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**Windy Knob Resources Limited
(ABN 46 122 417 243)**

**Annual Financial Report
For the period of incorporation to
30 June 2007**

Financial Report for Windy Knob Resources Limited

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Financial Report for Windy Knob Resources Limited

CORPORATE INFORMATION

ABN 46 122 417 243

Directors

Mr Guy Leclizio	Non-Executive Chairman
Mr Mathew Walker	Executive Director
Mr Russell Lynton-Brown	Non-Executive Director
Mr William Witham	Non-Executive Director

Company Secretary

Mr David Rodney Parker

Registered office

Level 17, Exchange Plaza
2 The Esplanade
PERTH WA 6000
Telephone: (08) 9223 9898
Fax: (08) 9221 5107

Principal place of business

Level 17, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Solicitors

Steinepreis Paganin
Level 4 Next Building
16 Milligan St
PERTH WA 6000

Bankers

National Australia Bank
Level 1, 1238 Hay St,
WEST PERTH WA 6005

Auditors

HLB Mann Judd
Level 2, 15 Rheola Street
WEST PERTH WA 6005

Website

www.windyknobresources.com.au

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company from incorporation to 30 June 2007. In order to comply with the provisions of the Corporations Act, the directors report as follows:

1. DIRECTORS

The names of directors who held office during or since the end of the period and until the date of this report are as follows.

Mr Guy Leclezio	(appointed 13 th October 2006)
Mr Mathew Walker	(appointed 13 th October 2006)
Mr Russell Lynton-Brown	(appointed 13 th October 2006)
Mr William Witham	(appointed 13 th October 2006)

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

Names, qualifications, experience and special responsibilities

Mr Guy Leclezio

Non-Executive Chairman
Age: 51

Mr Guy Leclezio has had over twenty years stockbroking, corporate and executive managerial experience. Current directorships include Madagascar Resources NL and Running Water Limited. Past public company experience was as a Director of Excalibur Limited.

Interest in Shares	Fully Paid Ordinary Shares	500,001
Interest in Options	Exercisable at 20 cents on or before 31 December 2009	Nil

Mr Mathew Walker

Executive Director
Age: 37

Qualifications: Bachelor of Business from the University of Technology

Mr Mathew Walker serves as Executive Director of Windy Knob Resources Limited based in Perth, Western Australia. Mr Walker is currently Executive Chairman of Trajan Minerals Limited. He has extensive experience in public company management and the provision of financial advice to corporations. He is also Executive Director of boutique investment bank Delta Securities.

During the last three years, Mathew Walker has also served as a director of the following listed companies:

- Citrofresh International Limited (Resigned September 2005)
- Erongo Energy Limited (Resigned July 2007)
- Trajan Minerals Limited (Appointed April 2007)

Interest in Shares	Fully Paid Ordinary Shares	75,000
Interest in Options	Exercisable at 20 cents on or before 31 December 2009	3,000,000

Mr Russell Lynton-Brown

Non-Executive Director
Age: 41

Mr Russell Lynton-Brown has 12 years experience in stockbroking, both retail and corporate finance, and has specialised in the resources sector. Mr Lynton-Brown has worked with international and local stockbroking companies. Mr Lynton-Brown is the Managing Director of ASX listed Trajan Minerals Limited.

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

During the last three years, Russell Lynton-Brown has also served as a director of the following listed companies:

- Trajan Minerals Limited (Appointed April 2007)

Interest in Shares	Fully Paid Ordinary Shares	1,000,001
Interest in Options	Exercisable at 20 cents on or before 31 December 2009	3,000,000

Mr William Witham

Non-Executive Director

Age: 47

Qualifications: Honours degree in Science (Geology) from UWA

With an Honours degree in Science (Geology) from UWA, and having 19 years experience in the fields of exploration, management, investing and regional development, Bill has an in-depth understanding of the ways in which industry, government and financial markets operate. Bill has worked in many countries, with extensive experience in mineral and oil and gas exploration, management, government relations and corporate finance.

During the last three years, Mr Witham has also served as a director of the following listed companies:

- DMC Mining Ltd (Appointed December 2006)
- Whinnen Resources Ltd (Appointed January 2007)

Interest in Shares	Fully Paid Ordinary Shares	225,001
Interest In Options	Exercisable at 20 cents on or before 31 December 2009	Nil

COMPANY SECRETARY

Mr David Rodney Parker

Company Secretary

Age: 28

Qualifications: Bachelor of Commerce from Curtin University

Mr David Parker worked as a business analyst in London between 1999 and 2001, joined a national broking firm in 2001 and moved to Delta Securities in 2004 as a member of the corporate department and as an Investment Manager. David Parker has completed a Bachelor of Commerce at Curtin University, is an affiliate of the Financial Services Institute of Australia and is currently completing a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia.

2. PRINCIPAL ACTIVITIES

The principal activity of the entity during the period was the exploration for natural resources.

There have been no other significant changes in the nature of those activities during the period.

3. OPERATING RESULTS FOR THE PERIOD

The loss of the Company for the financial period, after providing for income tax amounted to \$160,550.

4. DIVIDENDS

No dividends have been paid or declared since the start of the financial period and the directors do not recommend the payment of a dividend in respect of the financial period.

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

5. REVIEW OF OPERATIONS

Honeymoon Well South Project

Honeymoon Well South – Nickel Drilling

The initial scout drill testing of the Wiluna Greenstone belt at the Honeymoon Well South project 55 kilometres southeast of Wiluna WA, has been completed.

An area 3 km by 1 km located 8 km south of the Lake Way homestead was targeted as it had previously returned elevated base metal values in soil and rock chip samples. A small aircore rig was contracted, restricting drilling to the weathered horizon, generally to a maximum depth of 30 metres.

Hole ISR17 returned 8 metres at 864ppm Ni (including 1 metre at 1,442ppm Ni).
Hole ISR6 returned 11 metres at 753ppm Ni.

These elevated nickel values indicates previously unmapped komatiite ultramafics within the tenement.

The Company believes these initial results warrant follow-up exploration. Future exploration is likely to include ground electromagnetic surveys and a further drill program utilizing a Reverse Circulation (RC) drill rig to test potential Nickel mineralisation at depth.

Honeymoon Well South – Uranium Drilling

Windy Knob also carried out a small drilling program around Charlie's Well, 15 kilometres south east of Lakeway Homestead. The aim was to ascertain the amount of calcrete present in the area that may host uranium mineralization. No major horizons of calcrete or radiometric material were encountered.

An initial scout drill testing of the Wiluna Greenstone belt at the Honeymoon Well South project 55 kilometres southeast of Wiluna WA was completed during the quarter.

An area 3 km by 1 km located 8 km south of the Lakeway homestead was targeted as it had previously returned elevated base metal values in soil and rock chip samples. A small aircore rig was contracted, restricting drilling to the weathered horizon, generally to a maximum depth of 30 metres. Elevated nickel values were received from this drill program, which indicate previously unmapped komatiite ultramafics within the tenement.

The Company believes these initial results warrant follow-up exploration and has subsequently arranged for a ground electromagnetic survey to be completed to further define Nickel targets at Honeymoon Well South. This survey is expected to commence prior to the end of July. A further drill program utilizing a Reverse Circulation (RC) drill rig to test for potential Nickel mineralisation at depth will be reviewed following the analysis of the electromagnetic survey.

Honeymoon Well South – Uranium Drilling

Windy Knob also carried out a small drilling program around Charlie's Well, 15 kilometres south east of Lakeway Homestead. The aim was to ascertain the amount of calcrete present in the area that may host uranium mineralization. No major horizons of calcrete or radiometric material were encountered.

Tuckanarra

Airborne magnetic and radiometric data was purchased and interpreted for the two exploration licences based at Tuckanarra, south of Meekatharra. These data together with historical soil sample results have indicated potential for gold mineralisation adjacent to the already mined Stalwell Pit.

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

6. FINANCIAL POSITION

The Company currently has \$2.039 million in cash assets which the Directors believe puts the Company in a sound financial position with sufficient capital to effectively explore its tenements and provide working capital for administration and to pursue other resource based opportunities.

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Windy Knob was incorporated on 13th October 2006 with an issued capital of five fully paid ordinary shares.

On 24th November 2006, the Company issued 6,000,000 options exercisable at \$0.20 which expire on 31 December 2009 to directors for nil consideration.

On 4th December 2006, the Company issued 7,500,000 shares to seed capital investors at 2 cents each to raise a gross \$150,000.

On 27th January 2007, the Company issued 2,500,000 shares to project vendors for nil consideration as payment of 100% of tenements.

On 27th January 2007, the Company issued 12,000,000 shares to investors via an Initial Public Offering on the ASX at 20 cents each to raise a gross \$2,400,000. Costs of this issue were approximately \$272,000.

8. FUTURE STRATEGY AND OTHER ACTIVITIES

The Company will continue to exploration of the current wholly owned Murchison tenements for natural resources.

The Company will also review resource based opportunities for participation in addition to the Company's current projects.

9. SIGNIFICANT EVENTS AFTER BALANCE DATE

There has not been any matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

10. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the Company in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Therefore, this information has not been presented in this report.

11. ENVIRONMENTAL LEGISLATION

The Company is subject to significant environmental and monitoring requirements in respect of its natural resources exploration activities.

The directors are not aware of any significant breaches of these requirements during the period.

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Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

12. DIRECTORS' MEETINGS

The number of Directors meetings (including committees) held during the financial period each director held office and the number of meetings attended by each director are:

Director	Directors Meetings	
	Meeting Attended	Meetings Eligible to attend
Mathew Walker	3	3
Mr Guy Leclezio	3	3
Mr Russell Lynton-Brown	3	3
Mr William Witham	3	3

In additional 9 circular resolutions were signed by the board during the period.

13. REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Windy Knob Resources Limited (the "Company").

Remuneration philosophy

The remuneration policy of Windy Knob Resources Limited has been designed to align director's objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates.

The Board of Windy Knob Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create aligned goals between directors and shareholders.

Remuneration committee

During the period ended 30 June 2007, the Company did not have a separate remuneration committee. Instead, the duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the entire board.

The company intends to form a Remuneration Committee in the following period.

The Remuneration Committee of the Board of Directors of the company will be responsible for determining and reviewing compensation arrangements for the executive directors, the non-executive directors and consultants employed by the Company.

The Remuneration Committee will assesses the appropriateness of the nature and amount of remuneration of directors and senior executives annually by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

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

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company.

The remuneration of non-executive directors for the period ended 30 June 2007 is detailed in Table 1 of this report.

14. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

Mr Guy Leclezio	Non-Executive Chairman
Mr Mathew Walker	Executive Director
Mr Russell Lynton-Brown	Non-Executive Director
Mr William Witham	Non-Executive Director

Executive Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set out at the incorporation of the Company, relative comparative information and independent expert advice.

Except as detailed in the Remuneration Report, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a substantial member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporation regulations, or the fixed salary of a full time employee of the Company.

(b) Remuneration of Specified Directors and Specified Executives

Details of Remuneration for the period ended 30 June 2007

The remuneration for each director during the period is as follows:

Table 1: Directors' Remuneration For The Period Ended 30 June 2007

		Primary Benefits		Post Employment		Equity	Other	Total	%
		Base Salary & Fees	Bonus & Non-Cash Benefits	Superannuation	Prescribed Benefits	Value of Options			Performance Related
Mathew Walker	2007	43,750	-	-	-	11,906	-	55,656	-
Mr Guy Leclezio	2007	18,334	-	-	-	-	-	18,334	-
Mr Russell Lynton-Brown	2007	12,500	-	-	-	11,906	-	24,406	-
Mr William Witham	2007	14,450	-	-	-	-	-	14,450	-

Performance income as a proportion of total income.

No bonuses were paid to executive or non-executive directors during the period.

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

(c) Remuneration Options: Granted and vested during the period ended 30 June 2007

During the period ended 30 June 2007 and Options were granted as incentive to the Directors, and therefore have been classified as remuneration.

Table 2: Options Granted as Part of Remuneration

	Value of Options granted at grant date	Value of Options exercised at exercise date	Value of options lapsed at time of lapse	Total value of Options granted, exercised & lapsed	Value of Options lapsed during period	Value of Options included in Remuneration for the period	% Remuneration consisting of Options for the period
Mathew Walker	11,906	-	-	11,906	-	11,906	20%
Mr Guy Leclezio	-	-	-	-	-	-	-
Mr Russell Lynton-Brown	11,906	-	-	11,906	-	11,906	46%
Mr William Witham	-	-	-	-	-	-	-

For details on the valuation of the options, including models and assumptions used, please refer to Note 13. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

(d) Employment Contracts of Directors and Senior Executives

The employment conditions of the Executive Director, Mathew Walker are formalised in an Executive Service Agreement dated 1st November 2006. As per the agreement Mr Walker's remuneration is \$75,000 exclusive of Superannuation entitlements.

On termination the Executive is entitled to payment in lieu of the annual leave which has become entitled to but not taken.

The Company may terminate the employment by giving 3 months written notice to the executive. The executive may terminate the employment by giving 3 months written notice to the Company.

Non-executive Directors do not have formal contracts of service, however their remuneration has been approved by the Executive Director, and was disclosed in the Companies prospectus dated 19 December 2006.

15. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Financial Report for Windy Knob Resources Limited

DIRECTORS' REPORT (Continued)

16. OPTIONS

Options Granted to Executives and Directors

There were 6,000,000 options granted to Directors during the period ending 30 June 2007.

Directors	Type	Number Issued	Exercise Price	Expiry Date
Mathew Walker	Unlisted options	3,000,000	20 cents	30 Dec 2009
Russell Lynton-Brown	Unlisted options	3,000,000	20 cents	30 Dec 2009

Un-issued Shares Under Option

At the date of this report unissued ordinary shares of the Company under option are:

Type	Number Issued	Exercise Price	Expiry Date
Unlisted Options	6,000,000	20 cents	30 Dec 2009

17. AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 17 and forms part of this directors' report for the period ended 30 June 2007.

18. NON – AUDIT SERVICES

The following non-audit services were provided by our auditors, HLB Mann Judd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

HLB Mann Judd received or are due to receive the following amounts for the provision of non-audit services:

Preparation of Independent Accountant's Report \$5,000

Signed in accordance with a resolution of the directors



Guy Leclezio
Non-Executive Chairman

Perth, 27 September 2007

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Financial Report for Windy Knob Resources Limited

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Windy Knob Resources Ltd is committed to attaining and implementing the highest standards of corporate governance. The board has reviewed the company's corporate governance practices in relation to the best practice recommendations released by the Australian Securities Exchange Corporate Governance Council. The Board supports the intent of the best practice recommendations and recognises that given the present size and scope of the company it is not practical to institute all of the best practice recommendations at present.

A description of the company's main corporate governance practices is set out hereunder.

The Board of Directors

The Board of Directors are responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable and the implementation of corporate governance policies.

The Board operates in accordance with the following principles:

- The Board should comprise between 3 and 5 directors, with a mix of executive and non-executive directors;
- The Board should comprise directors with a range of skills and experience that are appropriate and assist the directors in performing their duties within the scope of the company's operations.
- The responsibility of the day-to-day operation and administration of the Company is delegated by the Board to the Executive Director.

Directors are initially appointed by the full Board and are subject to re-election at the annual general meeting by shareholders at three-yearly intervals, or at the next annual general meeting after their initial appointment.

The Chairman of the Board is a non-executive director who is elected by the full Board.

Corporate governance best practice recommendations 2.1, 2.2 and 2.3 which requires the majority of the Board to be independent directors, the Chairman to be an independent director and the roles of Chairman and Chief Executive Officer to be exercised by different individuals have not all been adopted by the company. The Board is of the opinion that the company is best served by its current board composition of executive and non-executive directors and a chairman who is an non-executive director and the role of chief executive officer is performed by the executive director.

The company considers corporate governance best practice recommendation 1.1 which requires formalisation and disclosure of the functions reserved to the Board and those delegated to management inappropriate given the size of the company's operations, the number of directors constituting the Board and the fact that the company has no employees. Accordingly, the Board is responsible for the functions typically delegated to management in addition to its usual Board functions.

The Board Charter, a section of the Corporate Governance Policies includes the specific responsibilities of the board:

The specific responsibilities of the Board include:

- appointment, evaluation, rewarding and if necessary the removal of the Executive Director, and the Company Secretary;
- development of corporate objectives, strategy and operations plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- establishing appropriate levels of delegation to the Executive Director to allow him to manage the business efficiently;
- monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level, to understand at all times the financial and operating conditions of the Company;

Financial Report for Windy Knob Resources Limited

CORPORATE GOVERNANCE STATEMENT (Continued)

- monitoring the performance of senior management including the implementation of strategy, and ensuring appropriate resources are available;
- via management, an appreciation of areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- overseeing the management of safety, occupational health and environmental matters;
- satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
- reporting to shareholders.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

Performance Assessment

The Board undertakes annual self assessment of its collective performance and the performance of the Chairman.

A process has been established to review and evaluate the performance of the Board. The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months, including comparison with others, and examining ways in which the Board can better perform its duties. The review will incorporate the performance of the Board.

The annual review includes consideration of the following measures:

- comparison of the performance of the Board against the requirements of the Board charter;
- assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- review the Board's interaction with management;
- identification of any particular goals and objectives of the Board for the next year;
- review the type and timing of information provided to the directors; and
- identification of any necessary or desirable improvements to Board or committee charters.

The method and scope of the performance evaluation will be set by the Board and which may include a Board self-assessment checklist to be completed by each director.

Nomination and Remuneration of Directors and Audit Committees

Corporate governance best practice recommendations 2.4, 4.2 and 9.2 require listed entities to establish a nomination committee, an audit committee and a remuneration committee respectively. During the period ended 30 June 2007, the company did not have a separate nomination, audit or remuneration committee.

However, the duties and responsibilities typically delegated to such committees are considered to be the responsibility of the full Board.

Due to the relatively small size of the company's operations and the number of directors constituting the Board, the Board of Directors unanimously believe that the company's policies relating to the nomination and remuneration of directors and the review of external audit arrangements are best catered for by the involvement of the entire Board. The main procedures that the company has in place regarding the nomination and remuneration of directors and reviewing the adequacy of existing external audit arrangements are set out below.

Financial Report for Windy Knob Resources Limited

CORPORATE GOVERNANCE STATEMENT (Continued)

Nomination of Directors

Any Board member may make recommendations on Board composition and appointments, however appointments are subject to the final approval of the full Board.

Procedures for selection and appointment of Directors

The Board shall ensure that, collectively, it has the appropriate range and expertise to properly fulfill its responsibilities, including:

- accounting and finance;
- business development and risk management;
- industry and public company experience; and
- an appropriate ratio and skills matrix for executive and non-executive directors.

In the circumstances where the Board believes there is a need to appoint another director, whether due to retirement of a director or growth or complexity of the Company, certain procedures will be followed, including the following:

- determine the skills and experience appropriate for the appointee having regard to those of the existing directors and any other likely changes to the Board;
- agree the process and timetable for seeking such a person, which may involve an external search firm;
- a short list of candidates will be prepared for the Board's consideration and interview.

The selection process will encourage visitation to the Company's operating sites and an understanding of management information systems. Candidates will be assessed on the following basis:

- competencies and qualifications;
- independence;
- other directorships;
- time availability;
- contribution to the overall balance of the composition of the Board; and
- depth of understanding of the role of and legal obligations, of a director.

The Board currently comprises 4 persons and is considered to have an appropriate balance of skills and experience.

The Chairman regularly reviews the composition of the Board to ensure that the board continues to have the mix of skills and experience necessary for the conduct of the Company's activities.

Remuneration of Directors

The amount of remuneration payable to directors is determined and reviewed by the full Board. The board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Further information on directors' remuneration is set out in Note 4 to the financial statements.

Review of External Audit Arrangements

The assessment of the scope and quality of the company's audit is carried out by the full Board.

Assessment procedures include:

- Reviewing external audit reports to ensure that any significant deficiencies or breakdowns in controls or procedures have been identified and remedied;
- Liaising with the auditors and ensuring that the annual statutory audit and half-year review are conducted in an effective manner.

Financial Report for Windy Knob Resources Limited

CORPORATE GOVERNANCE STATEMENT (Continued)

Ethical Standards and Continuous Disclosure Policy

The Board expects all directors to perform their duties in a manner which is ethical, honest and objective and at all times endeavour to maintain and improve the performance and reputation of the company. A code of conduct, as purported in best practice recommendation 3.1 and 10.1, has not been formally established as the Chairman consistently and continuously ensures that all members of the Board have a clear understanding of their duties, responsibilities and their accountability to the company and its shareholders for their conduct.

The purchase and sale of company securities by Directors is permitted. However, buying or selling of the company's shares is not allowed at any time by any person who possesses unpublished information which may affect the price of the company's shares.

The company aims to provide relevant and timely information to its shareholders and the broader investment community in accordance with its continuous disclosure obligations under the ASX Listing Rules.

The Board has established policies and procedures to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a director level for that compliance. However, the Board believes that the formalisation of these policies and procedures in a written form as recommended in best practice recommendation 5.1 is not necessary as the Board is satisfied that all Board members are acutely aware of the importance of making timely and balanced disclosure.

The Executive Director and the Company Secretary have been nominated as the persons responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Risk Management and internal compliance and control

The Board is responsible for ensuring there are adequate policies in relation to risk management and internal compliance and control.

The assessment of identified and potential significant business risk is monitored by the executive director.

The board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and reacting to risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an ongoing assessment of the effectiveness of risk management and internal compliance and control.

Within the identified risk profile of the Company, comprehensive practices are in place that are directed towards achieving the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

The executive directors are responsible for the development and implementation of appropriate risk management strategies in order to mitigate such risk.

Financial Report for Windy Knob Resources Limited



Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Windy Knob Resources Limited for the period ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Windy Knob Resources Limited.

**Perth, Western Australia
27 September 2007**

**N G NEILL
Partner, HLB Mann Judd**

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Financial Report for Windy Knob Resources Limited

INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

	Note	2007 \$
Revenues from ordinary activities	2	55,543
Consultants and corporate costs		(15,375)
Director and company secretarial fees		(119,229)
Exploration expenses written off		(2,810)
Administration expenses	3	(26,850)
Travel expenses	3	(30,926)
Other expenses	3	<u>(20,903)</u>
Operating loss from ordinary activities before income tax expense		(160,550)
Income tax expense relating to ordinary activities		<u>-</u>
Operating loss from ordinary activities after income tax expense		<u>(160,550)</u>
Basic loss per share (cents per share)	7	(0.0100)

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

Financial Report for Windy Knob Resources Limited

BALANCE SHEET AS AT 30 JUNE 2007

	Note	2007 \$
CURRENT ASSETS		
Cash assets	8	2,039,658
Other	9	34,014
TOTAL CURRENT ASSETS		<u>2,073,672</u>
NON-CURRENT ASSETS		
Deferred exploration and evaluation	10	641,504
TOTAL NON-CURRENT ASSETS		<u>641,504</u>
TOTAL ASSETS		<u><u>2,715,176</u></u>
CURRENT LIABILITIES		
Trade and other payables		45,218
TOTAL CURRENT LIABILITIES		<u>45,218</u>
TOTAL LIABILITIES		<u>45,218</u>
NET ASSETS		<u><u>2,669,958</u></u>
MEMBERS' FUNDS		
Capital reserves	11	2,806,696
Options reserves	14	23,812
Retained profits	17	(160,550)
ACCUMULATED MEMBERS' FUNDS		<u><u>2,669,958</u></u>

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

Financial Report for Windy Knob Resources Limited

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

	Capital	Reserves	Losses	Equity
	\$	\$	\$	\$
OPENING BALANCE	-	-	-	-
Share issue expense	(243,309)	-	-	(243,309)
Losses attributable to the members of the entity	-	-	(160,550)	(160,550)
<hr/>				
Total income and expenses for the period	(243,309)	-	(160,550)	(403,859)
Equity instruments issued during the period	3,050,005	23,812	-	3,073,817
<hr/>				
Balance at 30 June 2007	2,806,696	23,812	(160,550)	2,669,958

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

Financial Report for Windy Knob Resources Limited

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2007

	Note	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(178,793)
Interest received		<u>53,259</u>
Net cash used in operating activities	12	<u>(125,534)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration and tenements		<u>(141,504)</u>
Net cash used in investing activities		<u>(141,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue		<u>2,306,696</u>
Net cash provided by financing activities		<u>2,306,696</u>
Net increase in cash held		2,039,658
Cash at beginning of financial period		<u>-</u>
Cash at end of financial period	8	<u><u>2,039,658</u></u>

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

Financial Report for Windy Knob Resources Limited

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

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, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The following is a summary of the material accounting policies adopted by Windy Knob Resources Limited in the preparation of the financial report.

The Company is a listed public company, incorporated and operating in Australia.

Basis of Preparation

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, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Adoption of New and Revised Standards

In the period ended 30 June 2007, the Company has reviewed all of the new and revised standards and interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006. It has been determined that there is no impact, material or otherwise, of the new and revised accounting standards and interpretations on its business and therefore no change necessary to accounting policies.

Statement of Compliance

The financial report was authorised for issue on 27 September 2007.

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

Accounting Policies

Taxes

Income Tax

The charge for current income tax expense is based on the profit for the period adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially 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.

Financial Report for Windy Knob Resources Limited

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

Note 1: Statement of Significant Accounting Policies (Continued)

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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Goods & 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 Taxation 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 gross basis, except for the GST component of investing & financing activities, which are disclosed as operating cash flows.

Property, Plant and Equipment

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

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.

Financial Report for Windy Knob Resources Limited

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

Note 1: Statement of Significant Accounting Policies (Continued)

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 estimated future cash outflows to be made for those benefits.

Provisions

Provisions are recognised when the company 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.

Cash and Cash Equivalents

Cash comprises cash at bank and on hand. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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

Issued Capital

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

Earning per share

Basic earning per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and any expenses associated with dividends and interest of dilutive potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) adjusted for any bonus element.

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Financial Report for Windy Knob Resources Limited

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

Note 2: Revenue

	2007
	\$
Other income	-
Interest revenue	53,259
Accrued interest	2,284
	<u>55,543</u>

Note 3: Expenses

Loss includes the following specific expenses:

Administration expenses include:

Accounting fees	350
Accrued accounting fees	7,000
Accrued auditor fees	7,500
Bookkeeping and administration fees	12,000
	<u>26,850</u>

Travel expenses include:

Directors	16,722
Consultants	14,204
	<u>30,926</u>

Other expenses include:

Advertising	6,500
Bank charges	862
Couriers & freight	432
Insurance	2,231
Legal fees	4,405
Printing & stationary expenses	1,836
Telephone	455
Web-site expenses	4,182
	<u>20,903</u>

Financial Report for Windy Knob Resources Limited

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

Note 4: Key Management Personnel Compensation

Details of Specified Directors and Specified Executives in office at any time during the financial period are:

(i) Specified Directors

Mr Mathew Walker	Executive Director
Mr Guy Leclezio	Non-Executive Chairman
Mr Russell Lynton-Brown	Non-Executive Director
Mr William Witham	Non-Executive Director

Executive Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set out at the incorporation of the Company, relative comparative information and independent expert advice.

Except as detailed in Note 5 or as detailed in this Note, no director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a substantial member or an entity in which a director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors and shown in the Remuneration Report, prepared in accordance with the Corporation regulations, or the fixed salary of a full time employee of the Company.

(ii) Remuneration Practices

The amount of remuneration payable to directors is determined and reviewed by the full Board. The board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

(iii) Remuneration of Specified Directors and Specified Executives

Details of Remuneration for the period ended 30 June 2007.

The remuneration for each director during the period is as follows:

Table 1: Directors' remuneration for the period ended 30 June 2007

Table 1: Directors' Remuneration For The Period Ended 30 June 2007

		Primary Benefits		Post Employment		Equity	Other	Total	%
		Base Salary & Fees	Bonus & Non-Cash Benefits	Superannuation	Prescribed Benefits	Value of Options			Performance Related
Mathew Walker	2007	43,750	-	-	-	11,906	-	55,656	-
Mr Guy Leclezio	2007	18,334	-	-	-	-	-	18,334	-
Mr Russell Lynton-Brown	2007	12,500	-	-	-	11,906	-	24,406	-
Mr William Witham	2007	14,450	-	-	-	-	-	14,450	-

No bonuses or non-cash benefits were paid to executive or non-executive directors during the period.
No performance related remuneration was paid to the executive or non-executive directors during the period.

Financial Report for Windy Knob Resources Limited

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

Note 4: Key Management Personnel Compensation (Continued)

(iv) Remuneration Options: Granted and vested during the period ended 30 June 2007

During the period ended 30 June 2007 and Options were granted as incentive to the Directors, and therefore have been classified as remuneration.

Table 2: Options Granted as Part of Remuneration

	Value of Options granted at grant date	Value of Options exercised at exercise date	Value of options lapsed at time of lapse	Total value of Options granted, exercised & lapsed	Value of Options lapsed during period	Value of Options included in Remuneration for the period	% Remuneration consisting of Options for the period
Mathew Walker	11,906	-	-	11,906	-	11,906	20%
Mr Guy Leclezio	-	-	-	-	-	-	-
Mr Russell Lynton-Brown	11,906	-	-	11,906	-	11,906	46%
Mr William Witham	-	-	-	-	-	-	-

For details on the valuation of the options, including models and assumptions used, please refer to Note 13.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

(v) Shares and Options Holdings

All share equity dealings with directors have been entered into with terms and conditions no more favourable than those that the equity would have adopted in dealing at arm's length and on commercial terms.

All Options issued to directors were done so in regard to commercial terms and having regard to other benefits payable to the directors (including remuneration terms) reasonable in all circumstances. Specifically, the following points were considered at the time of issue

- the terms of the Options and the number of the Options to be granted to each director
- the current position of the Company
- the intended position of the Company

(vi) Share Holdings

Number of Shares held by Key Management Personal Period from incorporation to 30 June 2007

	Balance on incorporation	Received as Compensation	Options Exercised	Net Change Other****	Balance at end of period
Guy Leclezio*	1	-	-	500,000	500,001
Mathew Walker**	1	-	-	75,000	75,001
Russell Lynton-Brown***	1	-	-	1,000,000	1,000,001
William Witham	1	-	-	225,000	225,001
Total	4	-	-	1,800,000	1,800,004

* Guy Leclezio holds his shares through a controlled entity, Cannon Point Pty Ltd.

** Mathew Walker holds 75,000 shares as trustee of the Isabella Margaret Davis Trust. His daughter Isabella is the sole beneficiary of that trust.

*** Russell Lynton-Brown holds 1,000,000 shares through a controlled entity Husif Nominees Pty Ltd as trustee for the R C Lynton-Brown Family Trust.

**** Net Change other represents shares purchased in the \$0.02 seed raising on the issued on the 4th of December 2006.

Financial Report for Windy Knob Resources Limited

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

Note 4: Key Management Personnel Compensation (Continued)

(vii) Option Holdings

Number of Options Held by Key Management Personnel Period from incorporation to 30 June 2007						
	Balance on incorporation	Received as Compen- sation	Net Change Other*	Balance at the end of the period	Total Vested	Total Exercised
Guy Leclizio	-	-	-	-	-	-
Mathew Walker	-	-	3,000,000	3,000,000	3,000,000	3,000,000
Russell Lynton- Brown*	-	-	3,000,000	3,000,000	3,000,000	3,000,000
William Witham	-	-	-	-	-	-
Total	-	-	6,000,000	6,000,000	6,000,000	6,000,000

* All options were issued on 24 November 2006 for nil consideration.

**Options held by a controlled entity Husif Nominees Pty Ltd as trustee for the R C Lynton-Brown Family Trust

(viii) Employment Contracts of Directors and Senior Executives

The employment conditions of the Executive Director, Mathew Walker are formalised in an Executive Service Agreement dated 1 November 2006. As per the agreement Mr. Walker's remuneration is \$75,000 exclusive of Superannuation entitlements.

On termination the executive is entitled to payment in lieu of the annual leave which he has become entitled to but not taken.

The Company may terminate the employment by giving 3 months written notice to the executive. The executive may terminate the employment by giving 3 months written notice to the Company.

Non-executive Directors do not have formal contracts of service, however their remuneration has been approved by the Board, and was disclosed in the Companies prospectus dated 19th December 2006.

Note 5: Related Party Disclosures

Mathew Walker was a director and equity holder of Delta Capital Pty Ltd. Delta Capital provided administration services on commercial terms, and were entitled to \$4,000 per month for services provided, and payments made to Delta Capital during the period for administration services totalled \$12,000. Delta Capital was paid \$50,000 for capital raising services provided as part of the Initial Public Offering capital raising.

Financial Report for Windy Knob Resources Limited

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

Note 6: Income Tax Expense

	2007
The prima facie tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements as follows:	\$
Loss from ordinary activities	(160,550)
Prima facie income tax benefit @ 30%	(48,165)
Temporary & permanent differences	
Accrued interest	(685)
Tenement expense	(17,172)
Capital raising costs	(14,599)
Directors remuneration options	7,143
Accrued payroll	5,500
Accrued expenses	4,474
Other	261
Income tax benefit/(loss) adjusted for permanent and timing differences	(63,243)
Income tax benefit/(loss) not brought to account	63,243
Income tax attributable to operating losses	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised

Note 7: Earnings per Share

	2007
Basic earning/(loss) per share	(0.0100) cents
Weighted average number of ordinary shares used in the calculation of earning per share	16,037,042

Note 8: Cash & cash equivalents

	2007
Cash at Bank	\$ 239,658
Deposits	1,800,000
	<u>2,039,658</u>

Cash at bank earns interest at floating rates based on a daily bank deposit rates.

Deposits at call are held in either an overnight cash maximiser account or a 30 day term deposit, depending on the immediate cash requirements of the Company and earns interest at the respective deposits at call rates.

Financial Report for Windy Knob Resources Limited

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

Note 9: Other Assets	2007
	\$
Prepayments	17,634
Withholding tax paid	75
Goods & Services Tax	14,021
Accrued interest	2,284
	<u>34,014</u>

Note 10: Deferred Exploration and Evaluation

Windy Knob Tenement	586,020
Honeymoon Well Tenement	48,646
Tuckannara Tenement	6,838
Accumulated depreciation	-
	<u>641,504</u>

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the exploration areas of interest.

Note 11: Issued Capital

	2007	
	#	\$
Ordinary shares fully paid	<u>22,000,005</u>	<u>3,050,005</u>
Subscriber share issued at \$1.00 each on 9/2/07	5	5
Shares at 2 cents issued on 24/11/06	7,500,000	150,000
Shares at 20 cents issued on 27/01/07	2,500,000	500,000
Shares at 20 cents issued on 27/01/07	<u>12,000,000</u>	<u>2,400,000</u>
	<u>22,000,005</u>	<u>3,050,005</u>
Share Issue Costs	-	(243,309)
	<u>22,000,005</u>	<u>2,806,696</u>

Share Options Details	#	\$
Options issued to directors exercisable at \$0.20 on or before 31 December 2009	<u>6,000,000</u>	<u>23,812</u>

For information relating to share options issued to key management personnel during the financial period, refer to Note 13 Share-based Payments.

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Financial Report for Windy Knob Resources Limited

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

Note 12: Cash Flow Information

	2007
<i>Reconciliation of loss after income tax to net cash (outflow) from operating activities</i>	\$
(Loss) from ordinary activity after income tax	(160,550)
<i>Add back non-cash items:</i>	
<i>Changes in assets</i>	
Increase in accrued interest	(2,284)
Increase in other assets	(31,730)
<i>Changes in liabilities</i>	
Increase in operating payables	10,481
Increase in accrued expenses	16,403
Increase in accrued payroll liabilities	18,334
<i>Changes in equity</i>	
Options reserve	23,812
Net cash (outflow) from operating activities	<u>(125,534)</u>

Note 13: Share-based Payments

On 24 November 2006, 6,000,000 share options were granted to directors to accept ordinary shares at an exercise price of 20 cents. Options not exercised on or before the expiry date of 31 December 2009 will automatically lapse. The options are subject to escrow provisions until 6 February 2009. The options hold no voting or dividend rights and are not transferable.

The value of the Options as described in Note 4 was calculated using the Black Scholes model, using the following variables:

- Volatility: 60%
- Spot price at date of valuation: \$0.05
- Date of valuation: 24 November 2006
- Date of expiry: 31 December 2009
- Time till maturity: 3.08 years
- Discount to lack of marketability: 30%
- Exercise Price: \$0.20
- Interest Rate: 6.2%

Note 14: Reserves

	2007
Option Reserve	\$ <u>23,812</u>

The option reserve records the value of options issued.

Financial Report for Windy Knob Resources Limited

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

Note 15: Events after Balance Sheet Date

There are no matters or circumstances that have arisen since 30 June 2007 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial periods.

Note 16: Financial Instruments

(a) Interest Rate Risk

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

	Non Interest Bearing \$ 2007	Weighted Average Effective Interest Rate % 2007	Floating Interest Rate \$ 2007
Financial Assets			
- Cash at Bank	-	5.91	2,039,658
- Receivables	-		-
Total Financial Assets	<u>-</u>		<u>2,039,658</u>
Financial Liabilities			
- Payable and accruals			45,218
- Other	-		-
Total Financial Liabilities	<u>-</u>		<u>45,218</u>

(b) Credit Risk

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

In the case of cash deposited, credit risk is minimised by depositing with recognised financial intermediaries such as banks, subject to Australian Prudential Regulation Authority Supervision.

The Company does not have any material risk exposure to any single debtor or group of debtors under financial instruments entered into by it.

(c) Net Fair Values

For financial assets and liabilities, the fair value approximates their carrying value. The Company has no financial assets or liabilities that are readily traded on organised markets at balance date and has no financial assets where the carrying amount exceeds net fair values at balance date.

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

Financial Report for Windy Knob Resources Limited

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

Note 17: Retained Profits

	2007
	\$
Accumulated profit/(loss) at the beginning of the period	-
Net profit/(loss) this period attributable to members	(160,550)
Accumulated profit/(loss) at the end of the period	<u>(160,550)</u>

Note 18: Auditors' Remuneration

Audit services	
Auditors of the company - HLB Mann Judd	
Accrued audit fees	<u>7,500</u>
Amounts paid for other services	<u>5,000</u>

Note 19: Commitments

In order to meet the company's obligations regarding its tenement agreements, the company is committed to incurring the following expenditure amounts in the following areas:

Project	Tenement ID	Date due	Commitment	Incurred	Remaining
Tuckanarra	E20/0515	1/09/2007	20,000	0	20,000
Windy Knob	E51/0900	7/01/2008	39,000	1,756	37,244
Tuckanarra	E51/0919	20/03/2008	65,000	6,838	58,162
Honeymoon Well	E53/0976	13/08/2007	40,000	48,647	0
Honeymoon Well	E53/1241	4/05/2008	15,000	0	15,000
			<u>179,000</u>	<u>57,241</u>	<u>130,406</u>

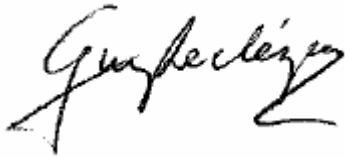
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Financial Report for Windy Knob Resources Limited

DIRECTOR'S DECLARATION

1. In the opinion of the directors:
 - a. The financial statements and notes of the company are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2007 and of the performance for the period then ended: and
 - ii. complying with Accounting Standards and Corporations Regulations 2001: and
 - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial period ended 30 June 2007.

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



Guy Leclizio
Non-Executive Chairman

Dated 27 day of September 2007

Financial Report for Windy Knob Resources Limited



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of WINDY KNOB RESOURCES LIMITED

We have audited the accompanying financial report of Windy Knob Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the period then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration as set out on pages 16 to 32.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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HLB Mann Judd (WA Partnership) is a member of  International and the HLB Mann Judd National Association of independent accounting firms

Financial Report for Windy Knob Resources Limited

Independent Audit Report

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Windy Knob Resources Limited and included in the Directors' Report, would be on the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Windy Knob Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year then ended; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



HLB MANN JUDD

Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
27 September 2007

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Financial Report for Windy Knob Resources Limited

ADDITIONAL SHAREHOLDER INFORMATION

A. Corporate Governance

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the period is contained within the Director's Report.

B. Shareholding

1. Substantial Shareholders

The name of the substantial shareholders listed on the Companies register as at 21 September 2007:

Shareholder	Number of shares held
Corporate & Resource Consultants Pty Ltd	1,500,000
Paul Travis Fowler	1,125,000

2. Number of holders in each class of equity securities and the voting rights attached (as at 21 September 2007)

Ordinary Shares

There are 391 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

In accordance with the Company's Constitution, on a show of hands every number present in person or by proxy or attorney or duly authorized representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorized representative has one vote for every fully paid ordinary share held.

Options

There are 2 holders of unlisted options. There are no voting rights attached to these options.

3. Distribution schedule of the number of holders in each class of equity security as at 21 September 2007.

By Class	Holders of Ordinary Shares	Number of Ordinary Shares	% of Issued Capital	Holders of Options	Number of Options	%
1-1,000	2	4	0.00	-		
1,001-5,000	43	142,437	0.65	-		
5,001-10,000	105	1,003,415	4.56	-		
10,001-100,000	205	7,367,871	33.49	-		
100,001-	36	13,486,278	61.30	2	6,000,000	100%
Total	391	22,000,005	100%	2	6,000,000	100%

4. Marketable Parcel

There are 2 shareholders with less than a marketable parcel.

Financial Report for Windy Knob Resources Limited

ADDITIONAL SHAREHOLDER INFORMATION (Continued)

5. Twenty largest holders of each class of quoted equity security.

The names of the twenty largest holders of each class of quoted security, the number of equity security each holds and the percentage of capital each holds (as at 21 September 2007) is as follows:

Ordinary Shares

Name	Number of shares held	%
CORPORATE & RESOURCES CONSULTANTS PTY LTD	1,500,000	6.82
PAUL TRAVIS FOWLER	1,125,000	5.11
HUSIF NOMINEES PTY LTD <THE R C LYNTON-BROWN FAMILY A/C>	1,000,000	4.54
DARRYL F LYNTON-BROWN	800,000	3.64
CHAUS CAPITAL PTY LTD	750,000	3.41
BRUCE ROBERT LEGENDRE	750,000	3.41
CANNON POINT PTY LTD	500,001	2.27
EDWARD MAX DOZAK	500,000	2.27
TINELLE PTY LTD	500,000	2.27
MARK JONATHON WILD	500,000	1.78
VERIGREEN PTY LTD	450,000	2.05
BATIO PTY LTD	425,000	1.93
ACNS CAPITAL MARKETS PTY LTD	360,000	1.64
KAZAC PTY LTD	350,000	1.59
COBBELSTONES CORPORATE PTY LTD < DRP INVESTMENT A/C>	300,002	1.36
MONTAGU CAPITAL LTD	300,000	1.36
GARRY RALSTON	291,550	1.33
TE JOHNSTON & ASSOCIATES PTY LTD	250,000	1.14
RICHARD S J DONGRAY	250,000	1.14
WILLIAM JOHN A WITHAM	225,001	1.02
TOTAL	11,017,554	50.08

Options exercisable at \$0.20 on or before 31 December 2009

Name	Number of shares held	%
HUSIF NOMINEES PTY LTD <THE R C LYNTON-BROWN FAMILY A/C>	3,000,000	50.00
MATHEW DONALD WALKER	3,000,000	50.00
Total	6,000,000	100.00

Financial Report for Windy Knob Resources Limited

ADDITIONAL ASX INFORMATION

1. Company Secretary

The name of the company secretary is David Parker.

2. Address and telephone details of the entity's registered administrative office and principle place of business

Level 17, Exchange Plaza
2 The Esplanade
Perth WA 6000

Ph: 08 9223 9822
Fax: 08 9221 5107

3. Address and telephone details of the office at which a registry of securities is kept:

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

4. Stock exchange on which the Company's securities are quoted

The Company's listed equity securities are quoted on the Australian Stock Exchange.

5. Restricted Securities

The Company has issued the following restricted securities:

Class of Equity Security	Number	Date Ceasing to be Restricted Securities
Fully paid ordinary shares	3,015,001	4 December 2007
Fully paid ordinary shares	2,500,000	29 January 2008
Fully paid ordinary shares	3,735,000	6 February 2009

Class of Security	Number	Date Ceasing to be Restricted Securities
Options exercisable at \$0.20 on or before to 31 December 2009	6,000,000	6 February 2009

6. Review of Operations

A review of operations is contained in the Directors' Report.

7. Consistency with business objectives - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Company states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily exploration for natural resources and acquisition of resource based projects.

The Company believes it has used its cash in a consistent manner to which was disclosed under the prospectus dated 19 December 2006.

Financial Report for Windy Knob Resources Limited

8. Schedule of Tenements

Western Australian Tenements

Exploration Licences (Granted)

Tenement Number	Registered Holder
E51/900 100/100ths	Corporate & Resource Consultants Pty Ltd
E51/919 60/200ths 120/200ths 20/200ths	Bruce Robert LEGENDRE Corporate & Resource Consultants Pty Ltd TE Johnston & Associates Pty Ltd
E53/976 60/200ths 120/200ths 20/200ths	Bruce Robert LEGENDRE Corporate & Resource Consultants Pty Ltd TE Johnston & Associates Pty Ltd
E20/515 60/200ths 120/200ths 20/200ths	Bruce Robert LEGENDRE Corporate & Resource Consultants Pty Ltd TE Johnston & Associates Pty Ltd
E53/1241 60/200ths 120/200ths 20/200ths	Bruce Robert LEGENDRE Corporate & Resource Consultants Pty Ltd TE Johnston & Associates Pty Ltd
E58/330 60/200ths 120/200ths 20/200ths	Bruce Robert LEGENDRE Corporate & Resource Consultants Pty Ltd TE Johnston & Associates Pty Ltd