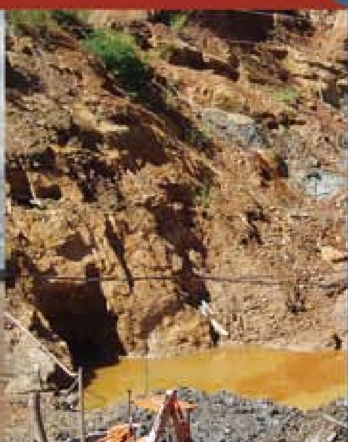
ASHBURTON MINERALS LTD

ANNUAL REPORT 2006



CORPORATE DIRECTORY

DIRECTORS

Rick CRABB
(Non-Executive Chairman)

Tom DUKOVCIC
(Managing Director)

Rodney DUNN
(Executive Director)

COMPANY SECRETARY

Kim MASSEY

L to R: Tom Dukovcic, Rick Crabb, Rodney Dunn

REGISTERED OFFICE

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WEST PERTH WA 6005
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WEST PERTH WA 6005
Telephone: (08) 9322 7644
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Level 3
12 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9225 5355
Facsimile: (08) 9225 6181

COUNTRY OF INCORPORATION

Australia

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

HOME EXCHANGE

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: ATN, ATNO

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CHAIRMAN'S REPORT

During the year your Company continued to focus its energies on acquisition and the evaluation of mineral exploration opportunities in Brazil.

Brazil has a long established mining history and is traditionally a large exporter of key industrial commodities such as iron, aluminium and petroleum. However, it also exports significant quantities of a diverse range of other substances which attest to its general mineral wealth. These include niobium, tantalum, copper, gold, ornamental stone, phosphate, manganese, nickel and kaolin. In fact, in 2005, Brazil was the world's largest producer of niobium and ranked second in the production of iron, aluminium, manganese and tantalum[1].

Yet, for a country one third larger than Australia, investment in mineral exploration in Brazil in 2005 was one-quarter of that in Australia, being US$162 million versus US$615 million. This immediately demonstrates the potential for return on investment.

Brazil remains a relatively minor producer of gold, in terms of world rankings, having produced around 40 tonnes (approximately 1.3 million ounces) of gold in 2005, whereas Australia, ranked 2nd, produced around 254 tonnes (8.2 million ounces). This further underlines the potential for growth of Brazil's gold industry, being a direct function of investment dollars (geologically, potential is considered significant). Of Brazil's gold production in 2005, 80% was produced by mining companies, and a substantial 20%, or 250,000 ounces, was produced by private, or garimpeiro, mining operations.

Your Company's activities are mainly centred in the state of Mato Grosso in central west Brazil. Mato Grosso has a gold mining history dating to the Portuguese pioneers in the late 1700s. Today, garimpeiro gold production from the State is the second largest in the country, at around 45,000 ounces per annum. However, modern, company-scale mining in the state is almost non-existent.

There is a clear opportunity to fill this void through the application of modern exploration techniques and knowledge to areas of significant gold mineralisation, for example as demonstrated by areas of widespread and long-lived garimpeiro activity. One such region is the Cuiaba-Pocone district, where the Company has decided to initially focus its efforts.

During the year the Company continued with further drill testing of tailings sands in the Pocone area, completed a drilling program over the Lavrinha prospect in the west of the state, and secured a large landholding in the Cuiaba area through a joint venture with AIM-listed Minmet plc. In addition, the Company has been evaluating opportunities in other states and in other commodities in its ongoing quest for quality projects that have the potential to provide a major discovery and attendant benefits for shareholders.

The past 24 months has been a period of consolidation for the Company in its Brazilian quest. Much has now been learnt by management concerning operating in Brazil and a strong team of in-country consultants and contacts established. The Directors consider that the coming years will see the Company benefit from the foundations now established.

R Crabb
Chairman

[1] *Source: Mineral Business: Investor's Guide in Brazil. Ed. Antonio Fernando da Silva Rodrigues. Brasilia-DF: DNPM, 2006.*

REVIEW OF OPERATIONS

During the year under review the Company's main activities were the evaluation of gold prospects in Brazil, which included the further assessment of artisinal tailings deposits and the building of a portfolio of 'hard rock' gold projects primarily in the state of Mato Grosso.

The Company's activities were funded from the proceeds of the sale in October 2005 of Wirralie Mines Pty Ltd and that company's tenements in NE Queensland. The Company further reduced its tenement portfolio in Australia by returning its East Kimberley tenements to its various joint venture partners and minority interest holders, having been unable to attract a farmin partner.

The Company retains a presence in Australia through its holdings in the Ashburton region of Western Australia where it holds two exploration licences and has a further two licences under application.

BRAZIL EXPLORATION

OVERVIEW

Ashburton undertakes its Brazilian activities through its wholly owned subsidiary Trans Pacific Gold Pty Ltd ("TPG") and that company's Brazilian registered subsidiary Trans Pacific Gold Mineracao Limitada ("TPGM"). In Brazil, the Company is involved in five main projects as detailed below.

In the state of Mato Grosso:

- Cuiaba Gold Project
- Pocone Tailings JV
- Pocone Town Leases
- Geomin Pontes e Lacerda JV

In the state of Goias:

- Mina Inglesa

In February 2006 the Company acquired a 50% interest in drilling contractor Transdrill Pty Ltd, the Company's drilling contractor in Brazil. The acquisition provides security of access to an exploration drilling rig in a country where such equipment is scarce. Access to a drill rig is particularly critical in evaluating advanced projects, which is the Company's primary interest.

CUIABA GOLD PROJECT

The Cuiaba Gold Project was created in May 2006 when the Company signed a heads of agreement with AIM-listed Minmet plc under which TPGM would earn a 75% interest in a portfolio of ten tenements in the Cuiaba area held by Minmet's Brazilian subsidiary Mineradora de Bauxita Limitada ("MBL"). Minmet provided the Company with an extensive database including data from an airborne geophysical survey, the extent of which, being approximately 6,000 km^2, defines the area of the Cuiaba Gold Project.

Under the agreement, Ashburton issued to Minmet 1,609,332 fully paid ordinary shares and 500,000 free unlisted options, exercisable at 15 cents each by 30 June 2009. To earn a 75% interest in the MBL tenements, the Company must spend A$800,000 on exploration on the Cuiaba Gold Project within a three year period.

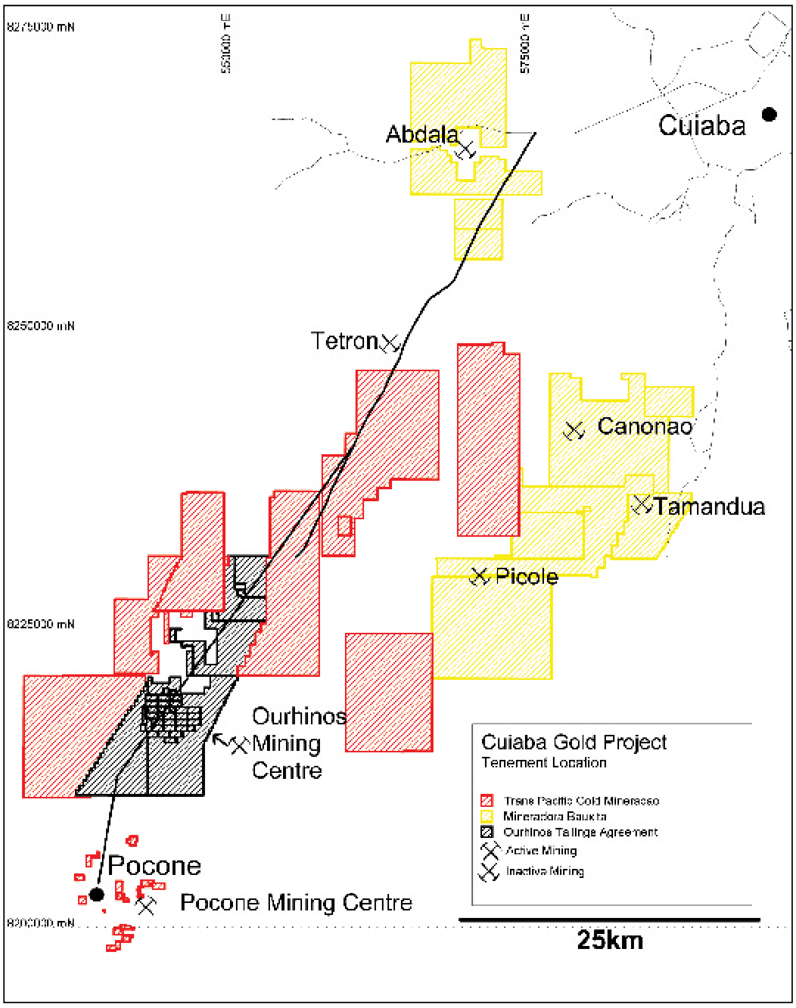
Initial work over this area was concerned with the study and reinterpretation of the MBL data, and this work is expected to continue into the next year. Work to date has already highlighted target areas which TPGM has secured by way of new tenement applications. Current efforts are directed towards identifying drilling targets for testing prior to the upcoming wet season, with initial work commencing at the Tanque Belo tailings in October.

Ourinhos Gold Workings and Tailings

The Cuiaba-Pocone region is defined by numerous prospector-scale ("garimpeiro") gold workings over a strike length of in excess of 150 km within folded and weakly metamorphosed Proterozoic sediments. Current private-scale mining activity is centred on the exploitation of narrow quartz veins and sometimes adjacent wall rock.

The Company's exploration targets include this style of mineralisation but are primarily directed towards large, low grade disseminated gold deposits of the Carlin type and Paracatu type, which are typically of the order of several million ounces in size.

The Paracatu (or Morro do Ouro) Mine in eastern Brazil exploits a very large low-grade deposit with proved and probable reserves of almost one billion tonnes @ 0.44 g/t containing 13 million ounces of gold. In the Paracatu model, gold is concentrated from the surrounding sediments by metamorphic alteration and deposited in high strain zones related to regional thrust faulting.



The structural setting at Cuiaba is identical to that at Paracatu. However, all the exploration to date appears to have focused on the small-tonnage vein deposits. The Company believes that the widespread occurrence of gold over such a large area, coupled with favourable geology and structure, makes the Cuiaba area extremely prospective for Paracatu-type gold deposits.

Through holdings in its own right, joint ventures and strategic associations, the Company has now secured control of the majority of the prospective zones within the Cuiaba-Pocone belt.

In general, very little modern exploration has been completed in the Cuiaba-Pocone area. As a result, the Company has an exciting opportunity to take advantage of its early strategic position by implementation of a systematic and purposeful exploration approach.

POCONE TOWN LEASES

These comprise 18 small tenements held by TPGM. The tenements are scattered within the Pocone town mining area and variously contain tailings and small scale historical gold workings. The tenements are an adjunct to both the Tailings JV and the Cuiaba Gold Project.

TAILINGS JOINT VENTURE

The tailings Joint Venture applies to ground within a 60 km radius of the town of Pocone, and a 20 km radius around the town of Crixas in Goias state. Within these areas, Areias Douradas Pty Ltd, a wholly owned subsidiary of Cougar Metals NL, holds a 25% carried interest in any tailings sands acquired by TPGM.

The Pocone area contains large volumes of artisinal tailings sands which may potentially support an economic reprocessing operation. All of the private mining operations in the area recover the gold by means of gravity concentration followed by extraction of the gold from the concentrate with mercury to form an amalgam that is subsequently smelted to release the gold. In this primitive process the ore is not treated with cyanide.

TPGM is currently evaluating a series of tailings dams in the Ourinhos area, some 20 km north of Pocone. Ourinhos is a 10 km zone of open pit gold workings, some of which reach 50 m in depth. The tailings at Ourinhos are stored mostly within rock-walled dams with lesser volumes found as uncontained mounds of older, coarser sands. The volume of tailings contained in dams at Ourinhos is approximately 2.2 million cubic metres (or, 3.74 million tonnes at an assumed bulk density of 1.7 t/m3). Additional unquantified tailings sands are contained within the MBL tenements and within the TPGM tenements and applications and at other sites of gold mining activity in the region to which the Company will be negotiating access rights.

Four of the Ourinhos dams have been aircore drilled by TPGM to date utilising the Transdrill rig. Samples from the last three dams drilled are currently in the laboratory, with half of the samples (310 samples) submitted for gold analysis by aqua regia digest through a Brazilian laboratory, and the other half (310 samples) shipped to Perth, Western Australia for analysis of gold by the bulk cyanide leach method. These results are being awaited. Depending on recoveries, tailings grades as low as 0.4 g/t may prove economic if present in sufficiently large volumes.

PONTES E LACERDA

At the Pontes e Lacerda area in western Mato Grosso, TPGM has a joint venture with Geomin Geologia e Mineracao Limitada ("Geomin") over six tenements which include the Lavrinha prospect where drilling in the mid 1990s identified high grade gold mineralisation (eg, 4 m @ 19.22 g/t). The Company is awaiting the results of a recently completed drilling program at Lavrinha aimed at testing for extensions of this mineralisation along strike.

Lavrinha prospect garimpeiro workings

Drilling tailings at Ourinhos

MINA INGLESA, CRIXAS

In the state of Goias, TPGM is still awaiting official confirmation from the local environmental agency that TPGM will not be held responsible for the rehabilitation of pre-existing land disturbances over the Mina Inglesa tenement. Due to the extensive historical and garimpeiro mining activity on this site, TPGM will not commence work until this undertaking is provided by the government authorities. The tenement contains a large volume of old tailings sands as well as the historical Mina Inglesa gold mine where previous limited drilling recorded intercepts of up to 2.9 m @ 14.88 g/t and underground sampling returned results of 3 m @ 19.83 g/t and 0.7 m @ 66.06 g/t.

Mina Inglesa pit and garimpeiro workings

The tenement is located in Archaean greenstone rocks some 5 km NW of the Crixas gold operation of Mineracao Serra Grande, which produces 200,000 ounces of gold per annum.

PROJECT EVALUATION

The Company is continually reviewing new opportunities in Brazil, both in gold and other commodities such as iron ore, as it seeks to build a valuable portfolio of advanced projects which have the potential to bring/add significant benefit/value to shareholdears.

AUSTRALIA EXPLORATION

ASHBURTON REGION, WA

The Company holds two exploration licences and has a further two licences under application in the Ashburton and northern Gascoyne regions of Western Australia.

This ground is at an early stage of exploration, and has been acquired on the basis of its conceptual prospectivity for gold and base metal mineralisation.

TENEMENT SCHEDULE

PROJECT GROUP	TENEMENT	GRANT DATE	HOLDER NAME	ASHBURTON GROUP EQUITY (%)
AUSTRALIA				
Ashburton, WA	E08/924	08.04.97	Ashburton Gold Mines NL	100
	E08/1304	11.04.03	"	"
	E08/1613	Application	"	"
Gascoyne, WA	E09/1308	Application	"	"
BRAZIL, Goias State				
Mina Inglesa	860.998	2005	Trans Pacific Gold Mineracao Ltda ("TPGM")	100
BRAZIL, Mato Grosso State				
Cuiaba Gold Project	867.707	1995	Mineradora de Bauxita Ltda	TPGM earning 75%
	867.740	1995	"	"
	867.878	1996	"	"
	867.880	1996	"	"
	869.987	1997	"	"
	866.094	1998	"	"
	866.265	2003	"	"
	866.470	2003	"	"
	866.094	2004	"	"
	866.095	2004	"	"
	866.574	Application	TPGM	100
	866.575	"	"	"
	866.579	"	"	"
	866.580	"	"	"
	866.581	"	"	"
	866.582	"	"	"
	866.583	"	"	"
	866.614	"	"	"
Pocone Town Leases	866.765	2005	TPGM	100
	866.766	"	"	"
	866.767	"	"	"
	866.768	"	"	"
	866.769	"	"	"
	866.013	"	"	"
	866.015	"	"	"
	866.016	"	"	"
	866.017	"	"	"
	866.018	"	"	"
	866.020	"	"	"
	866.022	"	"	"
	866.023	"	"	"
	866.024	"	"	"
	866.025	"	"	"
	866.026	"	"	"
	866.887	"	"	"
	866.888	"	"	"
Geomin: Pontes e Lacerda Joint Venture	866.276	2001	Geomin (and associates)	TPGM earning 77.5%
	866.148	2003	"	"
	866.369	2003	"	"
	867.089	2005	"	"
	866.613	2005	"	"
	867.273	2005	"	"
	866.086	Application	TPGM	100
	866.087	"	"	"
	866.088	"	"	"
	866.089	"	"	"
	866.090	"	"	"
	866.091	"	"	"
	866.092	"	"	"
	866.093	"	"	"
	966.095	"	"	"
	866.096	"	"	"

DIRECTORS' REPORT

Your Directors present their report on the Company and its Controlled Entities for the financial year ended 30 June 2006.

DIRECTORS

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

Mr Rick Crabb
Mr Tom Dukovcic
Mr Rodney Dunn

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Kim Massey – BA, BCom, CA. Mr. Massey is a chartered accountant and senior executive of Grange Consulting, where he specialises in Corporate Advisory and Financial Management Services. Kim has considerable corporate experience particularly in the mining industry, working for a number of ASX listed companies, gaining extensive exposure to mining operations and exploration activities.

PRINCIPAL ACTIVITIES

The principal activity of the Economic Entity during the financial year was mineral exploration.

The following significant changes in the nature of the principal activities occurred during the financial year:

- the Economic Entity purchased a 50% interest in drilling contractor Transdrill Pty Ltd; and
- the Economic Entity disposed of its wholly owned subsidiary Wirralie Mines Pty Ltd.

OPERATING RESULTS

The consolidated loss of the Economic Entity for the financial year after providing for income tax amounted to $2,481,106 (2005: $2,078,062).

DIVIDENDS PAID OR RECOMMENDED

The Directors recommend that no dividend be paid for the year ended 30 June 2006, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

REVIEW OF OPERATIONS

During the year under review the Company's main activities were the evaluation of gold prospects in Brazil, which included the further assessment of artisinal tailings deposits and the building of a portfolio of 'hard rock' gold projects primarily in the state of Mato Grosso.

The Company's activities were funded from the proceeds of the sale in October 2005 of Wirralie Mines Pty Ltd and that company's tenements in NE Queensland. The Company further reduced its tenement portfolio in Australia by returning its East Kimberley tenements to its various joint venture partners and minority interest holders, having been unable to farm out the properties to new parties.

The Company retains a presence in Australia through its holdings in the Ashburton region of Western Australia where it holds two exploration licences and has a further two licences under application.

In February 2006 the Company acquired a 50% interest in drilling contractor Transdrill Pty Ltd, the Company's drilling contractor in Brazil. The acquisition provides security of access to an exploration drilling rig in a country where such equipment is scarce.

Ashburton undertakes its Brazilian activities through its wholly owned subsidiary Trans Pacific Gold Pty Ltd ("TPG") and that company's Brazilian registered subsidiary Trans Pacific Gold Mineracao Limitada ("TPGM"). In Brazil, the Company is involved in five main projects as detailed below.

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In the state of Goias:

- Mina Inglesa

The Cuiaba Gold Project was created in May 2006 when the Company signed a heads of agreement with AIM-listed Minmet plc under which TPGM would earn a 75% interest in a portfolio of ten tenements in the Cuiaba area held by Minmet's Brazilian subsidiary Mineradora de Bauxita Limitada ("MBL"). In addition, Minmet passed over to the Company an extensive dataset including data from an airborne geophysical survey,

the extent of which, being approximately 6,000 km^2, defines the area of the Cuiaba Gold Project.

Under the agreement, Ashburton issued to Minmet 1,609,332 fully paid ordinary shares and 500,000 free unlisted options, exercisable at 15 cents each by 30 June 2009. To earn a 75% interest in the MBL tenements, the Company must spend A$800,000 on exploration on the Cuiaba Gold Project within a three year period.

Initial work over this area was concerned with the study and reinterpretation of the MBL data, and this work is expected to continue into the next year. Work to date has already highlighted target areas which TPGM has secured by way of new tenement applications. Current efforts are directed towards identifying drilling targets for testing prior to the upcoming wet season.

The Cuiaba-Pocone region is defined by numerous prospector-scale gold workings over a strike length of in excess of 150 km within folded and weakly metamorphosed Proterozoic sediments. Current private-scale mining activity is centred on the exploitation of narrow quartz veins and adjacent wall rock.

The Company's exploration targets include this style of mineralisation but are primarily directed towards large, low grade disseminated gold deposits of the Carlin type and Paracatu type, which are typically of the order of several million ounces in size.

Very little modern exploration has been completed in the area, with practically no systematic work undertaken. As a result, the area remains largely unexplored and the Company has an exciting opportunity to take advantage of its early strategic position in the area by applying a systematic and deliberate exploration approach.

The Pocone Town Leases comprise 18 small tenements held by TPGM. The tenements are scattered close to the town of Pocone and variously contain tailings and small scale historical gold workings and are an adjunct to both the Tailngs JV and the Cuiaba Gold Project.

The Tailings Joint Venture applies to ground within a 60 km radius of the town of Pocone, within which Areias Douradas Pty Ltd, a wholly owned subsidiary of Cougar Metals NL, holds a 25% carried interest in any tailings sands acquired by TPGM. In the state of Goias the Tailings JV applies to an area within a 20 km radius of the town of Crixas.

The Pocone area contains large volumes of artisinal tailings sands which may potentially support an economic reprocessing operation. All of the private mining operations in the area recover the gold by means of gravity concentration followed by extraction of the gold from the concentrate with mercury to form an amalgam that is subsequently smelted to release the gold. In this primitive process the ore is not treated with cyanide.

TPGM is currently evaluating a series of tailings dams in the Ourinhos area, some 20 km north of Pocone. Ourinhos is a 10 km zone of open pit gold workings, some of which exceed 50 m in depth. The tailings at Ourinhos occur mostly within rock-walled dams with lesser volumes found as uncontained mounds of older, coarser sands. The volume of tailings contained in dams at Ourinhos is approximately 2.2 million cubic metres (or, 3.74 million tonnes at an assumed bulk density of 1.7 t/m3). Further, unquantified, tailings sands are contained within the MBL tenements and within the TPGM tenements and applications. Additional tailings sands are present at other sites of gold mining activity in the region to which the Company will be negotiating access rights.

Four of the Ourinhos dams have been aircore drilled by TPGM to date utilising the Transdrill rig. Samples from the last three dams drilled are currently in the laboratory, with half of the samples (310 samples) submitted for gold analysis by aqua regia digest through a Brazilian laboratory, and the other half (310 samples) shipped to Perth, Western Australia for analysis of gold by the bulk cyanide leach method. Depending on recoveries, tailings grades as low as 0.4 g/t may prove economic if present in sufficiently large volumes.

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In the state of Goias, TPGM is still awaiting official confirmation from the local environmental agency that TPGM will not be held responsible for the rehabilitation of pre-existing land disturbances over the Mina Inglesa tenement. Due to the extensive historical and garimpeiro mining activity on this site, TPGM will not commence work until this undertaking is provided by the government authorities. The tenement contains a large volume of old tailings sands as well as the historical Mina Inglesa gold mine where previous limited drilling recorded intercepts of up to 2.9 m @ 14.88 g/t and underground sampling returned results of 3 m @ 19.83 g/t and 0.7 m @ 66.06 g/t.

The Company is continually reviewing new opportunities in Brazil, both in gold and other commodities such as iron ore, as it seeks to build a valuable portfolio of advanced projects which have the potential to progress to resource status in a relatively short time.

FINANCIAL POSITION

The net assets of the Economic Entity have decreased by $2,317,340 from $6,314,124 at 30 June 2005 to $3,996,784 in 2006. This decrease has largely resulted from the disposal of Wirralie Mines Pty Ltd.

The Directors believe the group is in a strong and stable financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Parent Entity occurred during the financial year:

- On 12 July 2005 the Company issued 639,625 ordinary shares as full repayment of a loan at a deemed issue price of 8 cents;
- On 12 October 2005 the Economic Entity disposed of its wholly owned subsidiary Wirralie Mines Pty Ltd;
- On 22 February 2006 the Economic Entity purchased a 50% interest in drilling contractor Transdrill Pty Ltd; and
- On 8 May 2006 the Company issued 1,609,332 ordinary shares at a deemed issue price of 6.2 cents and 500,000 options in consideration for an option agreement over the Cuiaba Gold Project.

ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the Company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company will continue with its present strategy of investment in and exploration of advanced and prospective mineral projects primarily in Brazil, but also in Australia. The nature of the Company's business is speculative and the board considers that comments on expected results or success of this strategy are not considered appropriate or in the best interests of the Company.

ENVIRONMENTAL ISSUES

The Economic Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

While environmental regulations in Brazil are not as sophisticated as in Australia, the Company intends applying world's best practice to all of its activities in that country, especially in regard to environmental issues.

INFORMATION ON DIRECTORS

Mr Rick Crabb	-	Chairman (Non-executive).
Qualifications	-	BJuris (Hons), LLB, MBA.
Experience	-	Mr Crabb is a lawyer and formerly a consultant with legal practice Blakiston & Crabb. He specialises in mining, corporate and commercial law and has had extensive experience in legal issues arising in resource development, including contract negotiation and financing. He is a director of several listed companies and brings to the Board valuable legal, corporate and mining experience.
Interest in Shares and Options	-	Mr Crabb holds 132,168 ordinary shares and 17,862 options.
Directorships held in other listed entities	-	During the past three years Mr Crabb's directorships in other listed entitles are as a current director of Alcaston Mining NL from 22 August 2001, Otto Energy Ltd from 19 November 2004, Paladin Resources Ltd from 8 February 1994, Port Bouvard Ltd from 2 December 1996, Thundelarra Exploration Ltd from 8 September 2003, Royal Resources from 23 February 2004 and as a former director of ST Synergy Ltd from 28 September 2001 to 6 May 2005 and Deep Yellow Ltd from 11 April 2003 to 20 August 2004.
Mr Tom Dukovcic	-	Managing Director (Executive).
Qualifications	-	BSc (Hons) MAIG
Experience	-	Mr Dukovcic is a geologist with over 20 years experience in exploration and development. He has worked in a variety of regions in Australia, which include the Yilgarn, the Kimberley and NE Queensland and was involved in the investigation of gold opportunities in southeast Asia. Mr Dukovcic has been directly involved with the management of gold discoveries at various locations in Western Australia, including Transvaal, Cuddingwarra and Leonora. Mr Dukovcic is a director of several private mineral exploration companies and brings valuable exploration, geological and management expertise to the Board.
Interest in Shares and Options	-	Mr Dukovcic holds 601,126 ordinary shares and 91,020 options.
Mr Rodney Dunn	-	Director (Executive)
Experience	-	Mr Dunn has been actively involved in the mining industry for approximately 24 years. Mr Dunn (together with Mr Crabb) was a founding director of the successful Gasgoyne Gold Mines NL. He is also a director of a number of private companies involved in mineral exploration. Mr Dunn brings valuable corporate and contract management experience to the Board.
Interest in Shares and Options	-	Mr Dunn holds 3,441,678 ordinary shares and 567,364 options.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of Ashburton Minerals Limited.

Remuneration Policy

The remuneration policy of Ashburton Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Economic Entity's financial results. The Board of Ashburton Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain appropriate executives and directors to run and manage the Economic Entity, as well as create goal congruence between directors, executives and shareholders.

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

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board.

Non-executive directors, executive directors and senior executives receive a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Executive directors can be employed by the Company on a consultancy basis, on board approval, with remuneration and terms stipulated in individual consultancy agreements.

The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. In addition external consultants may be used to provide analysis and advice to ensure the directors and senior executives' remuneration is competitive in the market place.

Directors and senior executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Economic Entity. The Directors are not required to hold any shares in the Company under the Constitution of the Company, however, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this type and size.

Remuneration Committee

During the year ended 30 June 2006, the Economic Entity did not have a separately established nomination or remuneration committee. Considering the size of the Economic Entity and the number of directors, the Board is of the view that these functions could be efficiently performed with full Board participation.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Economic Entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Economic Entity. However, to align directors' interests with shareholders' interests, the directors are encouraged to hold shares in the Company.

Non-executive directors receive a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

The Directors have resolved that non-executive directors' fees are $36,000 per annum for each non-executive director and $36,000 per annum for the non-executive Chairman. Non-executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by directors on Company business.

Senior Manager and Executive Director Remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company as to:

- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards

Structure

Executive directors are provided with a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed Entity.

	2002	2003	2004	2005	2006
	$	$	$	$	$
Revenue	401,876	126,849	156,035	196,049	118,170
Net Loss	(1,842,679)	(854,464)	(432,055)	(2,078,062)	(2,481,106)
Earnings Per Share (cents)	(0.79)	(0.28)	(0.78)	(2.68)	(3.17)

Details of Remuneration

The remuneration for each director of the Economic Entity during the year was as follows:

2006	Salary, Fees and Commissions $	Superannuation Contribution $	Cash Bonus $	Other $	Options $	Total $	Performance Related %
Directors							
Mr Rick Crabb	33,000	2,970	-	-	-	35,970	-
Mr Tom Dukovcic	170,000	15,300	-	-	-	185,300	-
Mr Rodney Dunn	125,000	11,250	-	-	-	136,250	-
	328,000	29,520	-	-	-	357,520	-

There were no other key management personnel during the year.

2005	Salary, Fees and Commissions $	Superannuation Contribution $	Cash Bonus $	Other $	Equity Shares $	Total $	Performance Related %
Directors							
Mr Rick Crabb	36,000	3,240	-	-	-	39,240	-
Mr Tom Dukovcic	173,269	15,595	-	8,096	-	196,960	-
Mr Rodney Dunn	127,504	11,475	-	-	-	138,979	-
							-
	336,773	30,310	-	8,096	-	375,179	-

Options issued as part of remuneration for the year ended 30 June 2006

There were no options issued or shares issued on the exercise of such options to directors and executives as part of their remuneration.

Employment Contracts of Directors and Other Key Management Personnel

There are currently no employment contracts in place between the Company and Executive Directors.

MEETINGS OF DIRECTORS

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Board Meetings	
Director	**Attended**	**Held**
Mr Rick Crabb	6	6
Mr Tom Dukovcic	6	6
Mr Rodney Dunn	6	6

INDEMNIFYING OFFICERS OR AUDITOR

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

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

OPTIONS

At the date of this report, the unissued ordinary shares of Ashburton Minerals Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under-Option
23 April 2004	31 March 2007	$0.32	12,132,363
17 September 2004	06 September 2007	$0.25	5,000,000
08 May 2006	30 June 2009	$0.15	500,000
			17,632,363

During the year ended 30 June 2006, no ordinary shares of Ashburton Minerals Limited were issued on the exercise of options. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

CORPORATE GOVERNANCE

In recognising the need for a high standard of corporate behaviour and accountability, the Directors of Ashburton Minerals Limited support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Financial Report.

NON-AUDIT SERVICES

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/ payable to the external auditors during the year ended 30 June 2006:

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 17 of the Annual Report.

Signed in accordance with a resolution of the Board of Directors.

Tom Dukovcic

Mr T P Dukovcic
Managing Director

Dated this 28th day of September 2006

MOORE STEPHENS

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ASHBURTON MINERALS LIMITED

As lead auditor for the audit of Ashburton Minerals Ltd for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Ashburton Minerals Ltd and the entities it controlled during the period.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2006.

INCOME STATEMENT for the year ended 30 June 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Revenue	3	115,737	196,049	115,737	120,682
Other income	3	2,433	-	1,073,045	-
Accounting Fees		(58,911)	(66,408)	(56,476)	(47,926)
Corporate Costs		(42,757)	(22,989)	(41,480)	(22,989)
Depreciation expense		(85,723)	(22,539)	(30,002)	(22,539)
Employee benefit expense		(467,668)	(171,905)	(399,278)	(171,905)
Exploration expenditure written-off		(382,698)	(1,416,793)	(340,265)	(1,416,793)
Finance costs		(15,307)	(3,138)	(14,382)	(2,388)
Goodwill written-off		(144,785)	-	-	-
Loan to controlled entity forgiven		-	-	-	(2,255,101)
Loss on disposal of subsidiary		(806,506)	-	-	-
Occupancy Costs		(72,397)	(59,776)	(72,397)	(59,776)
Public Relations		(25,423)	(76,299)	(25,423)	(75,744)
Other expenses		(497,101)	(434,264)	(201,551)	(386,633)
Profit/(Loss) before income tax	4	(2,481,106)	(2,078,062)	7,528	(4,341,112)
Income tax expense	5	-	-	-	-
Profit/(Loss) from continuing operations		(2,481,106)	(2,078,062)	7,528	(4,341,112)
(Profit)/Loss attributable to minority equity interest		4,343	-	-	-
Profit/(Loss) attributable to members of the Parent Entity	2	**(2,476,763)**	**(2,078,062)**	**7,528**	**(4,341,112)**
Overall Operations					
Basic loss per share (cents per share)	8	(3.17)	(2.68)		
Continuing Operations					
Basic loss per share (cents per share)	8	(3.17)	(2.68)		

The Company's potential ordinary shares were not considered dilutive as the Company is in a loss position.

The accompanying notes form part of these financial statements.

BALANCE SHEET as at 30 June 2006

	Note	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	965,084	1,908,062	944,411	1,873,802
Trade and other receivables	10	113,293	92,209	60,160	81,227
Other financial assets	13	3,200	3,200	3,200	3,200
TOTAL CURRENT ASSETS		**1,081,577**	**2,003,471**	**1,007,771**	**1,958,229**
NON-CURRENT ASSETS					
Trade and other receivables	10	94,623	77,337	2,288,271	714,817
Investments accounted for using the equity method	11	-	1	2	3
Financial assets	13	1	1	878,501	969,410
Property, plant and equipment	15	216,582	747,144	75,567	75,444
Intangible assets	16	-	-	-	-
Other non-current assets	17	2,792,873	6,288,869	112,596	511,639
TOTAL NON-CURRENT ASSETS		**3,104,079**	**7,113,352**	**3,354,937**	**2,271,313**
TOTAL ASSETS		**4,185,656**	**9,116,823**	**4,362,708**	**4,229,542**
CURRENT LIABILITIES					
Trade and other payables	18	40,865	145,019	31,652	65,511
Short-term Provisions	19	48,007	57,680	42,661	46,930
TOTAL CURRENT LIABILITIES		**88,872**	**202,699**	**74,313**	**112,441**
NON-CURRENT LIABILITIES					
Trade and other payables	18	100,000	-	-	-
Long-term provisions	19	-	2,600,000	-	-
TOTAL NON-CURRENT LIABILITIES		**100,000**	**2,600,000**	**-**	**-**
TOTAL LIABILITIES		**188,872**	**2,802,699**	**74,313**	**112,441**
NET ASSETS		**3,996,784**	**6,314,124**	**4,288,395**	**4,117,101**
EQUITY					
Issued capital	20	21,827,219	21,676,049	21,827,219	21,676,049
Reserves	21	420,705	408,109	420,705	408,109
Retained earnings/(Accumulated losses)		(18,246,797)	(15,770,034)	(17,959,529)	(17,967,057)
Parent interest		4,001,127	6,314,124	4,288,395	
Minority equity interest		(4,343)	-	-	
TOTAL EQUITY		**3,996,784**	**6,314,124**	**4,288,395**	**4,117,101**

The accompanying notes form part of these financial statements.

Economic Entity

	Note	Ordinary $	Accumulated Losses $	Option Reserve $	Asset Realisation Reserve $	Asset Revaluation Reserve $	Minority Equity Interests $	Total $
Balance at 1 July 2004	2	20,559,182	(13,691,972)	-	32,095	376,014	-	7,275,319
Gain/(Loss) attributable to members of Parent Entity		-	(2,078,062)	-	-	-	-	(2,078,062)
Shares/options issued during the year		1,184,602	-	-	-	-	-	1,184,602
Transaction costs		(67,735)	-	-	-	-	-	(67,735)
Balance at 30 June 2005		21,676,049	(15,770,034)	-	32,095	376,014	-	6,314,124
Gain/(Loss) attributable to members of Parent Entity		-	(2,476,763)	-	-	-	-	(2,476,763)
Gain/(Loss) attributable to minority shareholders		-	-	-	-	-	(4,343)	(4,343)
Shares/options issued during the year		151,170	-	12,596	-	-	-	163,766
Transaction costs		-	-	-	-	-	-	-
Balance at 30 June 2006		**21,827,219**	**(18,246,797)**	**12,596**	**32,095**	**376,014**	**(4,343)**	**3,996,784**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2006

Parent Entity

	Note	Ordinary $	Retained Earnings $	Option Reserve $	Asset Realisation Reserve $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2004	**2**	20,559,182	(13,625,945)	-	32,095	376,014	7,341,346
Gain/(Loss) attributable to members of Parent Entity		-	(4,341,112)	-	-	-	(4,341,112)
Shares/options issued during the year		1,184,602	-	-	-	-	1,184,602
Transaction costs		(67,735)	-	-	-	-	(67,735)
Balance at 30 June 2005		21,676,049	(17,967,057)	-	32,095	376,014	4,117,101
Gain/(Loss) attributable to members of Parent Entity		-	7,528	-	-	-	7,528
Shares/options issued during the year		151,170	-	12,596	-	-	163,766
Transaction costs		-	-	-	-	-	-
Balance at 30 June 2006		21,827,219	(17,959,529)	12,596	32,095	376,014	4,288,395

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT for the year ended 30 June 2006

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		-	3,881	-	-
Payments to suppliers and employees		(991,671)	(938,455)	(658,627)	(600,981)
Interest received		95,184	120,682	92,384	121,252
Finance costs		(9,448)	(18,516)	(9,448)	(18,516)
Net cash used in operating activities	**24(a)**	(905,935)	(832,408)	(575,691)	(498,245)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		1,000	-	1,000	-
Purchase of property, plant and equipment		(141,489)	(26,290)	(26,489)	(26,290)
Payments for exploration expenditure		(1,133,710)	(1,620,207)	(112,596)	(634,162)
Proceeds from sale of subsidiary		995,839		995,839	
Proceeds from sale of tenements		364,000		364,000	
Payment for subsidiary, net of cash acquired		(120,683)	-	-	
Net cash used in investing activities		(35,043)	(1,646,497)	1,221,754	(660,452)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	1,186,901	-	1,186,901
Payment of share issue costs		-	-	-	-
Proceeds of borrowings		200,000		200,000	
Repayment of borrowings		(202,000)	-	(202,000)	-
Loan to subsidiary		-	-	(1,573,454)	(1,253,514)
Net cash provided by financing activities		(2,000)	1,186,901	(1,575,454)	(66,613)
Net (decrease)/ increase in cash held		(942,978)	(1,292,004)	(929,391)	(1,225,310)
Cash at beginning of financial year		1,908,062	3,200,066	1,873,802	3,099,112
Cash at end of financial year	**9**	965,084	1,908,062	944,411	1,873,802

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report covers the Economic Entity of Ashburton Minerals Limited and controlled entities, and Ashburton Minerals Limited as an individual Parent Entity. Ashburton Minerals Limited is a listed public Company, incorporated and domiciled in Australia.

The financial report of Ashburton Minerals Limited and controlled entities, and Ashburton Minerals Limited as an individual Parent Entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Economic Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Ashburton Minerals Limited and controlled entities, and Ashburton Minerals Limited as an individual Parent Entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Parent Entity and Consolidated Entity accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Ashburton Minerals Limited to be prepared in accordance with Australian equivalents to AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The Parent and Consolidated Entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer Note 29 for further details on Changes in Accounting Policy.

Reconciliations of the transition from previous Australian GAAP to IFRS have been included in Note 2 to this report.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A Controlled Entity is any Entity Ashburton Minerals Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Parent Entity.

(a) Principles of Consolidation (cont'd)

Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

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

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

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

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

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

(c) Property, Plant and Equipment

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

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

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

The cost of fixed assets constructed within the Economic Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Economic Entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

(c) Plant and Equipment (cont'd)

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

Class of Fixed Asset	Depreciation Rate
Office furniture & equipment	20.0% - 40.0%
Motor vehicles	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

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

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

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

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

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

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

(e) Financial Instruments

Recognition

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

(e) Financial Instruments (cont'd)

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

(f) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(g) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that Entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity's functional and presentation currency.

(g) Foreign Currency Transactions and Balances (cont'd)

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers.

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

(k) Revenue (cont'd)

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

(l) Goods and Services Tax (GST)

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

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

(m) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity Reconciliation of Equity at 1 July 2004	Note	Previous GAAP at 1 July 2004 $	Adjustment $	Australian equivalents to IFRS at 1 July 2004 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,200,066	-	3,200,066
Trade and other receivables		185,861	-	185,861
Other financial assets		1,800	-	1,800
TOTAL CURRENT ASSETS		3,387,727	-	3,387,727
NON CURRENT ASSETS				
Trade and other receivables		30,200	-	30,200
Investments accounted for using the equity method		1	-	1
Financial assets		1	-	1
Property, plant and equipment		943,927	-	943,927
Other non-current assets		5,672,634	-	5,672,634
TOTAL NON CURRENT ASSETS		6,646,763	-	6,646,763
TOTAL ASSETS		10,034,490	-	10,034,490
CURRENT LIABILITIES				
Trade and other payables		106,104	-	106,104
Short term provisions		53,067	-	53,067
TOTAL CURRENT LIABILITIES		159,171	-	159,171
NON CURRENT LIABILITIES				
Long-term provisions		2,600,000	-	2,600,000
TOTAL NON CURRENT LIABILITIES		2,600,000	-	2,600,000
TOTAL LIABILITIES		2,759,171	-	2,759,171
NET ASSETS		7,275,319	-	7,275,319
EQUITY				
Issued capital		20,559,182	-	20,559,182
Reserves		408,109	-	408,109
Accumulated losses		(13,691,972)	-	(13,691,972)
TOTAL EQUITY		7,275,319	-	7,275,319

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005 $	Adjustment on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 30 June 2005 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,908,062	-	1,908,062
Trade and other receivables		92,209	-	92,209
Other financial assets		3,200	-	3,200
TOTAL CURRENT ASSETS		**2,003,471**	**-**	**2,003,471**
NON CURRENT ASSETS				
Trade and other receivables		77,337	-	77,337
Investments accounted for using the equity method		1	-	1
Financial assets		1	-	1
Property, plant and equipment		747,144	-	747,144
Other non-current assets		6,288,869	-	6,288,869
TOTAL NON CURRENT ASSETS		**7,113,352**	**-**	**7,113,352**
TOTAL ASSETS		**9,116,823**	**-**	**9,116,823**
CURRENT LIABILITIES				
Trade and other payables		145,019	-	145,019
Short term provisions		57,680	-	57,680
TOTAL CURRENT LIABILITIES		**202,699**	**-**	**202,699**
NON CURRENT LIABILITIES				
Long-term provisions		2,600,000	-	2,600,000
TOTAL NON CURRENT LIABILITIES		**2,600,000**	**-**	**2,600,000**
TOTAL LIABILITIES		**2,802,699**	**-**	**2,802,699**
NET ASSETS		**6,314,124**	**-**	**6,314,124**
EQUITY				
Issued capital		21,676,049	-	21,676,049
Reserves		408,109	-	408,109
Accumulated losses		(15,770,034)	-	(15,770,034)
TOTAL EQUITY		**6,314,124**	**-**	**6,314,124**

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity Reconciliation of Equity at 1 July 2004	Note	Previous GAAP at 1 July 2004 $	Adjustment $	Australian equivalents to IFRS at 1 July 2004 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,099,112	-	3,099,112
Trade and other receivables		85,809	-	85,809
Other financial assets		1,800	-	1,800
TOTAL CURRENT ASSETS		**3,186,721**	**-**	**3,186,721**
NON CURRENT ASSETS				
Trade and other receivables		1,715,404	-	1,715,404
Investments accounted for using the equity method		3	-	3
Financial assets		878,501	-	878,501
Property, plant and equipment		71,692	-	71,692
Other non-current assets		1,594,039	-	1,594,039
TOTAL NON CURRENT ASSETS		**4,259,639**	**-**	**4,259,639**
TOTAL ASSETS		**7,446,360**	**-**	**7,446,360**
CURRENT LIABILITIES				
Trade and other payables		64,196	-	64,196
Short term provisions		40,818	-	40,818
TOTAL CURRENT LIABILITIES		**105,014**	**-**	**105,014**
TOTAL LIABILITIES		**105,014**	**-**	**105,014**
NET ASSETS		**7,341,346**	**-**	**7,341,346**
EQUITY				
Issued capital		20,559,182	-	20,559,182
Reserves		408,109	-	408,109
Accumulated losses		(13,625,945)	-	(13,625,945)
TOTAL EQUITY		**7,341,346**	**-**	**7,341,346**

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005 $	Adjustment on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 30 June 2005 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,873,802	-	1,873,802
Trade and other receivables		81,227	-	81,227
Other financial assets		3,200	-	3,200
TOTAL CURRENT ASSETS		**1,958,229**	**-**	**1,958,229**
NON CURRENT ASSETS				
Trade and other receivables		714,817	-	714,817
Investments accounted for using the equity method		3	-	3
Financial assets		969,410	-	969,410
Property, plant and equipment		75,444	-	75,444
Other non-current assets		511,639	-	511,639
TOTAL NON CURRENT ASSETS		**2,271,313**	**-**	**2,271,313**
TOTAL ASSETS		**4,229,542**	**-**	**4,229,542**
CURRENT LIABILITIES				
Trade and other payables		38,320	-	38,320
Short term provisions		74,121	-	74,121
TOTAL CURRENT LIABILITIES		**112,441**	**-**	**112,441**
TOTAL LIABILITIES		**112,441**	**-**	**112,441**
NET ASSETS		**4,117,101**	**-**	**4,117,101**
EQUITY				
Issued capital		21,676,049	-	21,676,049
Reserves		408,109	-	408,109
Accumulated losses		(17,967,057)	-	(17,967,057)
TOTAL EQUITY		**4,117,101**	**-**	**4,117,101**

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity Reconciliation of Loss for 2005	Note	Previous GAAP $	Effect of transition to Australian equivalents to IFRS $	Australian equivalents to IFRS $
Revenues from ordinary activities	2a	196,049	-	196,049
Employee benefits expense		(171,905)	-	(171,905)
Depreciation expense		(22,539)	-	(22,539)
Finance costs		(3,138)	-	(3,138)
Other expenses from ordinary activities		(2,076,529)	-	(2,076,529)
Loss from ordinary activities before income tax expense		(2,078,062)	-	(2,078,062)
Income tax expense relating to ordinary activities		-	-	-
Loss from ordinary activities after related income tax expense		(2,078,062)	-	(2,078,062)
Loss attributable to members of the Parent Entity		(2,078,062)	-	(2,078,062)

Parent Entity

Reconciliation of Loss for 2005

Revenues from ordinary activities	2a	120,682	-	120,682
Employee benefits expense		(171,905)	-	(171,905)
Depreciation expense		(22,539)	-	(22,539)
Finance costs		(2,388)	-	(2,388)
Other expenses from ordinary activities		(4,264,962)	-	(4,264,962)
Loss from ordinary activities before income tax expense		(4,341,112)	-	(4,341,112)
Income tax expense relating to ordinary activities		-	-	-
Loss from ordinary activities after related income tax expense		(4,341,112)	-	(4,341,112)
Loss attributable to members of the Parent Entity		(4,341,112)	-	(4,341,112)

Note 3: Revenue

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Operating activities					
– interest received other persons		105,201	192,849	105,201	120,682
– other revenue		10,536	3,200	10,536	-
Total Revenue		115,737	196,049	115,737	120,682
Non-operating activities					
– gain/(loss) on disposal of property, plant & equipment		2,433	-	(28,011)	-
– gain on disposal of investment in Wirralie Mines Pty Ltd		-	-	1,101,056	-
Other Income		2,433	-	1,073,045	-

Note 4: Profit for the year

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
(a) Expenses					
Impairment of goodwill		144,785	-	-	-
Write-off capitalised expenses		382,698	1,416,793	340,265	1,416,793
Occupancy costs		72,397	59,776	72,397	59,776
Accounting fees		58,911	66,408	56,476	47,926
(b) Significant revenue and expenses					
The following significant revenue and expense items are relevant in explaining the financial performance:					
Consideration on disposal of Wirralie Mine Pty Ltd		995,839			
Carrying amount of net assets sold		(1,802,345)			
Net loss on the disposal of Wirralie Mines Pty Ltd		(806,506)	-	-	-
Loan to controlled entity forgiven		-	-	-	2,255,101

Note 5: Income Tax Expense

	Note	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
(a) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:					
Prime facie tax payable on profit/(loss) from ordinary activities before income tax at 30% (2005: 30%)		(744,332)	(623,419)	2,258	(1,302,333)
Add:					
Tax effect of:					
– debts forgiven		-	-	-	676,530
– exploration and evaluation expenditure previously deducted for income tax and not previously recognised		62,734	-	72,000	324,720
– other non-allowable items		475,938	816	23,362	83
– revenue losses not recognised		279,536	636,125	269,635	320,606
– over provision for income tax in prior year		-	40,314	-	-
		818,208	677,255	364,997	1,321,939
Less:					
Tax effect of:					
– exploration and evaluation expenditure deducted for income tax and not previously recognised		-	49,414	-	-
– other non-allowable items		27,527	4,422	271,479	-
– debts recovered		-	-	58,838	-
– recoupment of prior year revenue losses not previously recognised		11,471	-	-	-
– other tax benefits not previously recognised		34,878	-	36,938	19,606
		73,876	53,836	367,255	19,606
Income tax		-	-	-	-
The applicable weighted average effective tax rates are as follows:		0%	0%	0%	0%

Note 5: Income Tax Expense (cont'd)

(b) The tax benefits on the following estimated gross tax losses have not been recognised at 30 June 2006 because the Directors do not believe it is appropriate to regard the utilisation of the tax benefits as probable:

- Revenue losses $6,024,804 (2005: $5,305,597)
- Capital losses $2,098,799 (2005: $3,003,729)
- Foreign losses $ 667,365 (2005: $ 217,277)

Note 6: Key Management Personnel Compensation

(a) Directors

The following persons were Directors of Ashburton Minerals Limited during the financial year:

(i) Chairman – Non-executive
Mr Rick Crabb

(ii) Executive Directors
Mr Tom Dukovcic – Managing Director
Mr Rodney Dunn

(b) Other key management personnel

There were no other key management personnel during the financial year.

(c) Key management personnel compensation

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Short –term employee benefits	328,000	336,773	328,000	336,773
Post-employment benefits	29,520	30,310	29,520	30,310
Share-based payments	-	-	-	-
	357,520	367,083	357,520	367,083

The Company has transferred the detailed remuneration disclosures to the Directors' report in accordance with the Corporations Amendment Regulations 2006 (No. 4)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Directors' report on page 13

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Ashburton Minerals Limited, including their personally related parties, are set out below

Note 6: Key Management Personnel Compensation (continued)

2006	Balance at the start of the year	Granted during the year as Compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr Rick Crabb	1,691,446	-	-	(1,673,584)	17,862	17,862
Mr Tom Dukovcic	5,316,861	-	-	(5,225,841)	91,020	91,020
Mr Rodney Dunn	2,905,699	-	-	(2,338,335)	567,364	567,364
Total	9,914,006	-	-	(9,237,760)	676,246	676,246

No options are vested and unexercisable at the end of the year

Other changes during the year relate entirely to the expiring of unlisted options.

2005	Balance at the start of the year	Granted during the year as Compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr Rick Crabb	1,691,446	-	-	-	1,691,446	1,691,446
Mr Tom Dukovcic	5,316,861	-	-	-	5,316,861	5,316,861
Mr Rodney Dunn	2,905,699	-	-	-	2,905,699	2,905,699
Total	9,914,006				9,914,006	9,914,006

No options are vested and unexercisable at the end of the year

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of Ashburton Minerals Limited, including their personally related parties, are set out below

2006	Balance at the start of the year	Granted during the year as Compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Rick Crabb	132,168	-	-	-	132,168
Mr T Dukovcic	601,126	-	-	-	601,126
Mr R Dunn	3,441,678	-	-	-	3,441,678
Total	4,174,972	-	-	-	4,174,972

2005	Balance at the start of the year	Granted during the year as Compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Rick Crabb	107,168	-	-	25,000	132,168
Mr T Dukovcic	596,126	-	-	5,000	601,126
Mr R Dunn	3,404,178	-	-	37,500	3,441,678
		-	-		
Total	4,107,472	-	-	67,500	4,174,972

Note 7: Auditors' Remuneration

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Remuneration of the auditor of the Parent Entity for:				
– auditing or reviewing the financial report	12,000	9,000	12,000	9,000
– taxation services	7,562	4,546	7,562	4,546
– other services	-	-	-	-
	19,562	13,546	19,562	13,546

Note 8: Earnings per Share

	Economic Entity 2006 $	Economic Entity 2005 $
(a) Reconciliation of Earnings to Profit or Loss		
Loss	(2,481,106)	(2,078,062)
Earnings used to calculate basic EPS	(2,481,106)	(2,078,062)
(b) Reconciliation of Earnings to Profit or Loss from Continuing Operations		
Loss from continuing operations	(2,481,106)	(2,078,062)
Earnings used to calculate basic EPS from continuing operations	(2,481,106)	(2,078,062)
(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EP	No.	No.
	78,238,919	77,675,718

Diluted EPS not disclosed as potential ordinary shares are not dilutive

Note 9: Cash and Cash Equivalents

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash at bank and in hand	965,084	1,908,062	944,411	1,873,802
	965,084	1,908,062	944,411	1,873,802

Reconciliation of cash
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:-

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
Cash and cash equivalents	965,084	1,908,062	944,411	1,873,802
	965,084	1,908,062	944,411	1,873,802

Note 10: Trade and Other Receivables

Current				
Other receivables:				
- Deposits	42,231	52,055	42,231	52,055
- Other receivables	46,571	-	-	-
- Goods and services tax	24,491	40,154	17,929	29,172
	113,293	92,209	60,160	81,227
Non-Current				
Amounts receivable from:				
- wholly-owned entities	-	-	2,288,271	714,817
- associated companies	94,623	77,337	-	-
	94,623	77,337	2,288,271	714,817

Note 11: Investments Accounted for Using the Equity Method

	Notes	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Investments in associated entities - at cost	12	-	2,135,021	2	2,135,023
Less: Provision for diminution in value		-	(2,135,020)	-	(2,135,020)
		-	1	2	3

Note 12: Associated Companies

Interests are held in the following associated Company Optics Storage Pte Ltd which is incorporated in Singapore.

Name	Principal Activity	Ownership Interest		Carrying Amount of Investment	
		2006	2005	2006	2005
		%	%	$	$
Optics Storage Pte Ltd	Optical storage devices	-	15.6	-	2,135,021
Less: Provision for diminution in value				-	(2,135,020)
				-	1

The assets and liabilities of Optics Storage Pte Ltd, as at 30 June 2006, and the operating profit (loss) for the 12 months ended on that date, have not been disclosed as the Company was liquidated on 3 May 2005.

Note 13: Other Financial Assets

	Notes	Economic Entity		Parent Entity	
		2006	2005	2006	2005
		$	$	$	$
Available-for-sale financial assets	12(a)	3,201	3,201	881,701	972,610
Less non current portion		1	1	878,501	969,410
Current portion		3,200	3,200	3,200	3,200

Note 13: Other Financial Assets (cont'd)

	Notes	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
(a) Available-for-sale Financial Assets Comprise:					
Unlisted investments, at cost					
– shares in controlled entities		-	-	878,500	969,409
– interest in other corporations		272,450	272,450	272,450	272,450
– Less provision for impairment		(269,249)	(269,249)	(269,249)	(269,249)
Total available-for-sale financial assets		3,201	3,201	881,701	972,610

Available-for-sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost.

Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

Note 14: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2006	Percentage Owned (%)* 2005
Parent Entity:			
Ashburton Minerals Limited	Australia	-	-
Ultimate Parent Entity:			
Ashburton Minerals Limited	Australia	-	-
Subsidiaries of Ashburton Minerals Limited:			
Ashburton Gold Mines NL	Australia	100	100
Trans Pacific Gold Pty Ltd	Australia	100	100
Trans Pacific Gold Mineracao Ltda	Brazil	100	100
Transdrill Pty Ltd	Australia	50	-
Wirralie Mines Pty Ltd	Australia	-	100

** Percentage of voting power is in proportion to ownership*

(b) Acquisition of Controlled Entities

On 22 February 2006 Trans Pacific Gold Pty Ltd acquired 50% of Transdrill Pty Ltd for a purchase consideration of $150,000.

Note 14: Controlled Entities (continued)

(c) Disposal of Controlled Entities

On 12 October 2005 the Parent Entity disposed of its 100% interest in Wirralie Mines Pty Ltd. An operating loss after tax of 806,506 was attributable to members of the Consolidated Entity from the disposal. No remaining interest in the Entity was held by any member of the Economic Entity.

	Economic Entity 30 June 2006 $
Total consideration is made up as follows:	
Cash consideration	995,839
Less: Cost of disposal	-
	995,839
Details of the Controlled Entity disposed of are as follows:	
Assets and liabilities held at disposal date:	
Investment in Controlled Entity	90,909
Receivables	40,620
Mining tenements	3,920,607
Property, plant & equipment	586,114
Reversal of prior loan write-down	(196,126)
Payables	(39,779)
Future reclamation costs	(2,600,000)
Net assets/(liabilities) disposed of	1,802,345
(Loss) on disposal of former Controlled Entity	(806,506)
Total consideration	995,839
Inflow of cash from disposal of former Controlled Entity, net of cash disposed:	
Cash consideration	995,839
Less: Cash balances disposed	-
Net inflow of cash	995,839

Note 14: Controlled Entities (continued)

(d) Controlled Entities with Ownership Interest of 50% or Less

Trans Pacific Gold Pty Ltd holds 50% of the ordinary shares of Transdrill Pty Ltd. Trans Pacific Gold Pty Ltd is required to make all the financial and operating policy decisions of Transdrill Pty Ltd and to ensure that those policies are consistent with the policies of the Economic Entity.

	Economic Entity 30 June 2006 $
Total consideration is made up as follows:	
Cash consideration	150,000
Details of the Controlled Entity acquired are as follows:	
Assets and liabilities held at acquisition date:	
Cash	45,187
Receivables	14,785
Property, plant & equipment	95,290
Payables	(150,047)
Net assets/(liabilities) acquired	5,215
Total goodwill on acquisition	144,785

Note 15: Property, Plant and Equipment

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
BUILDINGS				
Buildings:				
At Cost	-	47,900	-	-
Accumulated depreciation	-	(2,642)	-	-
Total Buildings	-	45,258	-	-
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	409,726	1,195,035	226,822	199,779
Accumulated depreciation	(193,144)	(493,149)	(151,255)	(124,335)
Total Plant and equipment	**216,582**	**701,886**	**75,567**	**75,444**
Total Property, Plant and Equipment	**216,582**	**747,144**	**75,567**	**75,444**

Note 15: Property, Plant and Equipment (continued)

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Buildings $	Plant and Equipment $	Total $
Economic Entity:			
Balance at the beginning of year	45,258	701,886	747,144
Additions	-	136,293	136,293
Disposals	-	(28,538)	(28,538)
Additions through acquisition of Entity	-	78,778	78,778
Depreciation expense	-	(85,723)	(85,723)
Disposals of assets on sale of subsidiary	(45,258)	(586,114)	(631,372)
Carrying amount at the end of year	-	216,582	216,582
Parent Entity:			
Balance at the beginning of year	-	75,444	75,444
Additions	-	58,663	58,663
Disposals		(28,538)	(28,538)
Depreciation expense	-	(30,002)	(30,002)
Carrying amount at the end of year	-	75,567	75,567

Note16: Intangible Assets

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
Goodwill				
Cost	144,758	-	-	-
Accumulated impairment losses	(144,785)	-	-	-
Net carrying value	-	-	-	-
	-	-	-	-
Closing carrying value at 30 June 2006	-			

Note16: Intangible Assets (continued)

	Goodwill $
Economic Entity:	
Year ended 30 June 2005	
Balance at the beginning of year	-
Additions	-
Disposals	-
Amortisation charge	-
Impairment losses	-
Closing carrying value at 30 June 2005	-
Year ended 30 June 2006	
Balance at the beginning of year	-
Additions	
Internal development	-
Acquisitions through business combinations	144,785
Disposals	-
Amortisation charge	-
Impairment losses	(144,785)
Closing carrying value at 30 June 2006	-

Note 17: Other Assets

	Notes	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
NON-CURRENT					
Exploration expenditure capitalised					
– exploration and evaluation phases		2,792,873	6,288,869	112,596	511,639

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Note 18: Trade and Other Payables

	Notes	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT					
Trade payables		14,164	57,346	6,467	28,317
Sundry payables and accrued expenses		26,701	87,673	25,185	37,194
		40,865	145,019	31,652	65,511
NON-CURRENT					
Amounts payable to other parties		100,000	-	-	-
		100,000	-	-	-

Note 19: Provisions

	Reclamation Costs $	Employee Entitlements $	Total $
Economic Entity:			
Balance at the beginning of year	2,600,000	57,680	2,657,680
Additional provisions	-	24,599	24,599
Amounts used	-	(28,868)	(28,865)
Increase in provision on acquisition of subsidiary	-	5,346	5,346
Decrease in provision on sale of subsidiary	(2,600,000)	(10,750)	(2,610,753)
Carrying amount at the end of year	-	48,007	48,007
Parent Entity:			
Balance at the beginning of year	-	46,930	46,930
Additional provisions	-	24,599	24,599
Amounts used		(28,868)	(28,868)
Carrying amount at the end of year	-	42,661	42,661

Note 20: Issued Capital

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
79,640,005 (2005: 77,391,048) fully paid ordinary shares	22,977,044	22,825,874	22,977,044	22,825,874
Share Issue Costs	(1,149,825)	(1,149,825)	(1,149,825)	(1,149,825)
	21,827,219	21,676,049	21,827,219	21,676,049

(a) Ordinary Shares

	No.	No.	No.	No.
At the beginning of reporting period	77,391,048	69,298,038	77,391,048	69,298,038
Shares issued during year	2,248,957	8,093,010	2,248,957	8,093,010
At reporting date	79,640,005	77,391,048	79,640,005	77,391,048

- On 12 July 2005 the Company issued 639,625 ordinary shares as full repayment of a loan at a deemed issue price of 8 cents.
- On 8 May 2006 the Company issued 1,609,332 ordinary shares at a deemed issue price of 6.2 cents and 500,000 options exercisable at 15 cents, in consideration for the option agreement over the Cuiaba Gold Project.

Note 21: Reserves

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
(a) Option Reserve				
The option reserve records items recognised as costs of acquisition of exploration projects and subsidiaries.	12,596	-	12,596	-
(b) Asset Revaluation Reserve				
The asset revaluation reserve records revaluations of non-current assets.	376,014	376,014	376,014	376,014
(c) Asset Realisation Reserve				
The asset realisation reserve records realised gains on sale of non-current assets.	32,095	32,095	32,095	32,095
	420,705	408,109	420,705	408,109

Note 22: Contingent Liabilities and Contingent Assets

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2006.

Note 23: Segment Reporting

The Consolidated Entity operates in two geographical segments being Australia and Brazil and one industry segment, that of mineral exploration.

Primary Reporting – Geographical Segments

	Australia	Brazil	Consolidated
	$	$	$
2006			
Revenue			
Operating revenue	115,737	-	115,737
Total revenue	115,737	-	115,737
Result			
Segment Result	(2,159,670)	(321,436)	(2,481,106)
Profit (loss) before income tax	(2,159,670)	(321,436)	(2,481,106)
Income tax	-	-	-
Profit (loss) after income tax	(2,159,670)	(321,436)	(2,481,106)
Assets			
Segment assets	3,217,075	968,581	4,185,656
Total Assets	3,217,075	968,581	4,185,656
Liabilities			
Segment liabilities	184,916	3,956	188,872
Total Liabilities	184,916	3,956	188,872
Other			
Depreciation and amortisation of segment assets	81,691	4,032	85,723
Total Other	81,691	4,032	85,723

Note 23: Segment Reporting (cont'd)

	Australia $	Brazil $	Consolidated $
2005			
Revenue			
Operating revenue	124,452	71,597	196,049
Total revenue	124,452	71,597	196,049
Result			
Segment Result	(2,090,420)	12,358	(2,078,062)
Profit (loss) before income tax	(2,090,420)	12,358	(2,078,062)
Income tax	-	-	-
Profit (loss) after income tax	(2,090,420)	12,358	(2,078,062)

	Australia $	Brazil $	Consolidated $
2005			
Assets			
Segment assets	8,789,259	327,564	9,116,823
Total Assets	8,789,259	327,564	9,116,823
Liabilities			
Segment liabilities	2,799,454	3,245	2,802,699
Total Liabilities	2,799,454	3,245	2,802,699
Other			
Depreciation and amortisation of segment assets	22,539	-	22,539
Total Other	22,539	-	22,539

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment, exploration expenditure capitalised net of accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Economic Entity at an arms length. These transfers are eliminated on consolidation.

Business Segments

The Economic Entity has the following business segment:

Exploration – conducting exploration activities in relation to mineral projects in Australia and Brazil.

Geographical Segments

The Economic Entity's head office is located in Australia, with exploration work carried out in Australia and Brazil.

Note 24: Cash Flow Information

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
(a) Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax				
Loss after income tax	(2,481,105)	(2,078,062)	7,529	(4,341,112)
Non-cash flows in profit				
Depreciation	85,723	22,539	30,002	22,539
Exploration expenditure written-off	382,689	1,416,793	340,265	1,416,793
Loan to Controlled Entity forgiven	-	-	-	2,255,101
Impairment of goodwill	144,785	-	144,785	-
(Gain)/loss on disposal of property, plant & equipment	28,011	-	(2,433)	-
(Gain)/loss on disposal of subsidiary	806,506	-	(1,101,056)	-
(Increase)/decrease in trade & term debtors	(38,370)	(47,137)	21,067	(1,000)
Increase/(decrease) in trade payables and accruals	(21,067)	8,488	(33,859)	(25,876)
Other	186,893	(155,029)	18,009	175,310
Cashflow from operations	(905,935)	(832,408)	(575,691)	(498,245)

Note 25: Share-based Payments

There were no share based payments made during the financial year.

Note 26: Events After the Balance Sheet Date

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company.

Note 27: Related Party Transactions

The names of each person holding the position of Director of Ashburton Minerals Ltd since the beginning of the financial year are:

- Mr Rick Crabb
- Mr Tom Dukovcic
- Mr Rodney Dunn

Apart from the Directors' remuneration disclosed in the Director's Report, no Directors have entered into a contract with the Economic Entity since the end of the previous financial year and there are no material contracts involving Directors' interests existing at year end.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 27: Related Party Transactions (cont'd)

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
Transactions with related parties:				
Key Management Personnel				
Repayment of loan to Titanic Holdings Pty Ltd, a company in which Mr Dunn is a director.	104,459	-	104,459	-
Repayment of loan to Westessa Holdings Pty Ltd, a company in which Mr Crabb is a director.	51,341	-	51,341	-

Note 28: Financial Instruments

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries.

Financial Risk

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and interest rate risk.

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

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

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

Note 28: Financial Instruments (cont'd)

(b) Interest rate risk exposure

Interest Rate Risk

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

	Weighted Average Effective Interest Rate		Floating Interest Rate $		Fixed Interest rate maturing 1 to 5 Years $		Non-interest Bearing $		Total $	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets:										
Cash	4.2%	4.0%	965,084	1,908,062	-	-	-	-	965,084	1,908,062
Receivables	4.2%	4.0%	42,231	52,055	-	-	165,685	117,491	207,916	169,546
Investments			-	-	-	-	3,201	3,202	3,201	3,202
Total Financial Assets			1,007,315	1,960,117	-	-	168,886	120,693	1,176,201	2,080,810
Financial Liabilities:										
Trade and sundry creditors			-	-	-	-	188,872	202,699	188,872	202,699
Total Financial Liabilities			-	-	-	-	188,872	202,699	188,872	202,699

(c) Net Fair Values

The net fair values of:-

- Listed investments have been valued at the quoted market price at balance date adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cashflows of the investment.
- Other assets and liabilities approximate their carrying value

No financial assets and liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Note 28: Financial Instruments (cont'd)

Aggregate net fair values and carrying values of financial assets and liabilities at balance date.

	2006		2005	
	Carrying Amount $	Net Fair Value $	Carrying Amount $	Net Fair Value $
Financial Assets				
Available for sale financial assets at fair value	3,201	3,201	3,202	3,202
Loans and receivables	207,916	207,916	169,546	169,546
	211,117	211,117	172,748	172,748
Financial Liabilities				
Other loans and amounts due	188,872	188,872	202,699	202,699
	188,872	188,872	202,699	202,699

Note 29: Change in Accounting Policy

(a) The group has adopted the following accounting standards for application on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation; and
- AASB 139: Financial Instruments: Recognition and Measurement

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in material differences in the recognition and measurement of the group's financial instruments. The group has elected not to adjust comparative information resulting form the introduction of AASB 139 as permitted under the transitional provisions of this standard. As such, previous Australian accounting standards have been applied to comparative information. A summary of the main adjustments that would have resulted if AASB 139 was applied retrospectively are included below.

Available-for-sale Financial Assets

Under AASB 139, available-for-sale financial assets are revalued to fair value at reporting date. All adjustments resulting from changes in fair value are taken directly to equity. If AASB 139 had been applied retrospectively, a number of financial assets reflected at cost in the comparative year would have been adjusted to fair value at 30 June 2005. This would have resulted in an increased carrying value attributable to financial assets at 30 June 2005, and a corresponding increase in reserves at that date.

Note 29: Change in Accounting Policy (cont'd)

(b) The following Australian Accounting Standards have been issued or amended and are applicable to the Parent and Economic Entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of Change in Acccounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2004-3	AASB 1: First time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Disclosure & Presentation	Ashburton Minerals Ltd is in the process of evaluating the effect of these changes of which the impact is not reasonably estimable at the date of this financial report	1 January 2006	1 July 2006
2005-10	AASB 139: Financial Instruments: Disclosure & Presentation	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 114: Segment Reporting	No change, no impact	1 January 2006	1 July 2006
	AASB 117: Leases	No change, no impact	1 January 2006	1 July 2006
	AASB 133: Earnings per share	No change, no impact	1 January 2006	1 July 2006
	AASB 132: Financial Instruments: Disclosure and Presentation	No change, no impact	1 January 2006	1 July 2006
	AASB 1: First time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006

Note 29: Change in Accounting Policy (cont'd)

AASB Amendment	AASB Standard Affected	Nature of Change in Acccounting Policy and Impact	Application Date of the Standard	Application Date for the Group
2006-1	AASB 121: The Effects of Changes in Foreign Exchange Rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7: Financial Instruments: Disclosure	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 119: Employee Benefits: December 2004	No change, no impact	1 January 2006	1 July 2006

All other pending Standards issued between the previous financial report and the current reporting dates have no application to either the Parent or Economic Entity.

AASB Amendment	AASB Standard Affected
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation

Note 30: Company Details

The registered office of the Company is:

Level 2
35-37 Havelock Street
West Perth WA 6005
Tel: (08) 9266 0300
Fax: (08) 9266 0301

The principal place of business is:

Level 2
35-37 Havelock Street
West Perth WA 6005
Tel: (08) 9266 0300
Fax: (08) 9266 0301

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 13 to 52, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company and Economic Entity;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

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

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

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

3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Mr T Dukovcic
Managing Director

Dated this 28th day of September 2006

MOORE STEPHENS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASHBURTON MINERALS LIMITED

SCOPE

The Financial Report, Remuneration Disclosures & Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statements, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Ashburton Minerals Ltd (the "Company") and Ashburton Minerals Ltd Group ("the Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 124: *Related Party Disclosures*, under the heading "Remuneration Report" in pages 11 to 13 of the directors' report, as permitted by the *Corporations Regulations 2001*.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with Accounting Standard AASB 124 and the *Corporations Regulations 2001*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion:

(1) the financial report of Ashburton Minerals Ltd is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in pages 12 to 14 of the directors' report comply with Accounting Standard AASB 124 and the *Corporations Regulations 2001*.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2006.

CORPORATE GOVERNANCE STATEMENT for the year ended 30 June 2006

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Consolidated Entity including formulating its strategic direction, approving and monitoring capital, exploration and operating expenditure, setting remuneration, appointing and removing directors and senior employees, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Executive Directors and senior employees.

Identification of Independent Directors

The independent Director of the Company is Mr Rick Crabb. Mr Crabb was a principal of the firm Blakiston & Crabb. Blakiston & Crabb have been one of the providers of legal services to the Company. Mr Crabb ceased as a principal of Blakiston & Crabb on 30 June 2004 and now focuses on his public company directorships and investments.

Board Processes

Due to the small size of the board all matters that would be addressed by committees (eg. nomination committee, audit committee) are dealt with by the full Board of Directors.

The board has established a framework for the Consolidated Entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman, Executive Directors and Company Secretary. Board reports are circulated in advance.

Independent Professional Advice and Access to Company Information

If a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a Director then, provided the Director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Composition of the Board

The names and profile of each Director of the Company at the date of this report are set out in the Director's report.

The composition of the board is determined using the following principles:

- The Board should comprise at least three directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified;
- The Board may comprise a majority of executive directors. Due to the small size of the board it is not considered necessary that the majority of the board should be independent directors;
- The Board should comprise directors with a broad range of expertise, with a majority of directors having extensive knowledge of the Company's industry;

Composition of the Board (cont'd)

- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (excluding the Managing Director) are subject to re-election at least every two years.

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, a panel of candidates is selected with the appropriate expertise and experience. External advisers may be used to assist in such a process. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Director Evaluation

During the Reporting Period an evaluation of the Board and its members was facilitated by the Chairman and carried out by the full Board in the absence of the relevant Board member.

Remuneration Report

Remuneration policies

The Board is responsible for determining remuneration policies and packages applicable to the Board members and senior employees of the Company. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior employees. The board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary, independent advice on the appropriateness of remuneration packages is obtained.

Remuneration packages consist of fixed remuneration packages with no equity-based remuneration component. There is no separate profit-share plan.

Options may be issued to directors as an incentive and in recognition of the fact that the fixed cash component of remuneration is comparatively modest. The ability to exercise the options is conditional on the holder remaining in the Company's employment. There are no other non-cash benefits available to directors or employees.

The Company does not have any schemes for retirement benefits, other than statutory superannuation, for directors.

Directors and Senior Executives Remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and the named officers of the Company receiving the highest remuneration are set out in Note 6.

Options granted to Directors and Officers

During or since the end of the financial year, no options were granted by the Company to directors and officers.

Unissued shares under option

As at the date of this report, there were 17,632,363 unissued ordinary shares under option. Further information in respect of these options is set out in the Directors' Report.

No option holder has any right under the options to participate in any other share issue of the Company or of any other Entity.

Share Issued upon Exercise of Options

No options were exercised during or since the end of the financial year.

Audit Committee Meetings

During the Reporting Period, the full Board considered those matters that would otherwise be considered by an audit committee on the following dates:

- 24 September 2005
- 16 March 2006

Risk Management

Oversight of the Risk Management System

The Board overseas the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the Consolidated Entity. Financial reporting risk management and associated compliance and controls have been assessed and found to be operating adequately. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the financial report for all material operations in the Consolidated Entity.

Risk Profile

The Executive Directors report to the Board regularly on the status of risks, ensuring that they are identified, assessed and appropriately managed.

Major risks arise from such matters as political risk, exploration risk, security to tenure, environment, government policy changes, commodity prices, occupational health and safety and financial reporting.

Procedures have been established to ensure:

- The political situation in Brazil is closely monitored;
- Exploration expenditure is incurred in accordance with an approved budget;
- Joint ventures and project acquisitions are properly authorised and executed;
- The quality and integrity of personnel;
- Financial reporting accuracy and compliance with the financial reporting regulatory framework;
- Environmental regulation compliance.

Quality and Integrity of Personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees.

Financial Reporting

The Executive Directors have declared in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Environmental Regulation

The Consolidated Entity holds exploration interests in Brazil and Australia. The Consolidated Entity's operations are subject to environmental regulations in Brazil and Australia in relation to its exploration activities.

The Consolidated Entity is committed to achieving a high standard of environmental performance. The Executive Directors are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. As part of this process they are responsible for:

- Implementing environmental management plans in operating areas which may have a significant environmental impact;
- Identifying where remedial actions are required and implementing action plans.

The Board is advised of any significant environmental issues as they occur. Based upon the work completed, the Board is not aware of any significant breaches of environmental requirements during the period covered by this report.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees of the Consolidated Entity. A fundamental theme of the Consolidated Entity's code of ethics is that all business affairs are conducted legally, ethically and with the strict of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the Consolidated Entity.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Consolidated Entity.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a Director on a Board matter, the Director concerned does not receive the relevant Board papers and is not present at the meeting whist the item is considered. Details of director related entity transactions with the Company and the Consolidated Entity are set out in note 27.

Trading in General Company Securities by Directors and Employees

The Policy on trading in Company securities by directors and employees is that directors and employees are prohibited from dealing in company shares or exercising options whilst in possession of price sensitive information not yet released to the market.

Communication with Shareholders

The Board provides shareholders with information using a comprehensive continuous disclosure policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to ASX, posting them on the Company's website and issuing media releases.

In summary, the continuous disclosure policy operates as follows:

- The Executive Directors and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX;
- The full annual financial report is distributed to all shareholders;

Communication with Shareholders (cont'd)

- The half-yearly report contains summarised financial information and a review of the operations of the Consolidated Entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;
- Quarterly reports contain summarised financial information and a review of the operations of the Consolidated Entity during the period. The quarterly reports are lodged with the ASX, and sent to any shareholder who requests them;
- Proposed major changes in the Consolidated Entity which may impact on share ownership rights are submitted to a vote of shareholders;
- All announcements made to the market are placed on the Company's website after they are released to the ASX;
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website;
- The external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

All the above information is made available on the Company's website within three days of public release and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company are available on the Company's website.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Consolidated Entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

A copy of the Constitution is available to any shareholder who requests it.

Shareholding Details

The following shareholder information was applicable as at 03 October 2006.

1. Distribution of shareholding

The distribution of members and their shareholdings was as follows:

Number Held			Number of Shareholders
1	-	1,000	175
1,001	-	5,000	375
5,001	-	10,000	241
10,001	-	100,000	437
100,001	-	75	
Total number of Shareholders			**1303**

2. Twenty largest Shareholders (as at 03 October 2006):

	SHARE HOLDER	NUMBER OF ORDINARY SHARES	%
1	ANZ NOMINEES LIMITED	39,342,737	49.40
2	RED PEAKS PTY LTD	3,084,888	3.87
3	MINMET (ISLE OF MAN) LIMITED	1,609,332	2.02
4	IOMA PTY LTD	1,339,625	1.68
5	BERNE NO 132 NOMINEES PTY LTD	785,619	0.99
6	MR JEFFREY RAYNER & BERNADETTE RAYNER	553,334	0.69
7	FORTIS CLEARING NOMINEES PTY LTD	526,312	0.66
8	MRS LILIANA TEOFILOVA	504,375	0.63
9	BARLARGO PTY LTD	500,000	0.63
10	MR JAN SKORPIL & MRS COLLEEN SKORPIL	500,000	0.63
11	TENACITY RESOURCES PTY LTD	444,445	0.56
12	MASON FRESH BERRIES PTY LTD	435,000	0.55
13	NATIONAL NOMINEES LIMITED	430,000	0.54
14	MR IANAKI SEMERDZIEV	420,000	0.53
15	MR CHRISTOPHER WILLIAM MCKINNON	370,000	0.46
16	MR SALEEM SHEHADIE	345,867	0.43
17	MR PAUL VINCENT MASON & MRS CHERIE LEANNE MASON	330,000	0.41
18	MR RAY WILLIAM GARDINER & MRS HELEN JEAN GARDINER	315,000	0.40
19	LAWRENCE CROWE CONSULTING PTY LTD	300,000	0.38
20	IOMA PTY LTD	300,000	0.38
		52,436,534	**65.84**

3. Substantial Shareholders

The following shareholders have advised the Company as having a substantial interest, being 5.0% or greater, in the issued capital of the Company:

NAME	NUMBER OF ORDINARY SHARES	%
ANZ Nominees Limited	39,342,737	49.40

4. Distribution of Listed Optionholdings

The distribution of members and their listed option holdings (as at 03 October 2006) was as follows:

Number Held	Number of Option Holders
1 - 1,000	195
1,001 - 5,000	150
5,001 - 10,000	59
10,001 - 100,000	78
100,001 -	22
Total number of Option Holders	**504**

5. Twenty largest 31 March 2007 Listed Option Holders (as at 03 October 2006):

	OPTION HOLDER	NUMBER OF OPTIONS	%
1	DALKEITH RESOURCES PTY LTD	1,745,380	14.39
2	ANZ NOMINEES LIMITED	1,338,584	11.03
3	ISAIAH SIXTY PTY LTD	625,997	5.16
4	MR CHRISTOPHER WILLIAM MCKINNON	625,668	5.16
5	REMORA PTY LTD	523,366	4.31
6	RED PEAKS PTY LTD	512,062	4.22
7	MR MAURICE ROBERT RICHARDS	388,931	3.21
8	MR CHRISTOPHER WILLIAM MCKINNON	378,334	3.12
9	STEPHANIE GROSE ADVERTISING PTY LTD	350,000	2.88
10	DR JOHN RING	350,000	2.88
11	MR GREGORY BOYD MOUNT & MRS ELIZABETH MOUNT	321,651	2.65
12	MR JOHN PEOS	255,509	2.11
13	MR CHARLES THOMAS FORD	206,509	1.70
14	NAPPA PTY LTD	200,000	1.65
15	ISAIAH SIXTY PTY LTD	167,103	1.38
16	MR NORRIS BROOK	148,263	1.22
17	MRS BERNADETTE SZESZYCKI	127,266	1.05
18	HILLBEN INVESTMENTS PTY LTD	113,332	0.93
19	MR AUSTIN JOSEPH CAREW	110,000	0.91
20	MRS PATRICIA MARGARET WILLIAMS	106,428	0.88
		8,594,383	70.84

6. Voting Rights

In accordance with Item 73 of the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and, on a poll, every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for each share held.

7. Restricted Securities

There are no restricted securities in the capital of the Company on issue.

8. Stock Exchange Listing

Ashburton Minerals Ltd is listed on the Australian Stock Exchange Limited. The trading code for the Company's fully paid ordinary Shares is ATN and ATNO for its listed Options.

ASHBURTON MINERALS LTD

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