

## TABLE OF CONTENTS

Chairman's Report	2
Directors' Report	4
Corporate Governance Statement	18
Financial Statements	
- Income Statements	22
- Balance Sheets	23
- Cash Flow Statements	24
- Statements of Changes in Equity	25
- Notes to the Financial Statements	27
- Directors' Declaration	56
- Independent Audit Report	57
ASX Additional Information	59
Corporate Directory	Inside back cover



# CHAIRMAN'S REPORT

Pacific Enviromin Limited has made significant gains in each of its project sectors during the 2008 financial year.

After considerable delays, on 1 April 2008, the Queensland Government approved the mining lease for the Company's high quality Mantuan Downs calcium bentonite resource in Central Queensland.

Mining started immediately but was impacted by the abnormal rains which flooded much of Central Queensland. Fortunately Mantuan Downs was not directly affected, but major regional road closures and damage delayed mining access, and the continued wet weather through the usually dry winter slowed the processing.

Funds raised in the rights issue at the end of the year were earmarked for earthmoving and processing equipment at Mantuan Downs, and the development of an all weather access road into the resource. Both these activities have proceeded quickly, with new loaders purchased, and the Terex Finlay processing plant delivered to site and commissioned in October. The 8 km access road has been surveyed and formed, and product is being trucked out of the mine.

The Company's domestic strategy of focussing on the large Australian agricultural sector is delivering results. We have engaged with a number of high profile agribusinesses to develop calcium bentonite blends for livestock feed, and to blend with manure to produce a natural, highly efficient substitute for high cost inorganic fertilizers. We are also working with groups to utilize calcium bentonite's known ability to reduce methane emissions in livestock.

Initial results of the use of calcium bentonite in field planting trials have been very positive with growers reporting a significant increase in the growth rates of product, and retention of soil moisture. Given these good results, and the capability of the mine to now deliver quality processed calcium bentonite, the Company is now focussed on building sales.

In addition, with the recent 30% fall in the Australian dollar providing improved export competitiveness, this will also significantly assist our international marketing strategy into the Asian and Middle East markets.

The Grafton Range sodium bicarbonate project, which was acquired on 7 February 2008, is ready to move to the next stage.

This reservoir of sodium bicarbonate was first tapped in the 1960s and 70s during exploration for oil and gas. Our team has now completed the task of conversion and compilation of the previous exploration results into digital 2D and 3D geological and hydrological models of the project, which will assist in future activity.

Agreements have been signed with the local landholders, and the Company has engaged a firm of hydro-geologists to assist with further testing and commercial development of the project.

The Company and its subsidiaries have been involved in environmental protection and remediation research for over a decade in co-operation with CSIRO and Australian universities. During that time, we have developed several technologies which could assist in improving the quality of air, soil and water.

The most recent success has been a final research development report received this year which demonstrated that modified Mantuan Downs calcium bentonite could lock up to 98% of lead in contaminated soils.

This project was run in partnership with the University of South Australia, the Commonwealth Government, and the South Korean Government to develop a cost-effective technology for remediating metal contaminated sites. The project used contaminated soil taken from a site in South Korea where lead contamination had built up over many years. Researchers reported that the results were outstanding.

In practical terms, this technology may have immediate Australian application in places where lead contamination is a topical issue, and should provide a significant opportunity for decontamination of sites worldwide.

## CHAIRMAN'S REPORT

Finally, on behalf of the Board, I thank shareholders for their continued support. In particular, we appreciate shareholders' support for the successful equity raising in June this year. These funds have enabled the Company to complete the Mantuan Downs mine to provide a quality processed calcium bentonite for the market, and also to fund commencement of the development of the Grafton Range project.



Brian Jones  
Chairman  
Brisbane

# DIRECTORS' REPORT

The directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Pacific Enviromin Limited (referred to hereafter as "the Company") and its controlled entities for the year ended 30 June 2008.

## **DIRECTORS**

The names and details of the directors of the Company during the year and until the date of this report are:

**Mr. Brian Jones** B Bus Mgt, FAIM, FINSIA, FAICD (Chairman, Non-executive Director)

### ***Experience and expertise***

Mr. Jones was a founding director of Pacific Enviromin Limited, joining the Company in 1999. He has been involved in investment banking for over 25 years, with the last 20 years at director and managing director level with local and international investment banks. He specialised in equity raising and venture capital for SME's including business planning, financial structuring and project managing initial public offerings.

### ***Other current directorships***

Mr. Jones is a director of Business Management Limited, and several private companies and was previously director of several public companies.

### ***Special responsibilities***

Chairman of the Board and member of Audit and Remuneration Committees.

### ***Interests in shares and options***

8,449,028 ordinary shares in Pacific Enviromin Limited

**Mr. Peter Ziegler** B. Com (Hons), LL.B (Hons); MFM, FCPA, FTIA, ACA (Deputy Chairman, Non-executive Director)

### ***Experience and expertise***

Mr. Ziegler is an experienced company director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. Mr Ziegler is currently the principal of Ziegler Asset Partners, an asset management firm specialising in investments in listed and unlisted equities and special opportunities. He is also a solicitor of the Supreme Court of Victoria. Director since 29 November 2005

### ***Other current directorships***

Nil

Mr. Ziegler was previously a director of Village Roadshow Limited.

### ***Special responsibilities***

Member of the Audit and Remuneration Committees

### ***Interests in shares and options***

233,333 ordinary shares in Pacific Enviromin Limited

**Mr. Paul Byrne** (Executive Director)

### ***Experience and expertise***

Mr. Byrne joined the Company as Executive Director, following the acquisition of the Ipoh group of companies. Mr. Byrne was a founder of the Ipoh group and has initiated environmental remediation projects in conjunction with CSIRO, University of South Australia and the Queensland Department of Primary industries. He has also been involved in the resources sector since 1985 in exploration and mining and has been a director of several Australian public listed companies. Director since 29 November 2005.

### ***Other current directorships***

Upango Resources Limited.

### ***Special responsibilities***

Develop the Company's marketing and sales strategies, review resource opportunities and manage the environmental remediation portfolio.

### ***Interests in shares and options***

40,443,575 ordinary shares in Pacific Enviromin Limited

# DIRECTORS' REPORT

**Mr. Christopher Dredge** BAppSc, MBA, AusIMM (Executive Director)

***Experience and expertise***

Mr. Dredge joined the Company as Executive Director following the acquisition of the Ipoh group of companies. He was a founder of the Ipoh group and has 30 years experience as a geologist responsible for identifying and developing mineral resources within Australia and South East Asia.

Mr. Dredge has held senior management and director positions with local and international companies. Director since 29 November 2005.

***Other current directorships***

Nil

***Special responsibilities***

Responsible for all geological and mine development activities.

***Interests in shares and options***

41,816,304 ordinary shares in Pacific Enviromin Limited

**Mr. John Laurie** B.Ec, FCPA, FAIM (Non-executive Director)

***Experience and expertise***

Mr. Laurie joined the board in January 2000. He has extensive experience in manufacturing and marketing in a wide variety of industries, both domestic and international.

***Other current directorships***

Mr. Laurie is currently a director of Impact Capital Limited and the chairman of the Sydney based Twilight Aged Care Group, a number of private companies and was previously the chairman and/or director of several public and private companies.

***Special responsibilities***

Member of the Audit and Remuneration Committee  
Logistics and international trade

***Interests in shares and options***

2,000,000 ordinary shares in Pacific Enviromin Limited

All directors were in office for the entire year and up to the date of this report.

## COMPANY SECRETARY

**Mr. Kevin Mischewski** B Bus (Acc), CA

(Company Secretary since 30 June 2008, Joint Company Secretary since 29 February 2008.)

Chartered Accountant and Registered Tax Agent with extensive commercial experience in senior financial and management accounting roles. Previous positions include Chief Financial Officer, Company Secretary and Finance Director for large private manufacturing companies. Extensive experience with listed public company reporting and compliance requirements.

**Mr. Michael Ilett** BBus (Accy), GradDipAdvAcctg, GradDipCorpGov, MBA, ACIS, CPA, CA

(retired as Joint Company Secretary on 30 June 2008)

## PRINCIPAL ACTIVITIES

The principal activities during the year were the development of the Mantuan Downs bentonite resource, the review and acquisition of other resource opportunities, and the continued research and development of environmental remediation technologies.

The Company is a company limited by shares and incorporated and domiciled in Australia.

# DIRECTORS' REPORT

## OPERATING RESULTS

The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2008 was \$4,067,274 (2007: profit \$801,145).

Included in the annual accounts are valuation adjustments for the two major assets of the Company. Directors engaged an independent valuer to review the holding value of the Mantuan Downs resource. Following that review, directors have increased the value of the resource in the accounts to \$10 million. This appears in the Balance Sheet as an increase in the Asset Revaluation Reserve account.

Directors also reviewed the holding value of each of the technologies in the portfolio of environmental technologies. Given that some of the technologies have been deferred while the Company focussed on the development of Mantuan Downs, it was decided to reduce that portfolio value by \$3,479,270 and this is the major contributor to the operating loss for the year. The commercialisation of some of these technologies may enhance the portfolio value in the future.

## REVIEW OF OPERATIONS

Pacific Enviromin Limited ("PEV") is building an industrial minerals portfolio which includes resource projects and a number of environmental remediation technologies based on its industrial minerals.

The following activities took place during the financial year:

### Corporate

The Company completed the placement of 16,666,667 shares at 6 cents per share to raise \$1,000,000 on 22 May 2008 under an agreement with Patersons Securities Limited and Cygnet Capital Pty Ltd. As part of that agreement, Patersons and Cygnet also fully underwrote a renounceable rights issue of approximately 53.6 million ordinary shares at 6 cents per share to raise an additional \$3.2 million. The rights issue opened on 20 June 2008 and the shares were issued on 28 July 2008

### Industrial Minerals Projects

PEV holds the following industrial mineral assets:

Tenement	Mineral	Location	Status	Uses
EPM 13886 ML 70360 EPMA 17459 EPMA 17644	Calcium Bentonite	Springsure Central Qld	Mining commenced, processing plant commissioned by year end	Multiple uses including clarification of food oils, steel manufacture
EPM 13302 EPM 16629 MLA 50207	Sodium Bicarbonate	Roma Qld	Consulting hydro geologists appointed to supervise process. Waiting grant of mining lease	Baking Soda and Soda Ash. Food and other industries, glass manufacture
EPM 16087	Dolomite	Ipswich Qld	Reviewing tenement and market potential	Agricultural applications
EPM 16083	Nepheline Syenite	Baralaba Central Qld	Analysing technological and market potential	Glass and ceramic manufacture
EPM 16082	Rare Earths Lanthanides	Marlborough Central Qld	Analysing technological and market potential	Component manufacture for the IT and communications sector

### *Mantuan Downs*

The Company's Mantuan Downs calcium bentonite resource is located west of Springsure in Central Queensland. The Company's tenements (including applications for new tenements), cover a combined area of 181.1 square kilometres. Mantuan Downs contains a large deposit of very high quality calcium bentonite, defined to a JORC standard at 15 million tonnes, with considerable potential to increase the deposit size.

# DIRECTORS' REPORT

The deposit comprises two main bentonite horizons. The Upper Bentonite Zone is the best developed and has an average total CEC grade of 102 meq/100g, with some ore blocks having CEC's up to 130 meq/100g. It consists mainly of light yellow green to dark-green bentonite and near the centre of the deposit is 4.0-4.5 metres thick. The Lower Bentonite Zone comprises light grey bentonite that contains minor rare shale, siltstone and sandstone interbeds. It has an average total CEC grade of 92 meq/100g. This zone is continuous throughout the deposit and is up to 4 metres or more thick.

Overburden is minimal compared with other Australian bentonite deposits, and ranges between 1 metre at its eastern margin to 4-5 metres near the south-western part of the deposit.

The Mantuan Downs calcium bentonite deposit is valuable because its low stripping ratio, minimal depth and flat lying resource, allow for mining efficiency and low mining costs; and the high quality of the bentonite provides for superior demand and pricing in the market.

Additional exploration, which started in May 2008, is expected to expand the resource size, as the Company's independent geologist reported additional calcium bentonite of similar quality is located outside the resource area but within the exploration tenement.

On 1 April 2008, the Company was granted a mining lease by the Queensland Government over an area of 2.74 square kilometers. Mining started immediately on receipt of the grant of the mining lease, however these activities were significantly curtailed by the drought breaking rains received in Central Queensland which caused much damage in the surrounding region.

By 30 June 2008, the Company had mined approximately 10,000 tonnes of calcium bentonite, however sun drying of the product was delayed by the unseasonal rains.

The Company has contracted to acquire earthmoving equipment and a new Terex Finlay 694 multiple stacker mobile screening plant which is being commissioned at Mantuan Downs. The screener will process the bentonite from a sun-dried product onto a variety of sizes down to less than 2mm. Accommodation, management and communication infrastructure has also been established at the mine site. Calcium bentonite has been shipped to agribusinesses in New South Wales and Queensland.

PEV has focused on a domestic strategy of promoting the high CEC quality and enhanced chemical and physical properties of the Company's calcium bentonite to target sectors which can utilize these features. Target sectors include agriculture, waste stream management and blending, government Waterwise programs, and environmental remediation.

This strategy has now advanced with the signing of memorandums of understandings with several major Australian agribusinesses who are collaborating on the trialing and practical development of these technologies by blending the bentonite into feed supplements, incorporating the bentonite into the feeding regime of feedlots, and blending the bentonite into livestock manure to form an organic fertilizer.

A growing use of bentonite is to reduce the bio-availability of unwanted chemicals and allow sustained bio-availability of beneficial compounds to plants. The Australian feedlot industry produces over 2 million tonnes of manure annually. Disposal is by various methods including broadcasting over pastures, or pulverizing to make a soil enhancement product. PEV has signed agreements with major agricultural companies to trial our bentonite with livestock waste to generate a high value, soil enhancement product for sale to the primary industries sector.

In addition to growth enhancement, an additional benefit of using calcium bentonite in livestock feed supplement, demonstrated in research trials, was the potential for significant reduction, of up to 30%, in methane emissions from livestock. This may prove valuable with the introduction of carbon credit trading schemes and PEV has signed an agreement with a major supplier of livestock feed supplements to trial calcium bentonite in its feed.

The Company is now supplying calcium bentonite to South East Queensland residents as an approved water conservation product under the Queensland Government Waterwise rebate program.



# DIRECTORS' REPORT

## ***Grafton Range Sodium Bicarbonate***

PEV acquired this project on 7 February 2008. The consideration paid was \$200,000, 1,500,000 PEV ordinary shares, and a royalty of 2.5% on net sales revenue over a ten year period capped at \$1 million.

The Company has signed Agreements with the relevant landholders, and there are no native title issues with the tenements.

Sodium bicarbonate (baking soda) is used extensively in food manufacture, pharmaceuticals, mineral processing and other industries. Major derivative products such as sodium carbonate (soda ash) and caustic soda are also key inputs into a number of industries including chemicals and glass manufacture.

The Grafton Range Project is 25 kilometers north of Roma in Southern Queensland. The area is centered on the Grafton Range series of petroleum and gas exploration wells drilled during 1964 to 1989.

High concentrations of sodium bicarbonate up to 14mg/litre are present in the Jurassic Precipice Sandstone aquifer, which is 800 metres to 1,000 metres below surface. The sodium bicarbonate originates from the underlying Permian Aldebaran Sandstone, which at Warrinilla, 160 kilometres to the north, contains up to 25,000 mg/litre of sodium bicarbonate. The Aldebaran Sandstone has low permeability, making it impossible to pump large amounts of water from individual wells.

The Aldebaran Sandstone is assumed to truncate against the overlying Precipice Sandstone near Injune. North of this point, the Precipice Sandstone is a freshwater aquifer, but to the south, in the Grafton Range area, the high sodium bicarbonate concentrate water has fed into the highly permeable Precipice Sandstone together with natural gas. Elevated concentrations of sodium bicarbonate have also been found in the underlying Showground Sandstone.

Production involves pumping the sodium bicarbonate brine to the surface through several wells, possibly including petroleum wells which have been capped. The brine is then treated by solar evaporation and reverse osmosis to produce the carbonate products.

Large volumes of water are produced as a by-product which would be made available for local use.

The rights issue has provided funding to accelerate the development by engaging hydro-geologists to assist with detailed analysis of current data, plan and supervise the initial production well drilling program, and interpret all the logged data.

## **Bentonite-based Technologies**

PEV has developed calcium bentonite-based technologies for the improvement of our environment. These technologies include remediation of heavy metal contaminated soils, the removal of carcinogenic compounds from high temperature smoke, the global licence for absorption of oil spills in water, increasing agricultural productivity through bentonite blending for fertilizer, and the reduction of methane emissions in livestock.

The most recent development is the final report of an environmental technology project initiated by the Company which successfully locked up 80% to 98% of lead in contaminated soils, utilising the calcium bentonite from PEV's Mantuan Downs resource. PEV commenced the project in 2003 in partnership with the University of South Australia, under a Commonwealth Government Innovation Access Program, to develop a cost-effective technology for remediating metal contaminated sites.

The project was run in conjunction with the South Korean Government, and used contaminated soil taken from a site in South Korea where lead contamination had built up over years of use as a rifle range. The final report stated as its major achievement:

*"This project developed an innovative and cost effective technology to minimise human exposure to contaminated soils using modified calcium bentonite to immobilise lead, thereby eliminating the reactive and bio-available fractions. ...studies showed that the bio-accessibility (available for human absorption) of lead in the presence of the material could be reduced by as much as 98%."*

# DIRECTORS' REPORT

The report also stated:

*"This project further developed modifications to the raw bentonite as a new technology for the resource-based industries to deliver substantial increases in national wealth by reducing environmental impacts on land", and, "This project ..... produced an advanced clay material capable of being used for practical environmental remediation, thus stimulating the growth of world-class Australian industries for adapting technologies developed from cutting-edge research."*

The reduction of carbon gases in the atmosphere has become the focus of international attention. The largest emitter of methane in Australia, and elsewhere, is livestock. PEV previously completed a research trial in conjunction with the Queensland Department of Primary Industries which demonstrated that Mantuan Downs calcium bentonite, used as a feed supplement for livestock, reduced livestock methane emissions by up to 30%. PEV is now working with a major Australian company to develop feed supplements which will replicate this important environmental milestone.

## **DIVIDENDS**

No dividends of the Company or any entity of the Group have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30<sup>th</sup> June 2008.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

On 6 February 2008, PEV expanded its industrial mineral portfolio through the acquisition of the Grafton Range sodium bicarbonate project. The Company paid \$200,000 in cash plus 1,500,000 fully paid PEV shares and a 2.5% royalty on net sales for 10 years to a maximum of \$1,000,000.

The Company completed the placement of 16,666,667 shares at 6 cents per share to raise \$1,000,000 on 22 May 2008 under an agreement with Patersons Securities Limited and Cygnet Capital Pty Ltd. As part of that agreement, Patersons and Cygnet also fully underwrote a renounceable rights issue of approximately 53.6 million ordinary shares at 6 cents per share to raise an additional \$3.2 million. The rights issue opened on 20 June 2008 and shares were allotted by 28 July 2008.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

The fully underwritten rights issue opened on 20 June 2008 and shares were issued on 28 July 2008, raising \$3.2 million in new equity.

## **LIKELY DEVELOPMENTS IN THE GROUP OPERATIONS**

The Company will focus on developing domestic and overseas markets for its Mantuan Downs calcium bentonite, continue development of the Grafton Range project, and pursue opportunities to market and sell its environmental remediation technologies.

The Company will continue to review, and if considered appropriate for the Company's portfolio, acquire other industrial minerals projects.

## **ENVIRONMENTAL REGULATION**

The Company is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner. The Company is also subject to environmental regulation by the Environmental Protection Agency of Queensland. The Company complies with the Mineral Resources Act (1989) and the Environmental Protection Act (1994).

The Company signed a Native Title Agreement with the Bidjara 3 People who are the registered native title claimants over the Mantuan Downs area. The Company has also signed compensation agreements with the relevant landholders at Mantuan Downs and Grafton Range. It is the Company's policy that its activities cause minimum disturbance or encroachment, or offence to cultural sites or beliefs of members of traditional

# DIRECTORS' REPORT

landowner groups or to any landholder or business enterprise falling within the exploration tenements held by the Company. The Mantuan Downs resource has minimal overburden which reduces environmental impact.

## RISK MANAGEMENT

The Board has been pro-active in identifying and analysing risks across the operations of the Company. Although the Board has been instrumental in managing risk, it has not established a separate risk management committee. The Board has requested its executive management to minimise the normal risks that relate to its technology projects, and exploration and evaluation activities.

## SHARE OPTIONS

At the date of this report there were no unissued ordinary shares under options. No options were issued to directors, officers or employees during the year as part of their remuneration.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Company paid a premium in respect of a contract of insurance indemnifying any past, present, or future director, secretary, officer or employee of the Company against liability, which payment or agreement to pay does not contravene the Corporations Act (Cth) 2001. The contract of insurance prohibits disclosure of the terms of the policy and the amount of the premium.

The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any related body corporate against the liability incurred by such an officer.

## DIRECTORS' MEETINGS

The number of meetings of directors and meetings of committees of directors held during the year, and the number of meetings including circulating resolutions attended by each director was as follows:

	Directors' meetings	Audit Committee	Remuneration Committee
Number of meetings held	12	3	1
Number of meetings attended:			
Mr. Brian Jones	12	3	1
Mr. Peter Ziegler	12	3	1
Mr. John Laurie	10 of 12	1 of 1	1
Mr. Paul Byrne	12	**	**
Mr. Christopher Dredge	11 of 12	**	**

\*\* = Not a member of the relevant committee.

The Company has an Audit Committee and a Remuneration Committee.

- The members of the Audit Committee are Mr. Peter Ziegler (Chairman of Audit Committee), Mr. Brian Jones and Mr. John Laurie.
- The members of the Remuneration Committee are Mr. Brian Jones (Chairman of Remuneration Committee), Mr. Peter Ziegler and Mr. John Laurie.

The Audit Committee oversees and appraises the quality of audits conducted by the consolidated entity's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the consolidated entity properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management. During the year the Company had three audit committee meetings.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of the directors.

At the date of this report the interests in the equity of the Company held by directors and their related parties were:

Name of director	Ordinary fully paid shares
Mr. Brian Jones	8,449,028
Mr. Peter Ziegler	233,333
Mr. John Laurie	2,000,000
Mr. Paul Byrne	81,433,461
Mr. Christopher Dredge	41,816,304
<b>Total</b>	<b>133,932,126</b>

## REMUNERATION REPORT

The remuneration report is set out under the follow main headings: -

- A. Principles used to determine the nature and amount of remuneration
- B. Details of Remuneration
- C. Service Agreements
- D. Share-based compensation

### A. Principles used to determine the nature and amount of remuneration

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors and the senior executives. The Board also reviews and ratifies the Remuneration Committee's recommendations on the remuneration of key management and staff.

### Executive Remuneration

The remuneration policy ensures that contracts for services are reviewed on a regular basis and properly reflect the duties and responsibilities of the individuals concerned. The executive remuneration structure is based on a number of factors including length of service, relevant market conditions, knowledge and experience with the industry, organisational experience, performance of the Company and that the remuneration is competitive in retaining and attracting motivated people. There are no guaranteed pay increases included in the senior executives' contracts.

Currently executive remuneration comprises of a total fixed remuneration and does not comprise of any short-term incentive schemes or equity based remuneration, other than for an amount of \$1,000,000 payable to Mr. Paul Byrne, Mr. Christopher Dredge and their associates, subject to shareholder approval, by way of the issue of PEV shares on receipt of mining revenues from the Mantuan Downs mine.

The directors are not entitled to any retirement benefits except those as provided by the superannuation guarantee scheme, which is currently 9%.

### Directors' Fees

The maximum aggregate annual amount payable in non-executive directors' remuneration is \$250,000 per annum. The non-executive directors do not currently participate in any cash bonus or share plans. Except for retirement benefits provided by the superannuation guarantee scheme there are no retirement benefits for the non-executive directors.

All accrued and current directors' fees were paid during the year.

# DIRECTORS' REPORT

## B Details of remuneration

### Amounts of Remuneration

Details of remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Pacific Enviromin Limited and its controlled entities are set out in the following tables.

The key management personnel of the Group are the directors of Pacific Enviromin Limited and those executives that report directly to the Board. Other than directors there were only four other key management personnel during the financial year

The details of their functional positions are outlined in the following table:

Name	Position	Employer/Contractor
Mr. Kevin Mischewski	Company Secretary, Financial Accountant	Pacific Enviromin Limited
Mr. James Walters	Marketing	IPR Operations Pty Ltd
Mr. Desmond Brown	Operations	Pacific Enviromin Limited
Mr. Michael Ilett	Company Secretary ( <i>retired 30 June 2008</i> )	Pacific Enviromin Limited

Details of the nature and amount of each element of the emolument of each director of the Company and each of the five executive officers of the Company and the consolidated entity receiving the highest emolument for the year are as follows:

Specified Directors		Short-term benefits	Post-employment benefits	Equity-based benefits	Total
		Base Salary & Fees \$	Superannuation \$	Options \$	
Mr. Brian Jones	<b>2008</b>	—	60,000	—	<b>60,000</b>
	2007	—	60,000	—	60,000
Mr. John Laurie	<b>2008</b>	—	40,000	—	<b>40,000</b>
	2007	—	40,000	—	40,000
Mr. Paul Byrne	<b>2008</b>	78,000	—	—	<b>78,000</b>
	2007	54,000	—	—	54,000
Mr. Christopher Dredge	<b>2008</b>	67,500	—	—	<b>67,500</b>
	2007	54,000	—	—	54,000
Mr. Peter Ziegler	<b>2008</b>	40,000	—	—	<b>40,000</b>
	2007	40,000	—	—	40,000
Mr. John Fick	<b>2008</b>	—	—	—	—
	2007	13,333	—	—	13,333
<b>Total Remuneration</b>	<b>2008</b>	<b>185,500</b>	<b>100,000</b>	—	<b>285,500</b>
	2007	161,333	100,000	—	261,333

It is noted that in addition to the above remuneration Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick, charged the Company \$150,000 for the provision of services during the 2007 financial year.

# DIRECTORS' REPORT

Other key management personnel		Short-term benefits	Post-employment benefits	Other	Total
		Base Salary & Fees \$	Superannuation \$	\$	
Mr. Kevin Mischewski	<b>2008</b>	<b>73,531</b>	—	—	<b>73,531</b>
	2007	73,781	—	—	73,781
Mr. James Walters	<b>2008</b>	<b>20,650</b>	—	—	<b>20,650</b>
	2007	—	—	—	—
Mr. Desmond Brown	<b>2008</b>	<b>48,475</b>	—	—	<b>48,475</b>
	2007	—	—	—	—
Mr. Michael Ilett	<b>2008</b>	<b>11,730</b>	—	—	<b>11,730</b>
	2007	47,596	—	—	47,596
Mr. David Hunt	<b>2008</b>	—	—	—	—
	2007	59,489	5,354	6,502	71,345
<b>Total Remuneration</b>	<b>2008</b>	<b>154,386</b>	—	—	<b>154,386</b>
	2007	180,866	5,354	6,502	192,722

## C. Service Agreements

Remuneration and other terms of employment for the executive directors and key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below:

Directors and specified executives did not receive any cash bonuses, non-monetary benefits or retirement benefits during the reporting period. No options were issued as remuneration to directors, officers or employees during the year. Further details of the remuneration are detailed in Note 24 of the Financial Report.

### 1. Executive Directors

The Company entered into a Consultancy Agreement with Mr. Paul Byrne and Moray Holdings (Qld) Pty Ltd as trustee for the Byrne Family Trust ("MOH"), an entity associated with Mr. Paul Byrne. The agreement commenced on 1 April 2008. Under this agreement the Company engaged MOH to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$12,500 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

The Company entered into a Consultancy Agreement with Mr. Christopher Dredge. The agreement commenced on 1 April 2008. Under this agreement the Company engaged Mr. Christopher Dredge to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$9,000 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

# DIRECTORS' REPORT

## 2. Key Management Personnel

The Company entered into a Consultancy Agreement with Mr. Kevin Mischewski and KJM Service Pty Ltd, an entity associated with Mr. Kevin Mischewski. Under this agreement the Company engaged KJM Services Pty Ltd to provide financial accounting services to the Company and its Board.

The agreement provides the following:

- Payment of a \$65 per hour plus GST;
- Period of Termination – No notice period

The Company entered into a Consultancy Agreement with Mr. Desmond Brown. Under this agreement the Company engaged Mr. Desmond Brown to provide mine development services to the Company and its Board. This agreement commenced on 5 November 2007 and terminated on 12 August 2008.

The agreement provides the following:

- Payment of a \$350 per day plus GST;
- Period of Termination – One week notice period

The Company entered into a Consultancy Agreement with Mr. James Walters. This agreement commenced on 28 March 2008. Under this agreement the Company engaged Mr. James Walters to provide marketing services to the Company and its Board.

The agreement provides the following:

- Payment of a \$1,923 per week plus GST;
- Period of Termination – One month notice period

The Company entered into a Consultancy Agreement with Mr. Michael Ilett and Kaus Australis Pty Ltd, an entity associated with Mr. Michael Ilett. Under this agreement the Company engaged Kaus Australis Pty Ltd to provide company secretarial services to the Company and its Board. This Agreement terminated on 30 June 2008.

The agreement provided the following:

- Payment of a \$85 per hour plus GST;
- Period of Termination – No notice period

## D. Share Based Compensation

There are currently no incentives offered to employees however from time to time the directors may consider share based remuneration to reward senior management.

No options have been granted to any person or director during the year as part of their remuneration.

No element of the remuneration of any director or executive is related to the performance of the Company other than an amount of \$1,000,000 payable to Mr. Paul Byrne, Mr. Christopher Dredge and their associates by way of the issue of PEV shares, subject to shareholder approval, on receipt of mining revenues from the Mantuan Downs mine.

## DIRECTORS INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during the financial year, other than those transactions detailed in the Remuneration report section of this Directors' Report.

## NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out below.

# DIRECTORS' REPORT

The directors of the Company have considered the position and in accordance with advice received from the Company's Audit Committee, are satisfied that the provision of non-audit services during the year by Sothertons Chartered Accountants is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by Sothertons Chartered Accountants did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F-1, including reviewing or auditing the auditors' own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

During the year the following fees were paid or payable for services provided by the auditor of the Group:

	<b>Consolidated</b>	Consolidated
	<b>2008</b>	2007
	\$	\$
<b>Assurance Services</b>		
<b>1. Audit Services</b>		
<b>Sothertons Chartered Accountants</b>		
Audit and review of financial reports of the entity or any entity in the consolidated entity and other audit work under the Corporations Act 2001	<b>\$54,500</b>	\$52,000
Total remuneration for audit services	<b>\$54,500</b>	\$52,000

	<b>Consolidated</b>	Consolidated
	<b>2008</b>	2007
	\$	\$
<b>2. Taxation Services</b>		
<b>Sothertons Chartered Accountants</b>		
Tax compliance services, including review of Company income tax matters	<b>\$14,250</b>	\$16,186
Total remuneration for taxation services	<b>\$14,250</b>	\$16,186

## AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Sothertons Chartered Accountants, to provide the directors with a written independence declaration in relation to their review of the financial report for the year ended 30 June 2008. The written Auditor's independence declaration is attached to and forms part of this Directors' Report.

## TAX CONSOLIDATION

Effective 1 July 2004, for the purposes of income taxation, Pacific Enviromin Limited and its wholly owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

## CORPORATE GOVERNANCE

The Board of Directors is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of corporate behaviour and accountability. The Company's Corporate Governance Statement is contained in the following section of this report.

## ROUNDING



# DIRECTORS' REPORT

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding of amounts in the financial report. Amounts in the financial report have been rounded in accordance with that Class Order to the nearest dollar.

Signed for and on behalf of the Board in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



Brian Peter Jones  
Chairman  
Brisbane, 30 September 2008



Peter Alexander Ziegler  
Director

**Lead Auditor's Independence Declaration  
To the Directors of Pacific Enviromin Limited**

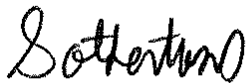
PARTNERS  
Geoffrey J. Read  
Linda E. Timms  
Anthony C. Bryen

ASSOCIATE  
Susan J. Mortimer

CONSULTANT  
Kenneth E. Scells  
Karen E. Keating

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of Pacific Enviromin Limited for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



**Sothertons - Brisbane Partnership**



**A C Bryen  
Lead Audit Partner**

Dated at Brisbane this twenty-fourth day of September 2008

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Pacific Enviromin Limited ("the Company") is responsible for Corporate Governance and protecting the rights and interests of Shareholders to whom it is accountable. In considering its approach to Corporate Governance, the Company has considered the ASX Corporate Governance Council's (2003) *"Principles of good corporate governance and best practice recommendations."* Pacific Enviromin Limited's Corporate Governance practices were in place throughout the year ended 30 June 2008 and the Company was substantially compliant with the Council's best practice recommendations.

The Company's position on the 10 Principles of good corporate governance and best practice recommendations is outlined in the following commentary:-

## **Principle 1. Lay solid foundations for management and oversight**

The Company has a Board Charter, Remuneration Committee Charter and an Audit Committee Charter that clearly defines the respective roles and responsibilities of the Board and management. The Board Charter clearly indicates that the Board has input into the development of the Company's corporate strategy, understanding and monitoring the budget and the consideration of risk factors.

The Board delegates to the executive team the responsibility for the operation and administration of the Company and its subsidiaries ("the Group"). The Company has clearly formalised and disclosed the functions reserved for the Board and those delegated to management. The Board ensures that the members and management are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance. The Company Secretary reports directly to the Board.

The specific function and responsibilities of the Board include:

- reviewing and approving the strategic direction, performance objectives, policies and budgets;
- providing entrepreneurial leadership;
- appointing and removing the Chief Executive Officer (or equivalent);
- appointing and removing the Chief Financial Officer (or equivalent);
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring management's performance and ensuring appropriate human and financial resources are available;
- setting the Company's overall remuneration framework and assessing the performance of and compensation for senior management;
- enhancing and protecting the reputation of the Company; and
- reporting to Shareholders.

## **Principle 2. Structure the Board to add value**

The Board does not believe that it needs a majority of independent directors as the Board's composition, size and commitment is adequate to discharge its responsibilities and duties to meet the objectives of the Group. The Company comprises of two executive directors and three non-executive directors. Two of non-executive directors are considered by the Board to be independent.

Mr. Brian Jones is the non-executive Chairman and is not considered independent. The Board believes that Mr. Jones as a non-executive Chairman who has knowledge of the Company since its inception adds significant value to the Board.

Pacific Enviromin Limited does not have a Chief Executive Officer. However, the functions of the Chief Executive Officer are shared between the two Executive Directors.

# CORPORATE GOVERNANCE STATEMENT

In accordance with the Principles of good corporate governance and best practice recommendations, the Independence of each of the directors is considered as follows:

Name of Director	Position	Independence
Mr. Brian Jones	Chairman (Non-executive director)	Not considered independent due to the combination of length of tenure and shareholding in the Company.
Mr. Peter Ziegler	Non-executive director	Considered independent
Mr. John Laurie	Non-executive director	Considered independent
Mr. Paul Byrne	Executive director	Not considered independent as employed in an executive capacity and is a substantial shareholder of the Company
Mr. Christopher Dredge	Executive director	Not considered independent as employed in an executive capacity and is a substantial shareholder of the Company

The Board has adopted a number of measures to ensure that independent judgement is achieved and maintained in respect of its decision-making processes. It is an effective Board that facilitates discussion, allows debate, adds value and ensures that the directors discharge their duties required by the law. The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense. Directors having a personal material interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

Due to its size and nature of business, the Company does not have a nomination committee. The Board decides the selection of members of the Board and makes recommendations to shareholders for election of Directors. In considering membership of the Board, directors take into account the appropriate skills and characteristics needed by the Board to maximise its effectiveness and the blend of skills, knowledge and experience for the present and future needs of the Company. Each Board member is responsible for assessing the necessary competencies of Board members to add value to the Company, reviewing the Board succession plans and evaluating the Board's performance.

### **Principle 3. Promote ethical and responsible decision making**

Pacific Enviromin Limited is committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation.

The Company has implemented a Corporate Ethics Policy for the directors and other key executives designed to ensure proper dealing in the Company's securities, ensure practices are in place to maintain the confidence in the Company's integrity and ensure responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company endeavours to foster a culture requiring that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the spirit of the law and Company policies.

# CORPORATE GOVERNANCE STATEMENT

## **Principle 4. Safeguard integrity in financial reporting**

The Company requires that the chief executive officer (or equivalent) and the chief financial controller (or equivalent) provide the Board a statement in writing that the Company's financial reports present fairly, in all material respects, and that practices are in place to maintain confidence in the Company's integrity.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has established an Audit Committee, which operates under a Charter. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The Audit Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the year were Mr. Peter Ziegler (Chairman of Audit Committee), Mr. Brian Jones and Mr. John Laurie. Details of the qualifications of the members of the Audit Committee and number of meetings held during the year are contained in the Directors' report.

## **Principle 5. Make timely and balanced disclosure**

The Company has comprehensive procedures and policies designed to ensure compliance with ASX Listing Rule disclosure requirements and ensure accountability at the senior management and director level for that compliance. The executive directors are responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The company secretary is responsible for all communications with the ASX.

## **Principle 6. Respect the rights of shareholders**

The Company openly, regularly and in a timely manner empowers shareholders by:

- communicating effectively with them;
- giving them ready access to balanced and understandable information about the Company and corporate proposals; and
- making it easy for them to participate in General Meetings.

The Company will update its web site to promote efficient communication with its shareholders. The website includes copies of policies and charters, which are designed to enable compliance with ASX corporate governance best practices.

The auditors are invited to attend the Company's Annual General Meeting to answer shareholders queries.

## **Principle 7. Recognise and manage risk**

The Board is responsible for risk management. The Audit Committee is also responsible for reviewing and managing risk and ensuring that the company has effective internal controls to deal with business process and risk management that will monitor the risks associated from both the internal and external environments. The size of the Company and the comprehensive nature of its monthly reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk.

# CORPORATE GOVERNANCE STATEMENT

The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) makes an annual statement in writing to the Board with respect to the internal controls and the company risk management policies and procedures.

## **Principle 8. Encourage enhanced performance**

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Pacific Enviromin Limited. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

No formal review of the Board's performance was conducted during the year, however, the contributions of all directors is considered to be of a high level and adequate to discharge their duties in full.

## **Principle 9. Remunerate fairly and responsibly**

It is the objective of Pacific Enviromin Limited to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are retention and motivation of key executives; and attraction of quality management to the Company.

The members of the Remuneration Committee during the year were Mr. Brian Jones (Chairman of Remuneration Committee), Mr. Peter Ziegler and Mr. John Laurie. Details of the qualifications of the members of the Remuneration Committee and number of meeting held during the year are contained in the Directors' report.

Pacific Enviromin Limited's policies relating to directors and senior executives remuneration and the level of their remuneration are set out in the Directors' Report and the notes to the Financial Report.

## **Principle 10. Recognise the legitimate interests of stakeholders**

Pacific Enviromin Limited recognises its legal and other obligations. It is the Company's policy to act in good faith and with integrity whilst dealing with company affairs. These responsibilities not only relate to shareholders, clients, customers and consumers but extend to the community as whole. The Company has developed a Corporate Ethics Policy which provides a guide to compliance with legal and other obligations to the Company's stakeholders. The Company is firmly committed to ethical business practices, a safe workplace and compliance with statutory and ethical obligations.

# INCOME STATEMENTS

For the year ending 30 June 2008

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
Revenue	4	82,606	14,761	76,650	14,154
Cost of sales		( 5,500)	-	-	-
Gross profit		77,106	14,761	76,650	14,154
Gain on debt forgiveness		-	620,616	-	-
Gain on acquisition of subsidiary		-	926,447	-	-
Other income	4	6,576	5,396	-	45
Gains (losses) on disposal of assets	5	( 1,456)	-	( 545)	-
Employee benefits expense	5	( 309,725)	( 181,749)	( 309,725)	( 181,749)
Depreciation and amortisation expenses		( 3,502,455)	( 4,527)	( 7,310)	( 3,961)
Impairment of assets	5	688	( 2,408)	( 3,129,511)	( 348,057)
Research and development costs		( 6,953)	377,812	-	-
Exploration and evaluation costs		-	( 4,216)	-	-
Finance Costs	5	104,386	( 118,765)	112,864	( 108,358)
Administration expenses	5	( 677,645)	( 811,559)	( 486,963)	( 757,057)
<b>PROFIT (LOSS) BEFORE INCOME TAX</b>		<b>( 4,309,478)</b>	<b>821,808</b>	<b>( 3,744,540)</b>	<b>( 1,384,983)</b>
Income tax benefit/(expense)	6	242,204	-	223,151	-
<b>PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>( 4,067,274)</b>	<b>821,808</b>	<b>( 3,521,389)</b>	<b>( 1,384,983)</b>
<b>PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>( 20,663)</b>	<b>-</b>	<b>-</b>
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>( 4,067,274)</b>	<b>801,145</b>	<b>( 3,521,389)</b>	<b>( 1,384,983)</b>
		cents	cents		
Basic profit(loss) per share		( 1.3)	0.3		
Diluted profit(loss) per share		( 1.3)	0.3		

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

# BALANCE SHEETS

As at 30 June 2008

Notes	Consolidated 30 June 2008 \$	Consolidated 30 June 2007 \$	Pacific Enviromin Limited 30 June 2008 \$	Pacific Enviromin Limited 30 June 2007 \$	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	19	1,420,875	1,798,970	1,420,875	1,798,970
Trade and other receivables	7	200,385	18,210	35,032	8,210
Other financial assets		30,733	-	-	-
Inventories		66,119	-	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>1,718,112</b>	<b>1,817,180</b>	<b>1,455,907</b>	<b>1,807,180</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	7	-	-	641,415	309,745
Other financial assets	8	-	-	7,000,010	9,485,395
Property, plant and equipment	9	330,734	29,261	27,675	28,167
Exploration and evaluation expenditure	10	10,067,084	3,167,818	-	-
Intangible assets	11	5,000,000	8,165,916	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,397,818</b>	<b>11,362,995</b>	<b>7,669,100</b>	<b>9,823,307</b>
<b>TOTAL ASSETS</b>		<b>17,115,930</b>	<b>13,180,175</b>	<b>9,125,007</b>	<b>11,630,487</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	12	1,090,090	607,622	545,821	63,927
Other financial liabilities	13	396,121	253,820	66,822	239,574
Provisions	14	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,486,211</b>	<b>861,442</b>	<b>612,643</b>	<b>303,501</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred income tax liabilities		-	-	-	-
Financial liabilities	13	-	727,696	-	727,696
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>727,696</b>	<b>-</b>	<b>727,696</b>
<b>TOTAL LIABILITIES</b>		<b>1,486,211</b>	<b>1,589,138</b>	<b>612,643</b>	<b>1,031,197</b>
<b>NET ASSETS (DEFICIENCY)</b>		<b>15,629,719</b>	<b>11,591,037</b>	<b>8,512,364</b>	<b>10,599,290</b>
<b>EQUITY</b>					
Parent entity interest					
Contributed equity	15	27,230,680	25,796,217	27,230,680	25,796,217
Reserves		6,671,104	-	-	-
Accumulated losses	16	( 18,272,065)	( 14,205,180)	( 18,718,316)	( 15,196,927)
<b>Total parent entity interest</b>		<b>15,629,719</b>	<b>11,591,037</b>	<b>8,512,364</b>	<b>10,599,290</b>
<b>TOTAL EQUITY</b>		<b>15,629,719</b>	<b>11,591,037</b>	<b>8,512,364</b>	<b>10,599,290</b>

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



# CASH FLOW STATEMENTS

For the year ended 30 June 2008

	Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		6,482	7,195	-	45
Payments to suppliers and employees		( 1,005,274)	( 1,436,918)	( 986,287)	( 1,246,507)
Interest received		76,650	14,761	76,650	14,154
Borrowing costs		( 31,545)	( 32,092)	( 23,067)	( 21,685)
Research and development expenditure		( 6,953)	( 316,241)	-	( 316,241)
Tax refund		242,204	-	223,151	-
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	19	<b>( 718,436)</b>	<b>( 1,763,295)</b>	<b>( 709,553)</b>	<b>( 1,570,234)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sale of plant, equipment and financial assets		-	-	-	-
Acquisition of plant and equipment		( 324,658)	( 24,548)	( 6,818)	( 24,548)
Acquisition of subsidiaries		( 200,000)	-	-	-
Loans to associates		-	-	( 211,670)	( 283,933)
<b>NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>( 524,658)</b>	<b>( 24,548)</b>	<b>( 218,488)</b>	<b>( 308,481)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		863,602	3,819,942	863,602	3,819,942
Proceeds from borrowings		242,443	49,539	-	49,540
Repayment of borrowings		( 241,046)	( 383,518)	( 313,656)	( 291,851)
<b>NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>864,999</b>	<b>3,485,963</b>	<b>549,946</b>	<b>3,577,631</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>( 378,095)</b>	<b>1,698,120</b>	<b>( 378,095)</b>	<b>1,698,916</b>
Add opening cash brought forward		1,798,970	100,850	1,798,970	100,054
<b>CLOSING CASH CARRIED FORWARD</b>	19	<b>1,420,875</b>	<b>1,798,970</b>	<b>1,420,875</b>	<b>1,798,970</b>

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

# STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2008

Notes	Consolidated						Pacific Enviromin Limited			
	Attributable to Equity Holders of the Parent					Minority Interest \$	Total \$	Ordinary Shares \$	Retained Earnings \$	Total \$
	Ordinary Shares \$	Retained Earnings \$	Asset Revaluation Reserve \$	Total \$						
TOTAL EQUITY AT 1 JULY 2007	25,796,217	( 11,207,312)	-	14,588,905	( 2,997,868)	11,591,037	25,796,217	( 15,196,927)	10,599,290	
PROFIT (LOSS) FOR THE PERIOD	-	( 4,062,715)	-	( 4,062,715)	( 4,558)	( 4,067,273)	-	( 3,521,389)	( 3,521,389)	
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	( 4,062,715)	-	( 4,062,715)	( 4,558)	( 4,067,273)	-	( 3,521,389)	( 3,521,389)	
Total changes in minority interest	-	-	-	-	388	388	-	-	-	
Revaluation of Mantuan Downs bentonite resource			6,671,104	6,671,104	-	6,671,104	-	-	-	
Transactions with equity holders in their capacity as equity holders:										
Shares issued on acquisition of subsidiary	120,000	-	-	120,000	-	120,000	120,000	-	120,000	
Shares issued on exchange of debt for equity	450,861	-	-	450,861	-	450,861	450,861	-	450,861	
Shares issued for cash	1,000,000	-	-	1,000,000	-	1,000,000	1,000,000	-	1,000,000	
Transaction costs on share issue	( 136,398)	-	-	( 136,398)	-	( 136,398)	( 136,398)	-	( 136,398)	
	1,434,463	-	6,671,104	8,105,567	388	8,105,955	1,434,463	-	1,434,463	
TOTAL EQUITY AT 30 JUNE 2008	27,230,680	( 15,270,027)	6,671,104	18,631,757	( 3,002,038)	15,629,719	27,230,680	( 18,718,316)	8,512,364	

*The above statements of changes in equity should be read in conjunction with the accompanying notes*

# STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 30 June 2007

Notes	Consolidated					Pacific Enviromin Limited		
	Attributable to Equity Holders of the Parent					Ordinary Shares \$	Retained Earnings \$	Total \$
	Ordinary Shares \$	Retained Earnings \$	Total \$	Minority Interest \$	Total \$			
TOTAL EQUITY AT 1 JULY 2006	19,976,275	( 11,207,312)	8,769,101	( 3,798,763)	4,970,338	19,976,275	( 13,118,944)	6,164,331
PROFIT (LOSS) FOR THE PERIOD	-	( 138)	( 138)	801,283	801,145	-	( 1,384,983)	( 1,384,983)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	( 138)	( 138)	801,283	801,145	-	( 1,384,983)	( 1,384,983)
Total changes in minority interest	-	-	-	( 388)	( 388)	-	-	-
Transactions with equity holders in their capacity as equity holders:								
Shares issued on acquisition of subsidiary	2,000,000	-	2,000,000	-	2,000,000	2,000,000	-	2,000,000
Shares issued on exchange of debt for equity	-	-	-	-	-	-	-	-
Shares issued for cash	4,050,300	-	4,050,300	-	4,050,300	4,050,300	-	4,050,300
Transaction costs on share issue	( 230,358)	-	( 230,358)	-	( 230,358)	( 230,358)	-	( 230,358)
	5,819,942	-	5,819,942	( 388)	5,819,554	5,819,942	-	5,819,942
TOTAL EQUITY AT 30 JUNE 2007	25,796,217	( 11,207,312)	14,588,905	( 2,997,868)	11,591,037	25,796,217	( 15,196,927)	10,599,290

*The above statements of changes in equity should be read in conjunction with the accompanying notes*

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2008

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Report of Pacific Enviromin Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the Directors on 30 September 2008.

### (a) Basis of preparation

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.

The financial report has been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of Pacific Enviromin Limited comply with International Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Presentation and Disclosures.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

A summary of the significant accounting policies of the group under AIFRS are disclosed in Note 1(e) below.

### (c) Going Concern

This financial report has been prepared on a going concern basis as the Directors believe that the company and the consolidated entity will be able to realise its assets and settle its liabilities in the normal course of business and at the amounts stated in the financial report. The continuation of the company and the consolidated entity as a going concern is dependent upon their ability to achieve the following objectives:

- Continued exploration of options for the sale of the intellectual property and income generated from the commercialisation of the Ipoh Pacific Limited and Exnox Technologies Limited projects.
- Development and exploitation of the Mantuan Downs bentonite resource.

However, should the anticipated sales of products and capital raisings not generate sufficient revenues and cash flows as expected, the company and consolidated entity may not be able to pay their debts as and when they become due and payable and they may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements. This report does not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

#### **(d) Intangible assets**

The directors have reviewed the carrying value of the intellectual property at 30 June 2008 based on projections of future cash flows expected to be received from the projects. The directors have reduced the portfolio value by \$3,479,270 recognising that commercialisation of some of the projects has been deferred while the Company focuses on the development of Mantuan Downs. The carrying value of the intellectual property at 30 June 2008 is \$5,000,000 (2007: 8,165,916). The directors acknowledge that due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustment of the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

#### **(e) Summary of significant accounting policies**

##### *(i) Basis of consolidation*

The consolidated financial statements comprise the financial statements of Pacific Enviromin Limited and its subsidiaries ('the Group'). The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Pacific Enviromin Limited has control. Subsidiary acquisitions are included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date.

##### *(ii) Investment in associate*

Where the Group has an investment in its associate it is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies. The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

##### *(iii) Interest in joint venture operation*

Where the group has an interest in a joint venture operation it is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

##### *(iv) Foreign currency translation*

Both the functional and presentation currency of Pacific Enviromin Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *(v) Property, plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

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

Plant and equipment	– over 3 to 5 years
Motor vehicles	– over 8 years

#### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

#### *Revaluations*

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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 item) is included in the income statement in the period the item is derecognised.

#### *(vi) Borrowing costs*

Borrowing costs are recognised as an expense when incurred.

#### *(vii) Investment properties*

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition investment properties are stated at fair value.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

#### *(viii) Goodwill*

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *(ix) Intangible assets*

##### *Acquired both separately and from a business combination*

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

##### *Research and development costs*

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### *(x) Recoverable amount of assets*

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

#### *(xi) Investments*

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 at 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.

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.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

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.

#### *(xii) Inventories*

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis;

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### *(xiii) 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 estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

#### *(xiv) 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.



*(xv) Interest-bearing loans and borrowings*

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

*(xvi) Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*(xvii) Leases*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

*(xviii) Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

*(xix) Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

#### *(xx) Income tax*

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 where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:

- except where 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

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 the income statement.

#### *(xxi) Other taxes*

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

- where 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 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.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### *(xxii) Derecognition of financial instruments*

The derecognition of a financial instrument takes place when the Group no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

#### *(xxiii) Derivative financial instruments*

The Group may use derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

Any gain or loss attributable to the hedged risk on remeasurement of the hedged item is adjusted against the carrying amount of the hedged item and recognised in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement such that it is fully amortised by maturity.

In relation to cash flow hedges (forward foreign currency contracts) to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

#### *(xxiv) Exploration and evaluation expenditure*

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

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

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

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

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

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

## 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies set by the Senior Management and approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

### (a) Market Risk

#### (i) Price risk

The Group is exposed to bentonite commodity price risk.

#### (ii) Fair value interest rate risk

Refer to (d) below

### (b) Credit risk

The Group has no significant concentrations of credit risk.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability of the Group to raise funds on the capital markets. The Senior Management and the Board continue to monitor the Group's financial position to ensure that it has available funds to meet its ongoing commitments.

### (d) Cash flow and fair value interest rate risk

There are no interest-bearing assets or liabilities that are materially exposed to changes in market interest rates.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The Group does not have long term borrowings as and consequently does not have an interest rate risk arising from long-term borrowings.

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Intangible Assets

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'amortisation expenses' line item.

#### (ii) Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

An impairment write down of \$3,479,270 has been recognised for the year ended 30<sup>th</sup> June 2008 in respect of the intangible assets acquired with Ipoh Pacific Limited and Exnox Technologies Limited. No impairment has been recognized in respect of the value of the mining tenement acquired with Ipoh Pacific Resources Pty Ltd. Should the projected turnover figures vary significantly from the budgeted figures incorporated in the value-in-use calculations an impairment loss would be recognised up to the maximum carrying value of the relevant assets as at 30<sup>th</sup> June 2008.

### (b) Critical judgments in applying the entity's accounting policies

#### (i) Recovery of deferred tax assets

Deferred tax assets have not been recognised for deductible temporary differences as management considers that it is not probable that taxable profits will be available in the immediate future in sufficient quantities to utilise those temporary differences.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>4 REVENUE</b>				
<b>Revenue</b>				
Sale of goods	5,500	-	-	-
Interest	77,106	14,761	76,650	14,154
	<u>82,606</u>	<u>14,761</u>	<u>76,650</u>	<u>14,154</u>
<b>Other income</b>				
Royalties	6,576	5,351	-	-
Other	-	45	-	45
	<u>6,576</u>	<u>5,396</u>	<u>-</u>	<u>45</u>
<b>5 ITEMS INCLUDED IN PROFIT (LOSS)</b>				
<b>Gains(losses) on disposal of assets</b>				
Property, plant and equipment	( 1,456)	-	( 545)	-
	<u>( 1,456)</u>	<u>-</u>	<u>( 545)</u>	<u>-</u>
<b>Employee benefits expense</b>				
Wages and salaries	22,140	36,201	22,140	36,201
Directors' remuneration	185,500	90,000	185,500	90,000
Defined contribution plans	102,085	55,548	102,085	55,548
	<u>309,725</u>	<u>181,749</u>	<u>309,725</u>	<u>181,749</u>
<b>Impairment of assets</b>				
Impairment losses recognised in profit or loss:				
- diminution in value of investments	( 9)	-	2,485,385	62
- diminution in value of loans receivable	( 679)	2,408	644,126	347,995
	<u>( 688)</u>	<u>2,408</u>	<u>3,129,511</u>	<u>348,057</u>
<b>Finance Costs</b>				
Interest expense(recovery)	( 106,399)	116,938	( 113,207)	106,531
Other borrowing costs	2,013	1,827	343	1,827
	<u>( 104,386)</u>	<u>118,765</u>	<u>( 112,864)</u>	<u>108,358</u>
<b>Other expenses</b>				
Bad debts written off	-	863	-	363
Foreign currency exchange differences	-	( 4)	-	-
Administration expenses	677,645	810,700	486,963	756,694
	<u>677,645</u>	<u>811,559</u>	<u>486,963</u>	<u>757,057</u>
<b>Specified directors and specified executives</b>				
Interest expense(recovery) from transactions with directors	( 115,364)	98,936	( 115,364)	92,141

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>6 INCOME TAX</b>				
<b>The major components of income tax expense comprise:</b>				
Current tax expense/(income)	-	114,187	-	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
- current tax expense	-	( 114,187)	-	-
Write downs of deferred tax assets	( 242,204)	-	( 223,151)	-
Income tax expense/(income)	( 242,204)	-	( 223,151)	-
<b>The prima facie income tax expense on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense in the financial statements as follows:</b>				
Profit (Loss) from continuing operations	( 4,309,478)	821,808	( 3,744,540)	( 1,384,983)
Profit (Loss) from discontinued operations	-	( 20,663)	-	-
	( 4,309,478)	801,145	( 3,744,540)	( 1,384,983)
Income tax expense/(income) calculated at 30% (2006: 30%)	( 1,292,843)	240,344	( 1,123,362)	( 415,495)
Tax effect of non-deductible expenses:				
- impairment of assets	1,043,575	722	938,853	104,417
- other items net	74,761	( 126,879)	1,937	( 115,709)
Effect of current year tax losses recognised as deferred tax asset	174,507	-	182,572	426,787
Effect of realisation of prior years' tax losses not previously recognised	( 242,204)	( 114,187)	( 223,151)	-
Income tax expense/(income)	( 242,204)	-	( 223,151)	-
<b>Deferred tax assets have not been recognised in respect of:</b>				
- deductible temporary differences	56,231	34,699	18,279	16,819
- tax losses available to the tax consolidated group	2,136,934	1,403,335	1,870,664	1,646,720
- tax losses available to entities outside the tax consolidated group	1,801,247	2,217,483	-	-
	3,994,412	3,655,517	1,888,943	1,663,539

Unused tax losses, which have not been recognised as an asset, will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the losses.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>7 TRADE AND OTHER RECEIVABLES</b>				
<b>Current</b>				
Trade accounts receivable	6,050	-	-	-
Less: Provision for doubtful debts	-	-	-	-
	6,050	-	-	-
Amounts receivable from related parties:				
- loans to director related entities	-	-	-	-
Other receivables	178,721	10,000	19,418	-
Prepayments	15,614	8,210	15,614	8,210
	200,385	18,210	35,032	8,210
<b>Non-current</b>				
Amounts receivable from related parties:				
- loans to controlled entities	-	-	641,415	309,745
	-	-	641,415	309,745

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2008	Floating interest rate \$	Fixed interest maturing in:						Non- interest bearing \$	Total \$
		1 year or less \$	Over 1 to 2 years \$	Over 2 to 3 years \$	Over 3 to 4 years \$	Over 4 to 5 years \$	Over 5 years \$		
Cash & cash equivalents	850,000	-	-	-	-	-	-	570,875	1,420,875
Trade accounts receivable	-	-	-	-	-	-	-	6,050	6,050
Amounts receivable from related parties	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	178,721	178,721
Prepayments	-	-	-	-	-	-	-	15,614	15,614
	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>771,260</u>	<u>1,621,260</u>
Weighted average interest rate	<u>7.1%</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	

2007	Floating interest rate \$	Fixed interest maturing in:						Non- interest bearing \$	Total \$
		1 year or less \$	Over 1 to 2 years \$	Over 2 to 3 years \$	Over 3 to 4 years \$	Over 4 to 5 years \$	Over 5 years \$		
Cash & cash equivalents	1,759,797	-	-	-	-	-	-	39,073	1,798,970
Trade accounts receivable	-	-	-	-	-	-	-	-	-
Amounts receivable from related parties	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	10,000	10,000
Prepayments	-	-	-	-	-	-	-	8,210	8,210
	<u>1,759,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,283</u>	<u>1,817,180</u>
Weighted average interest rate	<u>6.4%</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>- %</u>	

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>8 OTHER FINANCIAL ASSETS</b>				
<b>Non-Current</b>				
Investment in subsidiaries at cost	-	-	7,000,010	9,485,395
	-	-	7,000,010	9,485,395
During the prior year investments in controlled entities were written down to recoverable amount as follows:				
Ipoh Pacific Pty Ltd				
Opening balance			6,033,682	6,033,682
Diminution in value			( 1,990,505)	-
Closing balance			4,043,177	6,033,682
Exnox Technologies Pty Ltd				
Opening balance			1,451,713	1,451,713
Diminution in value			( 494,890)	-
Closing balance			956,823	1,451,713
Eyebionics Pty Ltd				
Opening balance			-	2
Diminution in value			-	( 2)
Closing balance			-	-
Mining Investments One Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-
Mining Investments Two Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-
Mining Investments Three Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-
Mining Investments Four Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-
Mining Investments Five Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-
Home and Garden Waterwise Pty Ltd				
Investment at cost			-	10
Diminution in value			-	( 10)
Closing balance			-	-



**(a) Interests in wholly owned subsidiaries \***

Name	Equity interest held by consolidated entity	Equity interest held by consolidated entity	Company carrying value of investment	Company carrying value of investment
	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Inter-whistle Pty Ltd	100%	100%	-	-
Inter-cent Pty Ltd	0%	100%	-	-
Inter-ironbar Pty Ltd	100%	100%	-	-
Inter-medteq Pty Ltd	100%	100%	-	-
Ipoh Pacific Pty Ltd	100%	100%	4,043,177	6,033,682
Exnox Technologies Pty Ltd	100%	100%	956,823	1,451,713
Eyebionics Pty Ltd	100%	100%	-	-
Ipoh Pacific Resources Pty Ltd	100%	100%	2,000,000	2,000,000
Mining Investments One Pty Ltd	100%	100%	-	-
Mining Investments Two Pty Ltd	100%	100%	-	-
Mining Investments Three Pty Ltd	100%	100%	-	-
Mining Investments Four Pty Ltd	100%	100%	-	-
Mining Investments Five Pty Ltd	0%	100%	-	-
Home and Garden Waterwise Pty Ltd	100%	100%	-	-
IPR Operations Pty Ltd	100%	0%	10	-

**(b) Interests in other subsidiaries \***

SW2 Pty Ltd (i)	61.2%	0%
Centurion Tech Holdings Pty Ltd (ii)	0%	60%
Centurion Technologies Pty Ltd (ii)	0%	60%
Ironbar Pty Ltd (iii),(vi)	49%	49%
Medteq Holdings Pty Ltd (iv)	50%	50%
Medteq Innovations Pty Ltd (iv)	50%	50%
Kokstad Mining Pty Ltd (v)	100%	100%

(i) Investments are held by Inter-whistle Pty Ltd

(ii) Investments are held by Inter-cent Pty Ltd

(iii) Investments are held by Inter-ironbar Pty Ltd

(iv) Investments are held by Inter-medteq Pty Ltd

(v) Investments are held by Mining Investments Four Pty Ltd

(vi) Control exists due to the entity's financial dependence upon Inter-ironbar Pty Ltd

All the subsidiaries were incorporated in Australia and all shares held are ordinary shares.

The proportion of ownership interest is equal to the proportion of voting power held.

On 3<sup>rd</sup> August 2007 the Australian Securities and Investments Commission recorded the conversion of Ipoh Pacific Limited to a proprietary limited company in accordance with a resolution of the directors dated 13 June 2007.

On 3<sup>rd</sup> August 2007 the Australian Securities and Investments Commission recorded the conversion of Exnox Technologies Limited to a proprietary limited company in accordance with a resolution of the directors dated 13 June 2007.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>9 PLANT AND EQUIPMENT</b>				
Plant and equipment:				
- at cost	127,805	58,154	57,248	51,808
- provision for depreciation	( 51,681)	( 50,885)	( 48,744)	( 45,633)
	76,124	7,269	8,504	6,175
Motor vehicles:				
- at cost	29,539	22,572	22,572	22,572
- provision for depreciation	( 3,801)	( 580)	( 3,401)	( 580)
	25,738	21,992	19,171	21,992
Plant and equipment written down amount	101,862	29,261	27,675	28,167
Leased Plant and equipment:				
- at cost	131,364	-	-	-
- provision for amortisation	( 8,908)	-	-	-
	122,456	-	-	-
Leased Motor vehicles:				
- at cost	109,864	-	-	-
- provision for amortisation	( 3,448)	-	-	-
	106,416	-	-	-
Leased plant and equipment written down amount	228,872	-	-	-
Total plant and equipment				
- at cost	398,572	80,726	79,820	74,380
- provision for depreciation and amortisation	( 67,838)	( 51,465)	( 52,145)	( 46,213)
Total written down amount	330,734	29,261	27,675	28,167

**Assets pledged as security:**

Assets under lease are pledged as security for the associated lease liabilities.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>9 PLANT AND EQUIPMENT (continued)</b>				
<b>Reconciliations:</b>				
Plant and equipment				
- carrying amount at beginning	7,269	9,240	6,175	7,580
- additions	77,919	1,976	7,362	1,976
- disposals	( 1,456)	-	( 545)	-
- depreciation expense	( 7,608)	( 3,947)	( 4,488)	( 3,381)
	76,124	7,269	8,504	6,175
Motor vehicles				
- carrying amount at beginning	21,992	-	21,992	-
- additions	6,967	22,572	-	22,572
- disposals	-	-	-	-
- depreciation expense	( 3,221)	( 580)	( 2,821)	( 580)
	25,738	21,992	19,171	21,992
Plant and equipment under lease				
- carrying amount at beginning	-	-	-	-
- additions	131,364	-	-	-
- amortisation expense	( 8,908)	-	-	-
	122,456	-	-	-
Motor vehicles under lease				
- carrying amount at beginning	-	-	-	-
- additions	109,864	-	-	-
- amortisation expense	( 3,448)	-	-	-
	106,416	-	-	-
<b>10 EXPLORATION AND EVALUATION EXPENDITURE</b>				
Costs brought forward	3,167,818	-	-	-
Acquisition of subsidiaries	13,870	3,100,000	-	-
Expenditure incurred during the year	214,292	67,818	-	-
	3,395,980	3,167,818	-	-
Revaluation adjustment	6,671,104	-	-	-
	10,067,084	3,167,818	-	-

The recoverability of the carrying amount of the exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

Notes	Consolidated	Consolidated	Pacific Enviromin	Pacific Enviromin
	2008	2007	Limited	Limited
	\$	\$	2008	2007
			\$	\$
<b>11 INTANGIBLE ASSETS</b>				
Goodwill	313,355	-	-	-
Accumulated amortisation	( 313,355)	-	-	-
	-	-	-	-
Research and development costs				
Balance at beginning of year at cost	366,603	849,335	-	-
Capitalised research and development costs written back on disposal of the underlying asset	( 482,732)	( 482,732)	-	-
Balance at end of year at cost	( 116,129)	366,603	-	-
Accumulated amortisation prior years	116,129	( 366,603)	-	-
	-	-	-	-
Intellectual property at cost	8,265,716	8,265,716	-	-
Accumulated amortisation	( 3,265,716)	( 99,800)	-	-
	5,000,000	8,165,916	-	-
	5,000,000	8,165,916	-	-
Total intangible assets	5,000,000	8,165,916	-	-
Reconciliation				
Intellectual property				
- carrying amount at beginning	8,165,916	8,175,278	-	-
- acquisitions through business combinations	-	-	-	-
- amounts expensed in accounts	( 3,165,916)	( 9,362)	-	-
	5,000,000	8,165,916	-	-

As indicated in Note 1(e)(ix), the intellectual property brought to account as part of the business acquisition in December 2005 of Ipoh Pacific Ltd and Exnox Technologies Ltd was capitalised at fair value at the date of acquisition.

The intellectual property relates to various projects being undertaken by Ipoh Pacific Ltd and Exnox Technologies Ltd, the majority of which relate to bentonite based technologies.

The directors have reviewed the carrying value of the intellectual property at 30 June 2008 based on projections of future cash flows expected to be received from the projects. The directors have reduced the portfolio value by \$3,479,270 recognising that commercialisation of some of the projects has been deferred while the Company focuses on the development of Mantuan Downs. The carrying value of the intellectual property at 30 June 2008 is \$5,000,000 (2007: \$8,165,916). The directors acknowledge that due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustment of the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>12 TRADE AND OTHER PAYABLES</b>				
<b>Current</b>				
Trade accounts payable	1,044,540	607,622	500,271	63,927
Amounts payable to related parties - directors	45,550	-	45,550	-
	<b>1,090,090</b>	<b>607,622</b>	<b>545,821</b>	<b>63,927</b>
Aggregate amounts payable to related parties:				
- directors	45,550	-	45,550	-
	<b>45,550</b>	<b>-</b>	<b>45,550</b>	<b>-</b>
<b>13 OTHER FINANCIAL LIABILITIES</b>				
<b>Current</b>				
Unsecured borrowings				
- director related entities	5,579	241,578	-	155,847
- controlled entities	-	-	-	71,484
- other entities	148,582	5,394	52,169	5,394
Secured borrowings				
- other entities	241,960	6,848	14,653	6,849
	<b>396,121</b>	<b>253,820</b>	<b>66,822</b>	<b>239,574</b>
<b>Non-current</b>				
Unsecured borrowings				
- director related entities	-	-	-	-
Secured borrowings				
- director related entities	-	713,044	-	713,044
- other entities	-	14,652	-	14,652
	<b>-</b>	<b>727,696</b>	<b>-</b>	<b>727,696</b>

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2008	Fixed interest maturing in:								Total
	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-Interest bearing	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Trade and other payables:</b>									
Trade accounts payable	-	-	-	-	-	-	-	1,044,540	1,044,540
Amounts payable to related parties	-	-	-	-	-	-	-	45,550	45,550
<b>Other financial liabilities:</b>									
<i>Unsecured borrowings:</i>									
director related entities	-	-	-	-	-	-	-	5,579	5,579
other entities	-	-	-	-	-	-	-	148,582	148,582
<i>Secured borrowings:</i>									
director related entities	-	-	-	-	-	-	-	-	-
other entities	-	53,172	56,465	132,323	-	-	-	-	241,960
	-	53,172	56,465	132,323	-	-	-	1,244,251	1,486,211
Weighted average interest rate	- %	10 %	10%	10%	- %	- %	- %	- %	

2007	Fixed interest maturing in:								Total
	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-Interest bearing	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Trade and other payables:</b>									
Trade accounts payable	-	-	-	-	-	-	-	607,622	607,622
Amounts payable to related parties	-	-	-	-	-	-	-	-	-
<b>Other financial liabilities:</b>									
<i>Unsecured borrowings:</i>									
director related entities	-	241,578	-	-	-	-	-	-	241,578
other entities	-	5,394	-	-	-	-	-	-	5,394
<i>Secured borrowings:</i>									
director related entities	-	-	713,044	-	-	-	-	-	713,044
other entities	-	6,848	7,633	7,019	-	-	-	-	21,500
	-	253,820	720,677	7,019	-	-	-	607,622	1,589,138
Weighted average interest rate	- %	9.45%	10.01%	10.83%	- %	- %	- %	- %	

Notes	Consolidated 2008	Consolidated 2007	Pacific Enviromin Limited 2008	Pacific Enviromin Limited 2007
	\$	\$	\$	\$
<b>14 PROVISIONS</b>				
<b>Current</b>				
Employee benefits	-	-	-	-
Warranty provision	-	-	-	-
	-	-	-	-

The average number of employees during the year was one.

The consolidated entity contributes 9% of the employees' wages and salaries to various superannuation funds.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>15 CONTRIBUTED EQUITY</b>				
<b>(a) Issued and paid up capital</b>				
Ordinary shares fully paid	28,197,546	26,626,685	28,197,546	26,626,685
Less: Equity raising costs	( 966,866)	( 830,468)	( 966,866)	( 830,468)
	<u>27,230,680</u>	<u>25,796,217</u>	<u>27,230,680</u>	<u>25,796,217</u>

**(b) Movements in shares on issue (parent)**

	30 June 2008		30 June 2007	
	Number of shares	\$	Number of shares	\$
Beginning of financial period	298,853,935	26,626,685	192,751,606	20,576,385
Issued during year				
- shares issued to other parties including employees	22,675,279	1,570,861	106,102,329	6,050,300
End of the financial period	<u>321,529,214</u>	<u>28,197,546</u>	<u>298,853,935</u>	<u>26,626,685</u>

Movements in the numbers of options to acquire share capital are as follows:

	Exercise Price	Number of Options	
		30 June 2008	30 June 2007
On issue at the beginning of the year		-	125,000
Expired during the period		-	125,000
On issue at the end of the period		-	-

**Ordinary Shares**

Ordinary shares entitle the holder to participate in dividends.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

**Options to acquire issued share capital**

No options were granted during the financial year or on issue at the end of the financial year.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>16 ACCUMULATED LOSSES</b>				
Balance at beginning of year	( 11,207,312)	( 11,207,174)	( 15,196,927)	( 13,811,944)
Net losses attributable to members of Pacific Enviromin Limited	( 4,062,715)	( 138)	( 3,521,389)	( 1,384,983)
	( 15,270,027)	( 11,207,312)	( 18,718,316)	( 15,196,927)
Minority interest transferred to parent	( 3,002,038)	( 2,997,480)	-	-
Accumulated Losses attributable to parent	( 18,272,065)	( 14,204,792)	( 18,718,316)	( 15,196,927)
<b>17 MINORITY INTEREST</b>				
Reconciliation of minority interests in controlled entities:				
Balance at beginning of year	( 2,997,480)	( 3,798,763)		
Less share of operating profit (loss)	( 4,558)	801,283		
Balance at end of year	( 3,002,038)	( 2,997,480)		
Minority Interest transferred to parent	3,002,038	2,997,480		
Minority Interest	-	-		
Minority interest comprises:				
Share capital	2,061,009	2,061,009		
Accumulated losses	( 5,063,047)	( 5,058,489)		
	( 3,002,038)	( 2,997,480)		
<b>18 EARNINGS PER SHARE</b>				
Basic earnings per share (cents)	( 1.3)	0.3		
Diluted earnings per share (cents) (i)	( 1.3)	0.3		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:				
Net profit/(loss)	( 4,067,274)	801,145		
Earnings used in calculating basic and diluted earnings per share	( 4,067,274)	801,145		
	<b>Number of shares</b>	<b>Number of shares</b>		
Weighted average number of shares used in calculating basic earnings per share and diluted earnings per share:	301,794,601	235,878,948		
Effect of dilutive securities:				
- share options (i)	-	10,616		
Adjusted weighted average number of ordinary shares	301,794,601	235,889,564		

(i) Share options could potentially dilute basic earnings per share. Although options that expired during the year ended 30 June 2007 were included in the weighted average number of potential dilutive ordinary shares there are no remaining options outstanding as at 30<sup>th</sup> June 2008.



Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>19 STATEMENT OF CASH FLOWS</b>				
<b>Reconciliation of the operating loss after tax to the net cash flows from operations</b>				
Operating loss after tax	( 4,067,274)	801,145	( 3,521,389)	( 1,384,983)
<b>Non-cash flows in profit (loss) from operations:</b>				
Gain on debt forgiveness	-	( 620,616)	-	-
Gain on aquisition of subsidiary	-	( 926,447)	-	-
Depreciation of non-current assets	23,185	4,527	7,310	3,961
Accrued interest on interest bearing liabilities	-	-	-	-
Other	388	( 170,850)	-	-
<b>Changes in assets and liabilities:</b>				
Decrease/(increase) in trade and other receivables	( 205,503)	63,493	( 19,418)	3,567
Decrease/(increase) in inventories	( 66,119)	-	-	-
Decrease/(increase) in prepayments	( 7,404)	10,048	( 7,404)	5,048
(Decrease)/increase in trade and other creditors	482,468	( 926,979)	481,894	( 258,807)
(Decrease)/increase in payables	( 135,931)	86,673	( 135,931)	86,673
(Decrease)/increase in employee entitlements	-	( 25,697)	-	( 25,697)
(Decrease)/increase in other provisions	-	( 137)	-	-
Decrease/(increase) in exploration and evaluation expenditure	( 228,162)	( 67,818)	-	-
Decrease/(increase) in other financial assets	-	-	-	4
Decrease/(increase) in intangible assets	3,485,916	9,363	2,485,385	-
Net cash flow from (used in) operating activities	( 718,436)	( 1,763,295)	( 709,553)	( 1,570,234)
<b>Reconciliation of cash</b>				
Cash balance comprises:				
- cash on hand and at bank	570,875	1,798,970	570,875	1,798,970
- short term deposits	850,000	-	850,000	-
	1,420,875	1,798,970	1,420,875	1,798,970
- bank overdraft	-	-	-	-
Closing cash balance	1,420,875	1,798,970	1,420,875	1,798,970

The parent entity earns interest from its cash at bank. The average of the floating interest rate at year end was 7.1% per annum (June 2007: 6.4% per annum).

## 20 SEGMENT INFORMATION

The consolidated entity comprises of the following business segments:

- Environmental remediation projects - research and development, commercialisation and intellectual property ownership.
- Mantuan Downs bentonite resource

### Business Segments

The following table represents revenue and profit information regarding the business segments for the financial years ended 30 June 2008 and 30 June 2007

30 June 2008	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)
<b>REVENUE</b>					
Sales to external customers	-	5,500	-	-	5,500
Total Sales Revenue	-	5,500	-	-	5,500
<b>RESULTS</b>					
<b>Continuing operations</b>					
Segment result	( 489,733)	( 49,801)	( 3,710,903)	-	( 4,250,437)
Unallocated expenses					-
Profit/(loss)					( 4,250,437)
Interest Expense	( 2,036)	( 4,771)	112,864	-	106,057
Interest Income	456	-	76,650	-	77,106
Income tax expense	-	-	-	-	-
Profit/(loss) from continuing operations	-	-	-	-	( 4,067,274)
<b>ASSETS</b>					
Segment Assets	8,249,193	10,597,594	1,639,604	( 3,370,461)	17,115,930
Consolidated total assets					17,115,930
<b>LIABILITIES</b>					
Segment liabilities	8,978,228	1,455,096	612,641	( 9,559,754)	1,486,211
Consolidated total liabilities					1,486,211
<b>OTHER INFORMATION</b>					
Depreciation and amortisation	182	3,337	7,310		

**20 SEGMENT INFORMATION (Continued)**
**30 June 2007**
**REVENUE**

Sales to external customers

Total Sales Revenue

**RESULTS**
**Continuing operations**

Segment result

Unallocated expenses

Profit/(loss)

Interest Expense

Interest Income

Profit/(loss) from continuing operations

**ASSETS**

Segment Assets

Consolidated total assets

**LIABILITIES**

Segment liabilities

Consolidated total liabilities

**OTHER INFORMATION**

Capital expenditure (property, plant, equipment and intangibles)

Depreciation and amortisation

Impairment losses recognised in profit and loss and directly in equity

	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)	Discontinuing Operation (SportzWhistle Technologies)
Sales to external customers	-	-	-	-	-	-
Total Sales Revenue	-	-	-	-	-	-
Segment result	660,090	6,127	238,932	-	925,812	( 20,663)
Unallocated expenses					-	-
Profit/(loss)					925,812	( 20,663)
Interest Expense	( 10,405)	( 2)	( 108,358)	-	( 118,765)	-
Interest Income	605	2	14,154	-	14,761	-
Profit/(loss) from continuing operations	-	-	-	-	821,808	( 20,663)
Segment Assets	8,288,277	3,177,818	4,073,607	( 2,359,528)	13,180,174	-
Consolidated total assets					13,180,174	
Segment liabilities	8,946,679	266,705	959,712	( 8,583,958)	1,589,138	-
Consolidated total liabilities					1,589,138	
Capital expenditure (property, plant, equipment and intangibles)	-	24,548	-			
Depreciation and amortisation	566	-	3,381			
Impairment losses recognised in profit and loss and directly in equity	-	-	2,408			

## 21 CHANGE IN COMPOSITION OF ENTITY

### Acquisition of Kokstad Mining Pty Ltd

On 8 February 2008, Mining Investments Four Pty Ltd, a 100% owned subsidiary of Pacific Enviromin Limited acquired 100% of the voting shares of Kokstad Mining Pty Ltd.

In connection with the acquisition, Mining Investments Four paid cash consideration of \$200,000 and Pacific Enviromin Limited issued 1,500,000 ordinary shares with a fair value of \$0.08 each.

The cost of the business combination exceeded the net fair value of the identifiable assets, liabilities and contingent liabilities by \$313,355 which amount has been included in goodwill. An impairment write down of \$313,355 was subsequently recorded to reduce the goodwill to \$nil.

From the date of acquisition, Kokstad Mining Pty Ltd contributed a loss of \$267 to the net profit or loss of the Group.

Amounts of classes of acquiree's assets, liabilities and contingent liabilities recognised at acquisition date:

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	\$	\$
Cash and cash equivalents	594	594
Trade and other receivables	1,043	1,043
<b>TOTAL CURRENT ASSETS</b>	<b>1,637</b>	<b>1,637</b>
Receivables	96,414	96,414
Other financial assets	-	-
Property, plant and equipment	-	-
Exploration and evaluation expenditure	13,870	13,870
<b>TOTAL NON-CURRENT ASSETS</b>	<b>110,284</b>	<b>110,284</b>
<b>TOTAL ASSETS</b>	<b>111,921</b>	<b>111,921</b>
Trade and other payables	8,862	8,862
Unsecured Loans	96,414	96,414
<b>TOTAL CURRENT LIABILITIES</b>	<b>105,276</b>	<b>105,276</b>
Secured Loans	-	-
Unsecured Loans	-	-
Lease Liabilities	-	-
Provision for employee benefits	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>105,276</b>	<b>105,276</b>
<b>NET ASSETS</b>	<b>6,645</b>	<b>6,645</b>
<b>Cost of Combination/Consideration:</b>		
Cash and cash equivalents		200,000
Pacific Enviromin Limited ordinary shares issued at fair value		120,000
<b>Costs directly attributable to acquisition:</b>		
Professional fees		-
<b>Total consideration</b>		<b>320,000</b>
<b>Cashflow on acquisition is as follows:</b>		
Net cash acquired with subsidiary		594
Cash paid		( 200,000)
<b>Net cashflow</b>		<b>( 199,406)</b>

## 22 KEY MANAGEMENT PERSONNEL COMPENSATION

### (a) Directors

The following persons have held the position of director of Pacific Enviromin Limited during the past two years, unless otherwise stated:

Mr. Brian Jones  
 Mr. Peter Ziegler  
 Mr. John Laurie  
 Mr. Paul Byrne  
 Mr. Christopher Dredge

### (b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer/Contractor
Mr. Kevin Mischewski	Company Secretary & Financial Accountant	Pacific Enviromin Limited
Mr. James Walters ( <i>appointed 28 March 2008</i> )	Marketing Executive	IPR Operations Pty Ltd
Mr. Desmond Brown ( <i>appointed 5 November 2007, resigned 12 August 2008</i> )	Operations Executive	Pacific Enviromin Limited
Mr. Michael Ilett ( <i>retired 30 June 2008</i> )	Company Secretary	Pacific Enviromin Limited

### (c) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2008 \$	2007 \$	2008 \$	2007 \$
Short-term employee benefits	154,386	180,866	133,736	180,866
Post-employment benefits	-	5,354	-	5,354
Other	-	6,502	-	6,502
	<b>154,386</b>	<b>192,772</b>	<b>133,736</b>	<b>192,772</b>

Share based payment:

- (i) *Options provided as remuneration and shares issued on exercise of such options*  
 There were no options provided as remuneration or held by directors at year end.
- (ii) *Share holdings*  
 There were no shares granted during the period as compensation.

The Group has taken advantage of the relief provided by Corporations Amendment Regulations 2006 (No.4) which has made amendments to Regulation 2M.3.03 and Schedule 5B of the Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A to D of the remuneration report on pages 10 - 13.

## 23 RELATED PARTY TRANSACTIONS

### (a) Parent and ultimate controlling entity

The parent and ultimate controlling entity of the economic entity is Pacific Enviromin Limited.

### (b) Equity interests in related parties

Details of the equity interests in subsidiaries and associates are disclosed in note 8 to the financial statements

### (c) Transactions with key management personnel

#### i. Key management personnel compensation

Details of key management personnel compensation are disclosed in note 23 to the financial statements and the Remuneration Report which forms part of the Directors' Report.

#### ii. Loans to key management personnel

There were no loans to key management personnel.

#### iii. Key management personnel equity holdings

The number of shares in the Company held during the financial year by each director of Pacific Enviromin Limited and other key management personnel of the Group, including their related parties are set out below.

Directors and key management personnel on 30 June 2008	1 July 2007 No of shares.	Change No of shares.	30 June 2008 No of shares.
<i>Directors:</i>			
Mr. Brian Jones	8,449,028	-	8,449,028
Mr. Paul Byrne	40,293,575	150,000	40,443,575
Mr. Christopher Dredge	41,816,304	-	41,816,304
Mr. John Laurie	1,850,000	-	1,850,000
Mr. Peter Ziegler	200,000	-	200,000
<i>Other key management personnel:</i>			
Mr. Kevin Mischewski	-	50,000	50,000
Mr. James Walters	-	-	-
Mr. Desmond Brown	-	-	-

Directors and key management personnel on 30 June 2007	1 July 2006 No of shares.	Change No of shares.	30 June 2007 No of shares.
<i>Directors:</i>			
Mr. Brian Jones	7,949,028	500,000	8,449,028
Mr. Paul Byrne	35,333,477	4,960,098	40,293,575
Mr. Christopher Dredge	35,322,970	6,493,334	41,816,304
Mr. John Laurie	1,722,986	127,014	1,850,000
Mr. Peter Ziegler	-	200,000	200,000
<i>Other key management personnel:</i>			
Mr. Michael Ilett	262,352	2,500,000-	2,762,352
Mr. Kevin Mischewski	-	-	-

#### iv. Loans from key management personnel

The following loans were provided to Pacific Enviromin Limited by key management personnel of the Group or their related entities:

- **Mr. Brian Jones and Mr. John Reid**

A loan of \$600,000 (2007 \$600,000) was provided on commercial lending terms secured by a fixed and floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to \$16,257 (2007: \$59,942) has been charged on this loan. \$135,931 accrued interest on the loan has been forgiven. The loan was partially repaid during the year and the remaining balance of \$450,861 was converted to equity at 10 cents per share. The balance of the loan at 30 June 2008 is \$Nil and the fixed and floating charge has been released.

- **Mr. Paul Byrne**

Loans totalling \$230,558 including accrued interest provided on commercial lending terms unsecured at the rate of interest of 10%pa were repaid during the year. Interest amounting to \$5,351 (2007: \$36,008) has been charged on these loans.

A further amount of \$55,162 unsecured with no interest payable was provided by Paul Byrne as a result of the acquisition of Ipoh Pacific Resources Pty Ltd. The balance of the loan at 30 June 2008 is \$5,579 (2007: \$16,394)

v. *Other transactions with key management personnel*

There were no other transactions with key management personnel not otherwise disclosed.

**(d) Transactions with other related parties**

i. *Transactions between Pacific Enviromin Limited and its related parties*

During the financial year the, following transactions occurred between the Company and its subsidiaries:

- Pacific Enviromin Limited recognised tax payable and tax losses in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to and from the company are made in accordance with the tax funding arrangement
- Pacific Enviromin Limited provided management, accounting and administration services to its controlled entities.

The following balances arising from transactions between the company and its subsidiaries are outstanding at reporting date:

- Loan receivables totalling \$9,509,971 are receivable from subsidiaries (2007: \$8,534,175). The amounts advanced to subsidiaries are unsecured and are subordinate to other liabilities. No interest is charged on the outstanding loan balances. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in respect of bad or doubtful debts. Where the carrying amount of a loan exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

ii. *Transactions between the Group and its related parties*

The following balances arising from transactions between the Group and its other related parties are outstanding at reporting date:

- Inter-company loan receivables and loans repayable totalling \$4,722,643 (2007: \$4,769,596) were outstanding at the end of the financial year. The amounts advanced to subsidiaries are unsecured and are subordinate to other liabilities. No interest is charged on the outstanding loan balances. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in respect of bad or doubtful debts. Where the carrying amount of a loan receivable exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The Inter-company loan receivables, loans repayable and the corresponding impairment write downs are eliminated in the preparation of the consolidated financial statements of the Group.

Transactions between the Group, its subsidiaries and its associates were eliminated in the preparation of the consolidated financial statements of the Group to the extent of the Group's share in the profits and losses of the subsidiaries and associates resulting from these transactions.

Notes	Consolidated 2008 \$	Consolidated 2007 \$	Pacific Enviromin Limited 2008 \$	Pacific Enviromin Limited 2007 \$
<b>24 REMUNERATION OF AUDITORS</b>				
During the year the auditors of the parent company and its related practices earned the following remuneration:				
<b>Sothertons</b>				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	54,500	52,000	54,500	52,000
- taxation services	14,250	16,186	14,250	14,900
	<b>68,750</b>	<b>68,186</b>	<b>68,750</b>	<b>66,900</b>

**25 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES**

No dividends of the parent entity or any entity within the consolidated entity have been declared or recommended since the end of the preceding year. The directors do not recommend the payment of any dividend for the year ended 30 June 2008.

## 26 CONTINGENT ASSETS AND LIABILITIES

No contingent liabilities have arisen during or at the end of the financial year

## 27 CAPITAL EXPENDITURE COMMITMENTS

### *Exploration and evaluation expenditure*

The consolidated entity has certain obligations to perform exploration work and outlay minimum amounts of money in order to maintain current rights of tenure over its exploration tenements. These outlays are subject to renegotiation on expiry of the leases or when application for a mining lease is made and have not been provided for in the financial statements. Total minimum expenditure commitments at balance date not provided for in the financial statements are approximately:

	Not later than one year	Later than one year but not later than two years	Later than two years but not later than five years	Total
	\$	\$	\$	\$
EPM 16087	45,000	45,000	285,000	375,000
EPM 16083	30,000	30,000	25,000	85,000
EPM 16082	100,000	100,000	325,000	525,000
EPM 16629	330,000	330,000	-	660,000
	<u>505,000</u>	<u>505,000</u>	<u>635,000</u>	<u>1,645,000</u>

## 28 EVENTS AFTER THE BALANCE SHEET DATE

The Company completed a renounceable rights issue of approximately 53.6 million ordinary shares at 6 cents per share to raising an additional \$3.2 million. The rights issue opened on 20 June 2008 and shares were allotted by 28 July 2008.

Following the completion of the rights issue, the Company has acquired and entered into contracts to acquire various items of processing plant and equipment at a cost of approximately \$600,000 for use in the Mantuan Downs bentonite mining operations.

The financial effects and implications of the above transactions have not been brought to account at 30 June 2008.



# DIRECTORS' DECLARATION

The directors declare that:

In the directors' opinion:

- (a) the financial statements and notes of the consolidated entity as set out on pages 22 to 55:
  - (i) are in accordance with the Corporations Act 2001; and
  - (ii) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (iii) give a true and fair view of the consolidated entity's financial position as at 30<sup>th</sup> June 2008 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.
  
- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
  
- (c) the audited remuneration disclosures set out on pages 11 to 14 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
  
- (d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Brian Jones  
Chairman

Brisbane,  
30 September 2008

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
PACIFIC ENVIROMIN LIMITED**



PARTNERS

Geoffrey J. Read  
Linda E. Timms  
Anthony C. Bryen

ASSOCIATE

Susan J. Mortimer

CONSULTANT

Kenneth E. Scells  
Karen E. Keating

***Report on the Financial Report and***

We have audited the accompanying financial report of Pacific Enviromin Limited (PEV) which comprises the Balance Sheets as at 30 June 2008, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the Directors' Declaration of both PEV and the entities it controlled at the year's end or from time to time during the financial year (PEV Group).

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 11 to 14 of the directors' report and not in the financial report.

***Directors' responsibility for the Financial Report***

The Directors of PEV are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

***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 and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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 judgment, 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 of 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 and the remuneration disclosures contained in the Directors' Report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Pacific Enviromin Limited on twenty-fourth day of September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

### *Auditor's Opinion*

In our opinion,:

- (a) the financial report of Pacific Enviromin Limited and Pacific Enviromin Limited and Controlled Entities is 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 year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b); and
- (c) the remuneration disclosures that are contained in pages 11 to 14 of the directors' report comply with Accounting Standard AASB 124.

### **Inherent Uncertainty**

Without qualification to the statement above, attention is drawn to the following matters:

#### *Continuation as a going Concern*

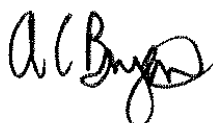
As described in Note 1(c) "Going Concern" there is significant uncertainty whether the company and the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report of the company and the consolidated entity does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

#### *Value of Intangible Assets*

As a result of the matters described in Note 11 "Intangible Assets", there is significant uncertainty regarding the value of intellectual property as recorded in the financial report. The financial report of the company and the consolidated entity does not include any adjustments to the value of the intellectual property that might be necessary should the company and the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.



### **Sothertons - Brisbane Partnership**



**A C Bryen**  
**Partner**

Dated at Brisbane this thirtieth day of September 2008.

# ASX ADDITIONAL INFORMATION

Additional Information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as 26 September 2008.

## (a) Statement of Shareholdings

Holding Range	Name of 20 largest shareholders	No. of holders	Fully paid No. of shares held	% held
	Christopher Paul Dredge		41,815,291	11.10
	Elizabeth Anne Byrne Henderson		29,381,553	7.80
	Quorrobolong Pty Ltd		25,376,480	6.74
	Paul James Byrne		24,835,242	6.60
	Moray Holdings Pty Ltd		15,608,333	4.15
	ITR investments Pty Ltd		13,309,618	3.53
	Mr Graeme Wood		10,000,000	2.66
	Fundhost Limited		9,000,000	2.39
	Capital Technic Group Pty Ltd		8,900,000	2.36
	BJ Byrne Nominees Pty Ltd		6,483,333	1.72
	EA Byrne Henderson Super Fund		5,125,000	1.36
	Mahsor Holdings Pty Ltd		5,000,000	1.33
	Forbar Custodians Limited		4,469,475	1.19
	Station Capital Pty Limited		4,434,019	1.18
	Meltharina Pty Ltd		4,048,101	1.08
	Mr Darien Charles Jagger		4,000,000	1.06
	Meltharina Pty Ltd atf Brian & Anne Jones Superannuation Fund		4,000,000	1.06
	Mr Joseph Brian Wills		3,854,991	1.02
	Tulla Capital Management Pty Ltd		3,011,270	0.80
	Rovno Pty Ltd		2,746,030	0.73
	Total of 20 largest shareholders	20	225,398,736	59.86
100,001 and over	Various	331	126,398,545	33.57
10,001 to 100,000	Various	508	23,317,666	6.19
5,001 to 10,000	Various	120	956,343	0.25
1,001 to 5,000	Various	126	459,237	0.12
1 to 1,000	Various	122	23,555	0.01
	Total	1,227	376,554,082	100.00
No. of shareholders holding less than a marketable parcel of 5883 securities (\$0.050) on 26 September 2008.		328	1,039,135	

## (b) Voting rights

The voting rights attaching to each class of equity securities are set out below:

(i) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Options

No voting rights.

# CORPORATE DIRECTORY

---

## DIRECTORS

Brian Peter Jones  
Paul James Byrne  
Christopher Paul Dredge  
John William Laurie  
Peter Alexander Ziegler

---

## LAWYERS

Clarke & Kann  
Level 7, 300 Queen Street  
Brisbane Q 4000

Hopgood Ganim  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane Q 4000

---

## COMPANY SECRETARY

Kevin John Mischewski

---

## AUDITORS

Sothertons Chartered Accountants  
10 Market Street  
Brisbane Q 4000

---

## BANKERS

National Australia Bank Limited  
100 Creek Street  
Brisbane Q 4000

---

## SHARE REGISTRY

Link Market Services Limited  
Level 12, 300 Queen Street  
Brisbane Q 4000

---

## REGISTERED OFFICE

Pacific Enviromin Limited  
Level 37, Riverside Centre  
Brisbane Q 4000

Phone: (07) 3221 0679

Fax: (07) 3832 3234

[www.pevltd.com](http://www.pevltd.com)