred to below.

Principal Features of the Recapitalisation Proposal;

(a) ***Consolidation of Capital:*** Consolidation of the existing issued capital of the Company on a 1 for 30 basis from 721,663,860 shares on issue to 24,055,462 post consolidation shares on issue.

(b) ***Issue of New Shares and New Options to Trident Capital or its nominees****:* The issue of 80,000,000 New Shares (in consideration of Trident Capital paying $400,000 to the Company) and 60,000,000 New Options in the Company, exercisable at 1 cent each at any time on or before 31 December 2012, to Trident Capital or its nominees under the Prospectus to be issued by the Company.

(c) ***Prospectus Issue****:* The issue of up to 240,000,000 New Shares in the Company at a price of not less than 1 cent each under a Prospectus to raise not less than $2.4 million.

(d) ***Issue of New Shares to Major Shareholders:*** The Company will issue 50,000,000 New Shares for nil consideration by way of a priority offer to the Major Shareholders; being Quangi Pty Ltd and Achilles Pty Ltd.

(e) ***Board Changes****:* The board of Directors of the Company will change as soon as practicable after the date of the Prospectus being fully subscribed at which time the proposed Directors being Mr Keith John, Mr Joe Graziano and Mr Adam Sierakowski will be appointed and such of the Existing Directors as Trident Capital requests will resign.

NOTE 25 EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (CONTINUED)

(f) ***Company Type and New Constitution:*** The Company will convert from a public no liability company to a public company limited by shares and adopt a new Constitution

(g) ***Company Name:*** The Company will change its name to "Red Dragon Resources Limited

(h) ***Acquisition of Friends Exploration Pty Ltd:*** The Company will acquire all of the issued capital of Friends Exploration Pty Ltd in consideration for the payment of $200,000 to Supersorb Minerals NL, this is reflected as a liability to the Creditors Trust as at 30 June 2008.

In consideration of the above arrangement, Supersorb Environmental NL are not to pursue recovery of the intercompany loan previously granted to Supersorb Minerals NL. Full provision for non recovery of the loan was effected within the year ended 30 June 2006.

- The Directors; Mr M Shuttleworth and Mr B Souness have entered in to a deed of guarantee for the benefit of Supersorb Minerals in the event that the ADE loan is not settled. The guaranteed obligation for which the Directors are jointly and severally liable is $200,000.

NOTE 26 CONTINGENT ASSETS AND LIABILITIES

On 18 March 1999 Supersorb Environmental NL entered in to an agreement with Polaris Metals NL, the agreement was in connection to the performance of a Joint Venture known as Bullfinch North.

The terms of the agreement are for payment of a $250,000 royalty payment by Polaris to Supersorb upon the commissioning of a commercial operation that proposes to mine minerals originating from the Tenement and a royalty per tonne of gold or nickel ore mined and treated from within the Tenement, to which Supersorb is the beneficial owner.

Given the receipt of future royalties cannot be determined with any certainty the Directors have not reflected any value for this agreement within the balance sheet as at 30 June 2008. Until such time as this royalty becomes unconditionally payable this method of recognition will continue.

The company has no contingent liabilities.

NOTE 27 COMPANY DETAILS

The registered office is 30 Graham Street, Albany, WA 6330.

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SUPERSORB ENVIRONMENTAL NL

Report on the Financial Report

We have audited the accompanying financial report of Supersorb Environmental NL, which comprises the balance sheet as at 30 June 2008, 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 for Supersorb Environmental NL. The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

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 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

Chartered Accountants
& Business Advisers

Independence

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

Basis for Adverse Auditor's Opinion

The Directors have prepared the financial report on the going concern basis as described in Note 1, and state in the Directors' declaration that in their opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Note 1 discusses a number of matters that may affect the ability of the company to continue as a going concern. In that note, the directors state their opinion that the going concern basis used in the preparation of the financial report is appropriate. In our opinion however, it is highly improbable that the company will be able to continue as a going concern. In arriving at our opinion we have considered the following:

1. The company went into administration on 22 February 2008 and on 4 July 2008 Supersorb Environmental NL and Supersorb Minerals NL entered into individual Deeds of Company Arrangements ("DOCA's"). Subsequent to this, on 21 August 2008 Supersorb Environmental NL entered into a reconstruction deed to reconstruct and recapitalise the company;

2. As at 30 June 2008, the company had a net asset deficiency position of $920,640. The Company is currently not trading and does not have any cash or revenue generating assets on hand at 30 June 2008; and

3. At the date of signature of the financial report there is insufficient evidence to support the ability of the company to raise sufficient capital to commence exploration activities.

These events indicate that it is highly improbable that the entity will continue as a going concern and therefore be able to realise its assets and discharge its liabilities in the normal course of business. The financial report (and notes thereto) does not disclose this fact.

A going concern basis presumes that the company will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

Adverse Auditor's Opinion

In our opinion, for the reasons set out in the qualification paragraph above:

(a) the financial report of Supersorb Environmental NL is not in accordance with the *Corporations Act 2001*, and does not:

Chartered Accountants
& Business Advisers

(i) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial reports also do not comply with International Financial Reporting Standards as disclosed in Note 1.

PKF

PKF
Chartered Accountants

C Manifis

Conley Manifis
Partner

Dated at Perth, Western Australia on the 8th day of December 2008

DIRECTORS' DECLARATION

The directors of Supersorb Environmental NL declare that:

(a) in the directors' opinion the financial statements and notes on pages 11 to 37, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance, for the financial year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(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 required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2008.

On behalf of the Directors

Martin Shuttleworth
Director
Perth
Dated in Perth, Western Australia on this 8 December 2008

B Sounness
Director
Dated in Perth, Western Australia on this 8 December 2008