Windy Knob Resources Limited

ABN 46 122 417 243

Annual Financial Report

For The Year Ended 30 June 2008

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CORPORATE INFORMATION

ABN 46 122 417 243

Directors

Mr Klaus Eckhof	Non-Executive Chairman
Mr Mathew Walker	Executive Director
Mr Russell Lynton-Brown	Non-Executive Director
Mr Andrew McIlwain	Non-Executive Director

Company Secretary
Mr David Parker

Registered office
Suite 9, 1200 Hay Street
WEST PERTH WA 6005
Telephone: (08) 6460 4960
Fax: (08) 9324 3045

Principal place of business
Suite 9, 1200 Hay Street
WEST PERTH WA 6005

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

DIRECTORS' REPORT

Your directors submit the annual financial report of the Company for the financial year ended 30 June 2008. In order to comply with the provisions of the Corporations Act, the directors report as follows:

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire year unless otherwise stated.

Mr Mathew Walker	(appointed 13th October 2006)
Mr Russell Lynton-Brown	(appointed 13th October 2006)
Mr Klaus Eckhof	(appointed 17th April 2008)
Mr Andrew McIlwain	(appointed 17th April 2008)
Mr William Witham	(appointed 13th October 2006, resigned 14th March 2008)
Mr Guy Leclezio	(appointed 13th October 2006, resigned 17th April 2008)

Names, qualifications, experience and special responsibilities

Mr Klaus Eckhof
Non-Executive Chairman
Age: 50
Qualifications: Dipl. Geol. TU, AusIMM

Mr Eckhof (MAusIMM) is a senior exploration geologist who has global contacts and has been instrumental in sourcing and developing successful projects in Australia, Africa, Russia, South America and the Philippines. He was formerly President and Chief Executive Officer of Moto Goldmines Limited, a company which is listed on the Toronto Stock Exchange, and within 4 years from Mr Eckhof's appointment discovered just under 20,000,000 ounces of gold and completed a Bankable Feasibility Study (BFS) in the Democratic Republic of Congo (DRC).

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

Moto Goldmines Limited	(appointed 15 February 2003, resigned 1 January 2008)
Elemental Minerals Limited	(appointed 24 February 2006, resigned 22 November 2007)
Tiger Resources Ltd	(appointed 1 June 2005, resigned early 10 October 2006)
Carnavale Resources Ltd	(appointed 1 January 2008)

Mr Mathew Walker
Executive Director
Age: 38
Qualifications: Bachelor of Business from the University of Technology Sydney

Mr Walker has extensive experience in public company management and in the provision of corporate advice. Specialising in the mining sector, he has served as executive Chairman or Managing Director for public companies with mining interests in North America, South America, Africa, Australia, and Central Asia. Currently he serves as Managing Director of Augustus Minerals Limited, as Director of Imperium Minerals Limited, and as Chairman of Fortuna Minerals Limited. He is also a Director of boutique investment bank Alto Capital and corporate services firm Cicero Corporate Services Pty Ltd. Mr Walker is a member of the Australian Institute of Company Directors. He holds a Bachelor of Business from the University of Technology, Sydney.

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)
Pacific Ore Ltd	(Resigned November 2007)
Windy Knob Resources Limited	(Appointed October 2006)
Fortuna Minerals Ltd	(Appointed November 2007)

DIRECTORS' REPORT (continued)

Mr Russell Lynton-Brown
Non-Executive Director
Age: 42
Qualifications: Nil

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 Non-executive Director of ASX listed Pacific Ore Limited (previously Trajan Minerals Limited).

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

Pacific Ore Ltd	(Appointed April 2008)

Mr Andrew McIlwain
Non-Executive Director
Age: 48
Qualifications: BE (Mining) University of Melbourne

Mr McIlwain has over 20 years experience in the mining industry. He is a qualified mining engineer and has held technical, senior management and executive roles within Mount Isa Mines Limited, Central Norseman Gold Corporation Limited, WMC Resources Limited and Lafayette Mining Limited. Mr McIlwain brings operational and corporate experience in a variety of fields including establishment of operational sustainability, project development and both equity and conventional debt financing. He most recently held the position of Managing Director of Lafayette Mining Limited and is currently Chairman of Emmerson Resources Limited.

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

Emerson Resources Ltd	(Appointed 1 February 2007)
Lafayette Mining Limited	(Resigned 17 March 2006)
Verus Investments Limited	(Appointed 15 May 2008)

Mr Guy Leclezio
Non-Executive Chairman (retired)
Age: 51
Qualifications: BA (UWA)

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.

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

Malagasy Minerals limited	(Appointed 4 April 2007)

Mr William Witham
Non-Executive Director (retired)
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, Mr Witham has an in-depth understanding of the ways in which industry, government and financial markets operate. Mr Witham has worked in many countries, with extensive experience in mineral and oil and gas exploration, management, government relations and corporate finance.

DIRECTORS' REPORT (continued)

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)

Company Secretary

Mr. David Parker

Company Secretary

Age: 29

Qualifications: Bachelor of Commerce from Curtin University, Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia.

Mr David Parker has completed a Bachelor of Commerce at Curtin University, is a Senior Associate of the Financial Services Institute of Australasia and has completed a Graduate Diploma in Applied Corporate Governance with the Chartered Secretaries Australia. Mr Parker is currently Company Secretary of other ASX listed Companies Augustus Minerals Ltd, Alamar Resources Limited and the joint company secretary of Pacific Ore Limited. Mr Parker was appointed Company Secretary on incorporation of the Company. Mr Parker a director of corporate services firm Cicero Corporate Services Pty Ltd.

Interests in the shares and options of the company and related bodies corporate

During the year a total of 2,500,000 share options were granted as remuneration to the following directors and executives of the company.

30 June 2008	Balance at beginning of Year	Granted as remune-ration	Options exercised	Net change Other #	Balance held at retirement	Balance at end of year
Mr Klaus Eckhof	-	1,000,000	-	-	-	1,000,000
Mr Mathew Walker	3,000,000	-	-	-	-	3,000,000
Mr Russell Lynton-Brown*	3,000,000	-	-	1,060,000	-	4,060,000
Mr Andrew McIlwain**	-	1,000,000	-	120,000	-	1,120,000
Mr William Witham	-	-	-	-	-	-
Mr Michael Montgomery***	-	500,000	-	-	-	500,000
Total	**6,000,000**	**2,500,000**	**-**	**1,180,000**	**-**	**9,680,000**

Options purchased as part of the purchases as part of the non-renounceable rights issue at $0.08

No ordinary shares were issued during the financial year as a result of the exercise of an option.

No Options were issued since the end of the year to a director.

DIRECTORS' REPORT (continued)

* 1. 20,000 options held in the Name of Russell Lynton Brown.

2. 4,020,000 options held in the name of Husif Nominees Pty Ltd <RC Lynton-Brown Family A/c>; Mr Lynton-Brown is a director and controlling shareholder.

3. 10,000 options held in the name of Mrs Joanne Marie Lynton-Brown, a spouse of Mr Lynton-Brown and an associate for this purpose.

4. 10,000 options held in the name of Mr Russell Lynton-Brown & Mrs Rosemary Beeck ATF R Lynton-Brown Super A/c. Mr Lynton-Brown is a beneficiary.

** 1,120,000 options held in Macfac Pty Ltd ATF the McIlwain Family S/F A/c. Mr McIlwain is a director of Macfac Pty Ltd and a beneficiary of the Super Fund.

*** 1. 500,000 held in the of Melissa Jane Montgomery, the spouse of Michael Montgomery.

Shareholdings of Key Management Personnel

Shares held in Windy Knob Resources Limited (number)

	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net Change Other#	Balance held on retirement	Balance at end of year
30 June 2008	Ord	Ord	Ord	Ord	Ord	Ord
Mr Klaus Eckhof	-	-	-	-	-	-
Mr Mathew Walker*	75,000	-	-	-	-	75,000
Mr Russell Lynton-Brown**	1,060,001	-	-	1,060,000	-	2,120,001
Mr Andrew McIlwain***	-	-	-	120,000	-	120,000
Mr William Witham	225,001	-	-	-	225,001	-
Mr Michael Montgomery	-	-	-	-	-	-
	1,360,002	**-**	**-**	**1,180,000**	**225,001**	**2,315,001**

Shares were purchased as part of the purchases as part of the non-renounceable rights issue at $0.08. See ASX release dated 2 July 2008.

*75,000 shares held in the name of Mathew Donald Walker as trustee for the Isabella Margaret Davis Trust. Since the end of the year Mr Walker has purchased ordinary shares via on market trades 425,000 ordinary shares in the name of Mathew Donald Walker.

**

1. 40,001 shares held in the Name of Russell Lynton Brown.

2. 2,040,000 shares held in the name of Husif Nominees Pty Ltd <RC Lynton-Brown Family A/c>; Mr Lynton-Brown is a director and controlling shareholder.

3. 20,000 shares held in the name of Mrs Joanne Marie Lynton-Brown, a spouse of Mr Lynton-Brown and an associate for this purpose.

4. 20,000 shares held in the name of Mr Russell Lynton-Brown & Mrs Rosemary Beeck ATF R Lynton-Brown Super A/c. Mr Lynton-Brown is a beneficiary.

*** Shares held in Macfac Pty Ltd ATF the McIlwain Family S/F A/c. Mr McIlwain is a director of Macfac Pty Ltd and a beneficiary of the Super Fund.

DIRECTORS' REPORT (continued)

Dividends

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

Principal Activities

The principal activity of the Company during the year was the exploration for natural resources.

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

Review of operations

Western Australia Projects (100% owned)

Windy Knob Bore

Exploration Licence 51/900 was granted on the 9th November 2005 over 39 blocks (approx 120 km2) of ground, 55 km South of Meekatharra and 25 km East of Reedy, in Western Australia. After exclusions, the approximate area of the prospect is 100 km2. A helicopter-borne Electromagnetic (EM) Survey was completed during the year and has given the company numerous geophysical targets to follow up in an area immediately surrounding Silver Swan's (ASX Code: SWN) Ridgeback (recently renamed Austin Prospect) Volanogenic Massive Sulphides (VMS) project, 50 kms south of Meekatharra. The survey has also highlighted the potential for Iron Ore in Banded Iron Formations (BIFs) and/or Magnetite which are evidenced in the geophysical data.

Since the end of the year, the company has decided to increase it's presence in the area by pegging a number of PL's and EL's as well as acquiring a large prospective EL application, E51/1198 (in consideration for 500,000 fully paid ordinary shares in the Company) that is located to the north of the Windy Knob Bore tenement.

Honeymoon Well South Project

The Honeymoon Well prospect consists of E53/976 and E53/1241 and is located immediately south of Honeymoon Well, 40 km south of Wiluna in the Northern Goldfields region of WA. A drilling program at Honeymoon Well was completed in March 2008. Results have been received and they contain no major intersections of gold and nickel. It is worth noting that the contracted drill rig was unable to reach the planned hole depth and the company is contemplating contracting a larger drilling rig to access the ground at deeper levels.

Tuckanarra

The Company carried out a large Mobile Metal Ion (MMI) soil sampling program during the year, over parts of the Tuckanarra project. The Mobile Metal Ion (MMI) Process™ uses a weak extraction and ICP-MS ultra trace element analysis to improve the conventional geochemical response over buried ore deposits. 1,522 samples were taken using a simple sample collection procedure in which approximately 250 to 300 grams of sample was collected at a continuous interval of 10-25 cm below the living organics layer. Half the samples have been submitted for assaying with results pending.

Black Tank Well

This Exploration Licence is yet to be granted. No work was completed on this tenement during the year.

Scientific or technical information in this news release has been prepared under the supervision of Mr William Witham BSC (Hons), a Consultant of the Company and a Member of the Australian Institute of Geoscientists. Mr Witham has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Witham consents to the inclusion in this report of the Information, in the form and context in which it appears.

DIRECTORS' REPORT (continued)

Review of operations (Continued)

TITIRIBI PROJECT, COLOMBIA (Earning 65% interest)

Transaction Summary

During the year the Company entered into a binding terms sheet with De Biera Goldfields to acquire its rights and obligations to earn a 65% project interest in the Titiribi Project in the district of Antioquia, northern Colombia. The transaction was subject to the completion of due diligence and statutory and regulatory approvals. The Company completed all due diligence and gained shareholder approvals for the agreement at a general meeting of shareholders on 16th April 2008.

The Titiribi Project is currently 100% owned by GoldPlata Resources Sucursal–Colombia Inc. ('Goldplata"), with De Biera Goldfields (DBGF) having the right to earn a 65% interest in the project by meeting certain expenditure commitments pursuant to a joint venture agreement ('JV Agreement') with Goldplata. These rights and obligations were assigned to Windy by the payment of USD $1,000,000 and the issue of 3,250,000 ordinary shares to DBGF. In order to meet its obligations under the JV Agreement with Goldplata, Windy must spend a further USD $3,500,000 by 6 May 2009. Upon meeting these commitments, Windy will be entitled to a 65% interest in the Titiribi Project.

As at the end of the reporting year, the Company had met all ongoing commitments of the Titiribi Agreement.

The Agreement sets out that the Company can earn a 65% project interest in the Titiribi Project by

1. Funds transfer of $1,000,000 USD prior to 18 January 2008; and
2. Expenditures of at least US$3,500,000 by no later than 6 May 2009.

As at the end of the year, the Company had completed the funds transfer of US$1,000,000 and has completed expenditure of US$1,497,772.

The Company must spend in expenditure on the Titiribi project an additional US$2,002,228 prior to 6 May 2009 to earn a 65% interest in the Titiribi Project.

If funding is not completed by 6 May 2009, the company loses all rights to the project. The company does not have access to any interest whatsoever in the project before this time. If, however, in the event of Force Majeure which results in the exploration commitment not being reached by 6 May 2009, the parties agree to negotiate in good faith to extend such dates taking into accounts delays that have been caused by Force Majeure.

The company acknowledges that additional capital may be required in order to complete these expenditures.

Project Summary

Titiribi is an important historic gold-silver producing region with a mining history extending over 200 years. The Titiribi Project consists of various concessions in excess of 3,000 hectares surrounding the Titiribi township. The Titiribí Project is located approximately 70 km (1 hour) south-west of Medellín in the Department of Antioquia, on the north-western margin of Colombia's Central Cordillera. The project is accessible by sealed roads to the town of Titiribí, from which point numerous gravel roads provide access to the Project. Titiribí is a traditionally cultured town of around. 15,000 inhabitants which subsists on a mixed agricultural (coffee, sugarcane, dairy cattle) and artisanal mining economy (including precious metals and coal). Power, water and all required infrastructure is immediately available throughout region.

Titiribí is an important historic gold-silver producing region with a mining history extending over at least 200 years. Historic production is estimated at between 1.5 and 2 million ounces of gold equivalent with significant zinc, copper and lead production also. Historic production has mainly been associated with high-grade Au-Ag replacement-like mantos and fault-controlled veins contained within schists and continental-marine sediments. Low-grade mineralisation is widespread throughout the district being found as auro-argentiferous disseminations and replacements within silici-clastic portions of the sedimentary sequences, and as porphyry-style disseminations and stockworks within hypabyssal intrusions. The cluster of porphyritic rocks underlying the Cerro Vetas, Cerro La Candela and Cerro Margarita areas to the south and west of Titiribí townsite has received attention in recent years.

DIRECTORS' REPORT (continued)

Review of operations (Continued)

Cerro Vetas

Vetas is part of a of gold copper porphyry mineralization system, first discovered by Gold Fields in the lates 90's. Drilling to date has been designed to test the reliability of Gold Fields data and to systematically define the Vetas Porphyry and in doing so generate enough data to compile a maiden resource by the end of 2008. Drilling to date is beginning to delineate a mineralogical zonation from a extremely low grade core through a gold copper rich region and into a low grade copper halo +/- Au.

During the quarter the Company drilled 4 diamond holes into the Cerro Vetas porphyry target, which consisted of holes CV004 to CV008 for a total of 1,500m. The initial four drill holes into Cerro Vetas were specifically designed to increase the technical understanding of the potential ore body and to provide a platform for the systematic delineation of the Vetas system.

All holes have intersected mineralised porphyritic material and have added significantly to the Vetas dataset. The additional information has facilitated an upgrade in the interpretation and targets for further scrutiny. It would appear that the potential of Vetas will rely strongly on the ability to identify a 'high' grade component to the mineralization, as do most deposits world-wide. The greater technical understanding of any high grade component at Vetas will produce an improved resource estimation in the future and help mitigate the risk associated with these estimates.

The objective of the 2008 drill program at Cerro Vetas is to deliver a JORC compliant resource by the end of the year.

La Candela

La Candela is a geophysical and geochemical target defined by Gold Fields in the late 90's. As part of the follow up work Windy Knob has completed remote sensing studies an airborne magnetic/radiometric survey over the project. Initial results are encouraging with targets arising from satellite imagery and airborne geophysics that are co-incident with previous Gold Fields work.

Other Exploration Activities

During the year, Windy, in conjunction with Anglo Gold Ashanti Colombia completed an aerial geophysical survey program of the Titiribi region. Initial interpretation of the data was undertaken by Anglo Gold Ashanti Colombia and the original dataset will be further interpreted by Australian geoscientists appointed by Windy.

Scientific or technical information in this news release has been prepared under the supervision of Mr Michael Montgomery, a Consultant of the Company and a Member of the Australian Institute of Mining and Metallurgy. Mr Montgomery has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Montgomery consents to the inclusion in this report of the Information, in the form and context in which it appears.

DIRECTORS' REPORT (continued)

Future Strategy and Other Activities

The Company intends to focus solely on exploration for natural resources on its two projects, being the current wholly owned Western Australian Murchison tenements and the Titiribi Project in Colombia which the Company is earning up to 65% through a Farmin Agreement.

Review of financial conditions

At the end of the year the Company **had $2,297,316 in cash assets** which the Directors believe puts the Company in a sound financial position with sufficient capital to effectively explore its two projects and to provide for working capital.

In line with previous years, the company may from time to time raise further capital as required to meet the Companies exploration and working capital commitments. The ability of the Company to raise the required funds to meet its working capital and exploration commitments depends on various factors, including general market conditions on the ongoing success of the Company's exploration program. It is considered likely that the further capital raisings will be to be required and sought by the Directors during the year ended 30 June 2009.

It is noted that since the end of the year, on 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566 before costs.

Operating results for the year

The loss of the Company for the financial year, after providing for income tax amounted to $373,167 (2007 $160,550).

Risk management

Details of the Company's Risk Management policies are contained within the Corporate Governance Statement in Directors Report.

Corporate Governance

Details of the Company's Corporate Governance policies are contained within the Corporate Governance Statement in Directors Report.

Significant changes in the state of affairs

At the start of the year the company had 22,000,005 fully paid ordinary shares and 6,000,000 options exercisable at $0.20 which expire on or before 31 December 2009.

On 24 October 2007, the Company issued 3,000,000 shares via a share placement at 30 cents each to raise a gross $900,000 before costs.

On 13 December 2007, the Company issued 1,500,000 free attaching options exercisable at $0.20 which expire on or before 31 December 2009 following shareholder approval of the share and option placement dated 24 October 2008 for nil consideration. These options were valued at $240,365. Please see Note 10 for information on Black Scholes valuation.

On 6th February 2008, the Company issued 3,000,000 shares via a share placement at 30 cents each to raise a gross $900,000 before costs.

On 16 April 2008, the Company issued 3,250,000 shares as part of the vendor consideration for the Titiribi project in northern Colombia for nil consideration. The deemed value of the shares was at $0.125 per share, or $406,250. See Note 10 for more information.

On 16 April 2008, the Company issued 3,000,000 free attaching options exercisable at $0.20 which expire on or before 31 December 2009 following shareholder approval of the share and option placement dated 6 February 2008 for nil consideration. These options were valued at $75,263. Please see Note 10 for information on Black Scholes valuation.

DIRECTORS' REPORT (continued)

On 16 April 2008, the Company issued 3,750,000 free attaching options exercisable at $0.20 which expire on or before 31 December 2009 following shareholder approval to directors and consultants of the Company for nil consideration. These options were valued at $169,343. Please see Note 10 for information on Black Scholes valuation.

On 23 May 2008, the Company released an Entitlement Issue Prospectus for one (1) share and one (1) option for every one (1) shares held, i.e. for a maximum of 31,250,005 shares and 31,250,005 options at 8 cents to raise $2,500,000 before costs of the issue.

On 30 June 2008, the Company issued 22,980,416 shares and 22,980,416 options at 8 cents as part of the Entitlement Issue Prospectus (entitlement and shortfall) dated 23 May 2008 to raise $1,838,433 before costs. These options were valued at $203,081. Please see Note 12 for information on black scholes valuation.

Significant events after balance date

On 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566 before costs.

On 10 July 2008, the Company issued 500,000 shares in consideration for the Tenement Sale Agreement with Clinton Dean Hood.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Company in future financial years 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.

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 year.

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.

Remuneration report

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

The following persons acted as directors during or since the end of the financial year:

Mr Mathew Walker	(appointed 13th October 2006)
Mr Russell Lynton-Brown	(appointed 13th October 2006)
Mr Klaus Eckhof	(appointed 17th April 2008)
Mr Andrew McIlwain	(appointed 17th April 2008)
Mr William Witham	(appointed 13th October 2006, resigned 14th March 2008)
Mr Guy Leclezio	(appointed 13th October 2006, resigned 17th April 2008)

DIRECTORS' REPORT (continued)

Remuneration report (Continued)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr Mathew Walker	(appointed 13th October 2006)
Mr Andrew McIlwain	(appointed 17th April 2008)
Mr Klaus Eckhof	(appointed 17th April 2008)
Mr Russell Lynton-Brown	(appointed 13th October 2006)
Mr William Witham	(appointed 13th October 2006, resigned 14th March 2008)
Mr Michael Montgomery	(appointed January 2008)

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 year ended 30 June 2008, the Company did not have a separate remuneration committee, however did have a committee that assumed the roles of the Remuneration Committee, which reports directly to the board. The Company does require its independent Directors to meet biannually, to discuss the issue of remuneration and to assume the role of the Remuneration Committee. The independent directors met once during the year and discussed remuneration issues.

The company intends to form a separate Remuneration Committee in the following year that will be required to meet annually.

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the senior management team.

The Remuneration Committee will assess 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.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

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 advisors 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. No additional fee is paid for each Board committee on which a director sits.

DIRECTORS' REPORT (continued)

Remuneration report (Continued)

The remuneration of non-executive directors for the period ended 30 June 2008 is detailed in the Remuneration of directors and named executives section of this report on page 15 of this report.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and Company options (as determined from time to time). In addition the company employees and directors, the company has contracted key consultants on contractual basis. These contracts stipulate the remuneration to be paid to the consultants.

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Variable Remuneration

The Company does not provide short term incentive programs to it's directors or senior management.

The company does make long term incentive packages to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth, which is through the use of Company Options. From time to time the board considers the use of long term incentives to key board and senior management by the use of Company Options which would be put to a shareholder vote on each occasion. The company believes that the use of Company Options to incentivise key board members and senior management is beneficial for the Company as Options do not drain the cash reserves of the company while also linking company performance and shareholder needs. It is noted that all option packages must firstly be approved by the independent director committee and the entire board, and are then put to a shareholder meeting for approval from shareholders prior to being granted.

Employment Contracts of Directors and Senior Executives

1. Mather Walker; Executive Director

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 Executive Services Agreement by giving 3 months written notice to the executive. The executive may terminate the Executive Services Agreement by giving 3 months written notice to the Company.

During the year the Independent Director committee proposed that the Executive Director's Executive Service Agreement be extended for a further 12 months and in light ofthe prevailing labour market that the remuneration be increased to $100,000 from 1st November 2008.

2. Andrew McIlwain; Non Executive Director and Technical Consultant

The Company has both a non-executive services contract with Andrew McIlwain, and in addition a Consultancy Agreement regarding technical consulting services, primarily in regards to the Titiribi Project.

Andrew McIlwain received a standard non-executive director fee of $30,000 per annum.

Andrew McIlwain received an additional $2,000 per day for technical consulting services primarily in relation to the Titiribi Project in Colombia.

Andrew McIlwain also received 1,000,000 Company options exercisable at $0.20 on or before 30 December 2009, as detailed below.

DIRECTORS' REPORT (continued)

Employment Contracts of Directors and Senior Executives (Continued)

3. Michael Montgomery: Geological Consultant.

The Company entered into a consultancy agreement with Michael Montgomery in January 2008 to provide geological consulting services in regards to the Titiribi Project in Colombia. Mr Montgomery was to be paid a consultancy rate of $1,000 per day, with a minimum of 5 days per month. Mr Montgomery has also received 500,000 Company options exercisable at $0.20 on or before 30 December 2009, as detailed below.

Options Granted to Executives and Directors

There were 2,000,000 options granted to Directors and 500,000 to consultants during the year ending 30 June 2008.

Directors	Type	Number Issued	Exercise Price	Expiry Date
Klaus Eckhof	Listed options	1,000,000	20 cents	30 Dec 2009
Andrew McIlwain	Listed options	1,000,000	20 cents	30 Dec 2009
Michael Montgomery	Listed options	500,000	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	Type	Number Issued	Exercise Price	Expiry Date
Unlisted Options	Unlisted Options	6,000,000	20 cents	30 Dec 2009

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives:

Table 1: Directors' remuneration for the year ended 30 June 2008 ($)

	Primary benefits			Post employment		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non Monetary Benefits	Superannuation	Prescribed benefits	Options			Performance related
Mathew Walker	75,000	-	-	-	-	-	-	75,000	-
Michael Montgomery	32,000	-	-	-	-	12,544	-	44,544	-
Russell Lynton-Brown	30,000	-	-	-	-	-	-	30,000	-
William Witham	32,279	-	-	-	-	-	-	32,279	-
Andrew McIlwain	69,832	-	-	-	-	25,088	-	94,920	-
Klaus Eckhof	10,422	-	-	-	-	25,088	-	35,510	-
Total	**249,533**	-	-	-	-	**62,720**	**-**	**312,253**	-

Table 2: Directors' remuneration for the period ended 30 June 2007 ($)

	Primary benefits			Post employment		Equity	Other	Total	%
	Salary & Fees	Bonuses	Non Monetary Benefits	Superannuation	Prescribed benefits	Options			Performance related
Mathew Walker	43,750	-	-	-	-	11,906	-	55,656	-
Guy Leclezio	18,334	-	-	-	-	-	-	18,334	-
Russell Lynton-Brown	12,500	-	-	-	-	11,906	-	24,406	-
William Witham	14,450	-	-	-	-	-	-	14,450	-
Total	**89,034**	-	-	-	-	**23,812**	**-**	**112,846**	-

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives: (Continued)

Table 3: Options granted as part of remuneration for the period ended 30 June 2008

	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 and 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	-	-	-	-	-	-	-
Michael Montgomery	12,544	-	-	12,544	-	12,544	28%
Russell Lynton-Brown	-	-	-	-	-	-	-
William Witham	-	-	-	-	-	-	-
Andrew Mcilwain	25,088	-	-	25,088	-	25,088	26%
Klaus Eckhof	10,422	-	-	10,422	-	10,422	29%

Options were valued using the Black Scholes valuation model. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Table 4: Options granted as part of remuneration for the period ended 30 June 2007

	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 and 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%
Guy Leclezio	-	-	-	-	-	-	-
Russell Lynton-Brown	11,906	-	-	11,906	-	11,906	46%
William Witham	-	-	-	-	-	11,906	-

Options were valued using the Black Scholes valuation model. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

DIRECTORS' REPORT (continued)

Remuneration of directors and named executives: (Continued)

1. Amounts owing from related parties

(a) Andrew Mcilwain was owed consultants fees of $24,500 (for the months of May and June 2008) at the end of the year, which have been shown as accruals in the accounts. The amount of $24,500 has been included in Table 1 as fees paid to Andrew McIlwain during the year.

(b) Michael Montgomery was owed consultant fees of $5,000 at the end of the year, which have been shown as accruals in the accounts. This amount of $5,000 has been included in Table 1 as fees paid to Michael Montgomery during the year.

(c) Cicero Corporate Services Pty Ltd, was owed $4,895 for administration services including rent charges and reimbursements at the end of the year.

(d) Russell Lynton-Brown was owed director fees of $7,500 at the end of the year, which have been shown as accruals in the accounts. This amount of $7,500 has been included in Table 1 as fees paid to Russell Lynton-Brown during the year.

2. Related Party disclosures

During the year ended 30 June 2008, Cicero Corporate Services Pty Ltd, an entity Mathew Walker and David Parker are both directors received a total payments on commercial terms of $14,946 inclusive of GST for the provision of corporate administration services including rent charges and reimbursements. Transactions with Cicero Corporate Services Pty Ltd were entered into on normal commercial terms have not been included as part of directors' remuneration.

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

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

	Director Meetings		Independent Director Meetings	
Director	attended	eligible to attend	attended	eligible to attend
Mathew Walker	7	7	0	0
Russell Lynton-Brown	7	7	1	1
Klaus Eckhof	1	1	0	0
Andrew McIlwain	1	1	1	1
William Witham	4	4	0	0
Guy Leclezio	5	5	0	0

In addition, ten (8) circular resolutions were signed by the board during the period.

DIRECTORS' REPORT (continued)

Auditor Independence and Non-Audit Services

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 25 and forms part of this directors' report For the Year to 30 June 2008.

Non-Audit Services

There were no Non-Audit Services performed by HLB Mann Judd during the year.

Signed in accordance with a resolution of the directors.

Mathew Walker

Executive Director

Perth, 30 September 2008

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Windy Knob Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Windy Knob Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Windy Knob Resources Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Remunerate fairly and responsibly

Windy Knob Resources Limited's corporate governance practices were in place throughout the year ended 30 June 2008.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Windy Knob Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the company's loyalty.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Windy Knob Resources Limited are considered to be independent during the year:

Name	Position
Klaus Eckhof	**Non-Executive Chairperson**
Russell Lynton-Brown	**Non-Executive Director**

There are procedures in place, agreed by the Board, to enable directors in the furtherance of their duties to seek independent professional advice at the company's expense.

CORPORATE GOVERNANCE STATEMENT (continued)

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr Mathew Walker	1.9 years
Mr Russell Lynton-Brown	1.9 years
Mr Klaus Eckhof	0.6 years
Mr Andrew McIlwain	0.6 years

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	***Lay solid foundations for management and oversight***	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Policies includes a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director (Executive Director).
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Company's Corporate Governance Policies includes a section on Performance Evaluation Practices, which discloses the performance evaluation criteria. During the period a Performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Corporate Governance Policies.
1.3	Companies should provide the information indicated in the Guide to reporting Principle 1.	Any departure from principle 1.1 and 1.2 are contained in the above points. A Performance evaluation of senior executives (the Executive Director) was performed once during the year and was in accordance with the process described in the Company's Corporate Governance Policies. The Corporate Governance Policies which discloses the board charter is available on the Company's web site.
2.	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	The Independent Directors are considered to be: Klaus Eckhof Russell Lynton-Brown
2.2	The chairperson should be an independent director.	The chairperson Mr Klaus Eckhof. He is considered an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Company has an Executive Director, Mr Mathew Walker (considered to be the Chief Executive Officer and Managing Director). This position is separate from the Chairman.
2.4	The board should establish a nomination committee.	The Board did not believe it was necessary to establish a nomination committee during the year, however the Board has established an Independent Directors Committee that has assumed the role of the Nomination Committee. The Independent Director Committee meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The Independent Directors Committee comprised the following members and met once throughout the year: Andrew McIlwain Russell Lynton-Brown Mr Andrew McIlwain in employed on a consultancy part time basis in addition to his non-executive director responsibilities, so is not considered independent, however Andrew McIlwain has extensive experience in corporate governance matters and as such was asked by the board to sit on the independent directors committee.

CORPORATE GOVERNANCE STATEMENT (continued)

2.4	The board should establish a nomination committee. (continued)	The Company has a formal Nomination Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's web site.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Companies Corporate Governance Policies include on Performance Evaluation Practices that are used to evaluate the performance of the board.
2.6	Companies should provide the information indicated in *Guide to Reporting on Principle 2.*	The Company has posted details of each director, such as their skills, experience and expertise relevant to their position is included in the Directors Report, (section 2). Any departures from best practice recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 are included in the above sections.
3.	**Promote ethical and responsible decision-making**	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) The practices necessary to maintain confidence in the Company's integrity (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company's Corporate Governance Statement includes a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. GENERAL PRINCIPLES of the Code of Conduct include: 1. Employees of the Company must act honestly, in good faith and in the best interests of the Company as a whole. 2. Employees have a duty to use due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment. 3. Employees must recognise that their primary responsibility is to the Company's shareholders as a whole. 4. Employees must not take advantage of their position for personal gain, or the gain of their associates. 5. Directors have an obligation to be independent in their judgements. 6. Confidential information received by employees in the course of the exercise of their duties remains the property of the Company. Confidential information can only be released or used with specific permission from the Company. 7. Employees have an obligation, to comply with the spirit as well as the letter, of the law and with the principles of this code.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	The Company's Corporate Governance Policy includes a section on Securities Trading Policy, which provides guidelines for transacting (buying and selling) securities in the Company, which has been posted on the Company's web site. The key policy items include: 1. General Restrictions when in possession of Inside Information, which includes sections dedicated to Insider Trading Laws and Confidential Information. 2. Additional Trading restrictions for directors and some employees. This section details times when Restricted Persons are prohibited from trading the Company's securities, and policies on exceptional circumstances where clearance is given to restricted persons. 3. Requirements before Trading: policies that Restricted persons must comply with prior to and after trading of the Company's securities. 4. Other sections of this policy include Notification of Trading, Breaches of Policy and General.
3.3	Companies should provide the information indicated in Guide to Reporting on Principle 3.	Any departures (if any) from best practice recommendations 3.1, 3.2 and 3.3 during the period are disclosed in the above sections. The Corporate Governance Statement which includes an applicable code of conduct or a summary and the trading policy or a summary, has been posted on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

4.	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	The Board has not established an Audit Committee, however has established an Independent Directors Committee that has assumed the role of the Audit Committee which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Independent Director Committee. The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Independent Director Committee are non-executive directors. The Company has a formal Audit Committee Charter, which is included in the Company's Corporate Governance Policy which is available on the Company's web site.
4.2	The audit committee should be structured so that it: 1. consists of only non-executive directors 2. consists of a majority of independent directors 3. is chaired by an independent director, who is not the chair of the company 4. has at least three members.	As described in section 4.1, the Independent Director Committee assumed the role of the Audit Committee during the year. The Independent Director Committee: 1. Does consist of only non-executive directors. 2. Does consist of a majority of independent directors. 3. Is not chaired by an independent director, who is not the chair of the company. This Committee is chaired by Russell Lynton-Brown who is not the Chair of the Company. 4. The Committee does not have three members, only two members. This is due to the Company only having a small board of directors, i.e four. The company will look to increase this number to three in the next year, however believes two directors was adequate for the current year. The members (and qualifications) of the Independent Directors committee that has the responsibility of the Audit Committee during the year were: Andrew McIlwain BE (Mining) University of Melbourne Russell Lynton-Brown nil.
4.3	The audit committee should have a formal charter.	The Company's Corporate Governance Policy includes a formal charter for the proposed audit committee.
4.5	Companies should provide information indicated in the Guide to reporting on Principle 4.	This information is included in the above sections 4.1, 4.2 and 4.3. The Corporate Governance Statement has been posted on the Company's website.

CORPORATE GOVERNANCE STATEMENT (continued)

5.	***Make timely and balanced disclosure***	
5.1	Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure the factual presentation of the Company's financial position and the development of the Company's assets and activities. There is a vetting and authorisation processes in place that is designed to ensure that the company announcements: 1. Are made in a timely manor 2. Are factual 3. Do not omit material information 4. Are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	Any departures are included in section 5.1 and 5.2 of this report. The Corporate Governance Statement has been posted on the Company's website.
6.	***Respect the rights of shareholders***	
6.1	Design and design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	The Company's Corporate Governance Policy includes a Shareholder Communications Strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Any departures are included in section 6.1 and 6.2 of this report. The Corporate Governance Statement has been posted on the Company's website.
7.	**Recognise and manage risk**	
7.1	Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.	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 Corporate Governance Policies include policies for oversight and management of material risks under the section Risk Management and Internal Compliance and Control, which is disclosed on the company's web site.
7.2	The board should require management to design and implement the risk management and internal control systems to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	1. Risk Management and internal control system. The Executive Director s responsible for Risk Management and internal control systems and reports material business risks to the board. 2. Internal audit function The Audit Committee / Independent Director committee is described in section 4.1 and 4.2. 3. Risk Management Committee The Board has not established an Risk Committee, however has established an Independent Directors Committee that has assumed the role of the Risk Committee which operates under a charter approved by the Board. The Board is ultimately responsible for risk oversight and risk management. During the year, the Independent Directors Committee met once and discussed the recognition and management of risk, and reported this to the board. At present, the Board believes that it has adequately addressed issues of Risk and the future management of risk.

CORPORATE GOVERNANCE STATEMENT (continued)

7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration in accordance with section 295A of the Corporations Act is founded on a and system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board considers it is appropriate to require the Chief Executive Office (Executive Director) and Chief Financial Officer (Company Secretary) to provide such a statement at the relevant time, i.e. as part of the annual and half yearly financial report process.
7.4	Provide the information indicated in *Guide to Reporting on Principle 7.*	Any departures from best practice recommendations 7.1, 7.2 7.3 and 7.4 are included in the above sections. The Corporate Governance Statement has been posted on the Company's website.
8.	***Remunerate fairly and responsibly***	
8.1	The board should establish a remuneration committee.	1. Purpose of the Remuneration Committee The Board has not established an Remuneration Committee, however has established an Independent Directors Committee that has assumed the role of the Remuneration Committee, which operates under a charter approved by the Board. This committee met once during the year. 2. Charter The company's Corporate Governance Policies includes a section on Remuneration Committee Charter, which form the charter that the Independent Directors Committee relies upon when discussing remuneration. 3. Composition of the Independent Director Committee The Independent Director Committee: 1. Does consists of only independent directors, Russell Lynton-Brown (Chair) and Andrew McIlwain. 2. Is chaired by an independent director, who is not the chair of the company. This Committee is chaired by Russell Lynton-Brown who is not the Chair of the Company. 4. The Committee does not have three members, only two members. This is due to the Company only having a small board of directors, i.e four. The company will look to increase this number to three in the next year, however believes two directors was adequate for the current year. 3. Remuneration Policy The remuneration policy is described in the Remuneration Committee Charter in the Corporate Governance Policies which is available on the Company's web site.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	**Remuneration** It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are: • retention and motivation of key executives; • attraction of high quality management to the company; and performance incentives that allow executives to share the success of off the Company.

CORPORATE GOVERNANCE STATEMENT (continued)

8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives. (continued)	For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team. The Board has not established a Remuneration Committee, however the members of the Independent Director Committee that acted as the Remuneration Committee throughout the year were: Andrew McIlwin Russell Lynton-Brown
8.3	Provide the information indicated in *Guide to Reporting on Principle 8.*	The names of the members of the Independent Director Committee which assumed the role of the Remuneration Committee during the year is included in section 8.2 above. The Company does not currently have in existence any schemes for retirement benefits. Any departures from best practice recommendations 8.1, 8.2 and 8.3 are included above. The company Corporate Governance Policies, which includes a Remuneration Committee Charter is available on the Company's web site.

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Windy Knob Resources Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Windy Knob Resources Limited.

Perth, Western Australia
30 September 2008

N G NEILL
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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INCOME STATEMENT

For The Year Ended 30 June 2008

	Notes	2008 $	2007 $
Other income	2	126,673	55,543
Consultants and corporate costs		(42,710)	(15,375)
Administration expenses	2	(54,576)	(26,850)
Directors fees		(166,292)	(119,229)
Exploration expenses written off		(11,437)	(2,810)
Travel expenses		(90,872)	(30,926)
Other expenses	2	(133,953)	(20,903)
Loss before income tax expense		(373,167)	(160,550)
Income tax expense	3	-	-
Net loss for the year		(373,167)	(160,550)
Basic loss per share (cents per share)	4	(0.014)	(0.010)

The accompanying notes form part of these financial statements.

BALANCE SHEET
As At 30 June 2008

	Notes	2008 $	2007 $
Current Assets			
Cash and cash equivalents	6, 11	2,297,316	2,039,658
Other current assets		49,977	34,014
Total Current Assets		2,347,293	2,073,672
Non-Current Assets			
Deferred exploration expenditure	5, 8	4,087,286	641,504
Total Non-Current Assets		4,087,286	641,504
Total Assets		6,434,579	2,715,176
Current Liabilities			
Trade and other payables	9	295,868	45,218
Total Current Liabilities		295,868	45,218
Non-Current Liabilities		-	-
Total Liabilities		295,868	45,218
Net Assets		6,138,711	2,669,958
Equity			
Issued capital	10	6,100,116	2,806,696
Reserves		572,312	23,812
Retained earnings	10	(533,717)	(160,550)
Total Equity		6,138,711	2,669,958

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
For The Year Ended 30 June 2008

	Note	2008 $	2007 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(267,436)	(178,793)
Interest received		128,957	53,259
Net cash (used in) operating activities	**6**	(138,479)	(125,534)
Cash flows from investing activities			
Payment for exploration and tenements		(2,964,313)	(141,504)
Net cash (used in) investing activities		(2,964,313)	(141,504)
Cash flows from financing activities			
Proceeds from issue of shares		3,360,450	2,306,696
Net cash provided by financing activities		3,360,450	2,306,696
Net increase in cash and cash equivalents		257,658	2,039,658
Cash and cash equivalents at 1 July 2007		2,039,658	-
Cash and cash equivalents at 30 June 2008	**6**	2,297,316	2,039,658

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2008

	Note	Ordinary Shares $	Accumulated losses $	Reserves $	Total $
Balance at 30 June 2007		2,806,696	(160,550)	23,812	2,669,958
Shares issued during the year		4,044,683	-	-	4,044,683
Options issued during the year		-	-	548,500	548,500
Share issue expense	10	(751,263)	-	-	(751,263)
Loss for the year	10	-	(373,167)	-	(373,167)
Balance at 30 June 2008		6,100,116	(533,717)	572,312	6,138,711

Comparison to previous period ended 30 June 2007

	Note	Ordinary Shares $	Accumulated losses $	Reserves $	Total $
Balance on incorporation		**-**	**-**	**-**	**-**
Shares issued during the year		3,050,005	-	-	3,050,005
Options issued during the year		-	-	23,812	23,812
Share issue expense	10	(243,309)	-	-	(243,309)
Loss for the year	10	-	(160,550)	-	(160,550)
Balance at 30 June 2007		2,806,696	(160,550)	23,812	2,669,958

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The comparisons between the year ended 30 June 2008 and the period ended 30 June 2007 does not correspond to a full year comparison. The period ended 30 June 2007, was from incorporation on 13 October 2006 until 30 June 2007, which represents approximately seven months.

The financial report has also been prepared on a historical cost basis.

The company is a isted public company, incorporated in Australia and operating in Australia. The entity's principal activities are Mining Exploration.

The financial statements comprise the financial statements of Windy Knob Resources Limited as at 30 June each year (the Company).

(b) Adoption of new and revised standards

Changes in accounting policies on initial application of Accounting Standards

In the year ended 30 June 2008, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting years beginning on or after 1 July 2007. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Company has also adopted the following Standards as listed below which only impacted on the Company's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Instruments' (revised October 2006)
- AASB 7 'Financial Instruments: Disclosures'

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective For the Year ending 30 June 2008. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2008.

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).

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Titiribi Project, Columbia

The expenditure on the Titiribi Project in Colombia has been capitalised on the basis that the Company will obtain a 65% interest in the Titiribi Project, by meeting the expenditure commitments detailed in Note 13.

It is the company's intention to ensure that the expenditure commitments are met by no later than 6 May 2009, being the required date.

(e) Revenue Recognition

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

(i) Interest income

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

(f) Cash and cash equivalents

Cash comprises cash at bank and in 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.

(g) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Income tax

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(i) Other taxes

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

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

receivables and payables, which are stated with the amount of GST included.

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

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

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

(j) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the year established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined year are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(k) Impairment of assets

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(l) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Provisions

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

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

(n) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

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

(ii) Long service leave

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

(o) Share-based payment transactions

The Company does not have a share-based payment plan. The Company provides benefits to employees (including senior executives) of the Company in the form of Company Options. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

(ii) Cash settled transactions:

The Company also provides benefits to employees in its electronics segment in the form of cash-settled share-based payments, whereby employees render services in exchange for cash, the amounts of which are determined by reference to movements in the price of the shares of Windy Knob Resources Limited.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 10). This fair value is expensed over the year until vesting with recognition of a corresponding liability. The liability is re-measured to fair value at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Issued capital

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

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

(a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

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

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

	2008 $	2007 $
NOTE 2: REVENUES AND EXPENSES		
(a) Revenue		
Interest received	126,673	53,259
Interest receivable	-	2,284
Other	-	-
	126,673	55,543
(b) Administration Expenses		
Accounting fees	22,845	350
Accrued accounting and audit fees	20,000	14,500
Office administration fees	1,627	12,000
Share registry expenses	10,104	-
	54,576	26,850
(b) Other Expenses		
Advertising	38,630	6,500
Bank charges	2,075	861
Courier fee & Freight	132	432
Insurance	19,207	2,231
Legal fees	6,940	4,405
Postage, printing & Stationery	5,119	1,836
Rental expenses	60,000	-
Staff amenities	73	-
Telephone expenses	640	456
Website expenses	1,137	4,182
	133,953	20,903

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

	2008 $	2007 $
NOTE 3: INCOME TAX		
Income tax recognised in loss		
The prima facie income tax (benefit) on pre-tax accounting loss from operations reconciles to the income tax (benefit) in the financial statements as follows:		
Accounting loss before tax from continuing operations	(373,167)	(160,550)
Income tax expense calculated at 30%	(111,950)	(48,165)
Accrued expenses	56,878	9,974
Accrued Interest	-	(685)
Amortisation	(59,719)	(14,599)
Directors fees	-	7,143
Tenement expense	(1,035,734)	(17,172)
Other	1,368	261
Income tax benefit brought to account	1,147,157	63,243
Income tax benefit	-	-

The Company has tax losses arising in Australia of $4,034,665 (2007: $210,808) that are available indefinitely for offset against future taxable profits of the company.

NOTE 4: EARNINGS PER SHARE

	2008 Cents per share	2007 Cents per share
Basic earnings / (loss) per share:		
Continuing operations	(0.014)	(0.010)
Discontinued operations	-	-
Total basic earnings / (loss) per share	(0.014)	(0.010)

	2008 #	2007 #
The weighted average number of ordinary shares used in the calculation of basic earnings per share:	26,413,650	16,037,042

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 5: SEGMENT INFORMATION

The company operates in a single business segment, namely natural resources exploration.

The company operates in 2 distinct geographical segments. These segments are determined based on the location of the companies' assets.

The following table presents expenditure and asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007.

	Australia	South America	Total
	$	$	$
30 June 2008			
Segment expenditure	(42,142)	(198,788)	(240,930)
Segment results	(42,142)	(198,788)	(240,930)
Segment assets	905,345	3,181,941	4,087,286
30 June 2007			
Segment expenditure	(216,093)	-	(216,093)
Segment results	(160,550)	-	(160,550)
Segment assets	2,715,176	-	2,715,176

The companies' geographical segment in South America is in the District of Antioquia, Northern Colombia. The company entered into this agreement in in January 2008, and was reported as an Event Subsequent To Reporting Date in the Half-Year Financial Report Ending 31 December 2007 (see also note 13).

Cash and cash equivalents comprise approximately one-third of the companies' assets. These are held in the geographical segment of Australia. These have been excluded from the Australian segment as these are not exposed to the same risks as are the other assets shown.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 6: CASH AND CASH EQUIVALENTS

	2008	2007
	$	$
Cash at bank and on hand	2,170,612	239,658
Short-term deposits	126,704	1,800,000
	2,297,316	**2,039,658**

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

Short-term deposits are made for varying years of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The company was not party to any borrowing facilities for the year ending 30 June 2008.

All cash was available for use, and no restrictions were placed on the use of it at any time during the year.

Reconciliation of loss for the year to net cash flows from operating activities

Loss for the year	(373,167)	(160,550)
Accrued Interest	-	(2,284)
Changes in assets and liabilities		
Other current assets	(25,049)	(31,730)
Goods and Services Tax payable	(36,132)	-
Current payables	73,025	10,481
Accrued expenses	214,594	16,403
Accrued Payroll liabilities	8,250	18,334
Share/Options based payments	-	23,812
Net cash (used in) operating activities	(138,479)	(125,534)

NOTE 7: CURRENT TRADE AND OTHER RECEIVABLES

	2008	2007
	$	$
GST recoverable	49,977	13,844
Prepayments - other	-	17,885
Accrued Interest	-	2,284
	49,977	34,013

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 8: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	2008 $	2007 $
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Balance at beginning of year	641,504	-
Expenditure incurred		
Windy Knob Tenement	91,416	586,020
Honeymoon Well Tenement	111,057	48,646
Tuckannnara Tenement	61,368	6,838
Titibiri Project	3,181,942	-
Total exploration expenditure	4,087,287	641,504

Total expenditure incurred and carried forward in respect of specific projects -

	2008 $	2007 $
Windy Knob Tenement	677,436	586,020
Honeymoon Well Tenement	159,704	48,646
Tuckannnara Tenement	68,205	6,838
Titibiri Project	3,181,942	-
	4,087,287	641,500

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 9: TRADE AND OTHER PAYABLES (CURRENT)

	2008 $	2007 $
Trade payables *	69,024	10,481
Accrued expenses	222,844	34,737
Other	4,000	-
	295,868	45,218

* Trade payables are non-interest bearing and are normally settled on 60-day terms.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 10: ISSUED CAPITAL AND RESERVES

	2008	2007
Ordinary shares issued and fully paid	54,230,421	22,000,005

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2008		2007	
	No.	$	No.	$
Movement in ordinary shares on issue				
Subscriber shares issued at $1.00 each on 13 October 2006			5	5
Shares at 2 cents issued on 4 December 2006			7,500,000	150,000
Shares at 20 cents issued on 27 January 2007			2,500,000	500,000
Shares at 20 cents issued on 27 January 2007			12,000,000	2,400,000
			22,000,005	3,050,005
Less share issue costs				(243,309)
			22,000,005	2,806,696
At 1 July 2007	22,000,005	2,806,696		
Shares at 30 cents issued on 24 October 2007	3,000,000	900,000		
Shares at 30 cents issued on 6 February 2008	3,000,000	900,000		
Shares at 12.5 cents issued on 16 April 2008	3,250,000	406,250		
Shares at 8 cents issued on 30 June 2008	22,980,416	1,838,433		
	54,230,421	6,851,379		
Share issue costs		(751,263)		
At 30 June 2008	54,230,421	6,100,116		

Accumulated Losses

Movements in accumulated losses were as follows:

	2008	2007
Balance 1 July	(160,550)	-
Net loss for the year	(373,167)	(160,550)
Balance 30 June	(533,717)	(160,550)

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 10: ISSUED CAPITAL AND RESERVES (Continued)

	2008 #	2007 #
Company Options	10,000,000	6,000,000

Company Options carry no voting rights and carry no right to dividends.

Company Options are unlisted, and are exercisable at $0.25 on or before 30 November 2010.

	2008		2007	
	No.	$	No.	$
Movement in Company Options on issue				
Initial Balance on incorporation 13 October 2006			0	0
Company Options issued on 24 November 2006			6,000,000	23,812
			6,000,000	23,812
At 1 July 2007	6,000,000	23,812		
Company Options issued on 13 December 2007	1,500,000	194,936		
Company Options issued on 16 April 2008 (less Options revaluation reserve)	6,750,000	150,483		
Company Options issued on 30 June 2008	22,980,416	203,081		
At 30 June 2008	37,230,416	572,312		

Reserves

Movements in Option reserve were as follows:

	2008 $	2007 $
Balance 1 July	23,812	-
Value of Options issued during the year	548,500	23,812
Balance 30 June	572,312	23,812

The value of Options was calculated using the Black Scholes model, using the following variables:

Date issued	13/12/2007	16/04/2008	30/06/2008
Number issued	1,500,000	6,750,000	22,980,416
Volatility:	60%	60%	60%
Spot price at date of valuation:	$0.33	$0.125	$0.09
Date of valuation:	31/12/2007	16/05/2009	31/06/2008
Date of expiry:	31/12/2009	31/12/2009	31/12/2009
Time till maturity:	2 years	1 year 8 months	1 year 6 months
Exercise price:	20 cents	20 cents	20 cents
Interest rate:	8.5%	8.5%	8.5%
Discount for lack of marketability	30%	n/a	n/a
Less Option revaluation reserve	n/a	$18,860	n/a
Valuation	$194,936	$150,483	$203,081

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 11: FINANCIAL INSTRUMENTS

	2008 $	2007 $
Financial assets		
Receivables	49,977	34,014
Cash and cash equivalents	2,297,316	2,039,658
	2,347,293	2,073,672

The following table details the expected maturity/s for the companies' non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the company anticipates that the cash flow will occur in a different year.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2008						
Non-interest bearing	-	2,220,589	-	-	-	-
Variable interest rate instruments	6.50	126,704	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		2,347,293	-	-	-	-
2007						
Non-interest bearing	-	34,014	-	-	-	-
Variable interest rate instruments	5.91	2,039,658	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		2,073,672	-	-	-	-

The following tables detail the companies' remaining contractual maturity/s for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the companies' can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2008						
Non-interest bearing	-	295,868	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		295,868	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 11: FINANCIAL INSTRUMENTS (Continued)

	Weighted average effective interest rate %	Less than 1 month $	1 – 3 Months $	3 months – 1 year $	1 – 5 years $	5+ years $
2007						
Non-interest bearing	-	45,218	-	-	-	-
Variable interest rate instruments	-	-	-	-	-	-
Fixed interest rate instruments	-	-	-	-	-	-
		45,218	-	-	-	-

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments .

(a) Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. An example, is that the Company only dealt with the NAB for Term Deposits during the year. This information is supplied by independent rating agencies where available and, if not available, the Company uses publicly available financial information and its own trading record to rate its major customers.

The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company does have significant credit risk exposure to the NAB. The credit risk on liquid funds and Term Deposits is reduced because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 30 June 2008

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICES (Continued)

(b) Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The company did not have any undrawn facilities at its disposal as at balance date.

(c) Interest rate risk management
The company is exposed to interest rate risk as the Company deposits the bulk of the Company's cash reserves in Term Deposits with the NAB. The risk is managed by the Group by maintaining an appropriate mix between short term and medium-term Deposits. The company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.
(i) Interest rate Sensitivity

At 30 June 2008, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	2008
	$
Change in Loss	**Change**
Increase in interest rate by 1%	(20,000)
Decrease in interest rate by 1%	20,000
Change in Equity	Change
Increase in interest rate by 1%	(20,000)
Decrease in interest rate by 1%	20,000

(d) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Company does not have short or long term debt, and therefore this risk is minimal. The company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have acceptable credit ratings.

(i) Currency Risk

The Company is exposed to currency risk on investments and purchases that are denominated in a currency other than the respective currencies of the Company, being primarily the Australian Dollar. The company does make international transactions denominated in US dollars when dealing with the Titiribi project. The company has not entered into derivative financial instruments to hedge such transactions for anticipated receipts or payments that are denominated in a foreign currency.

(d) Capital Management
The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders. Due to the nature of the Company's activities, being mineral exploration, it does not have ready access to credit facilities and therefore is not subject to any externally imposed capital requirements, with the primary source of Company funding being equity raisings. Accordingly, the objective of the Company's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 13: COMMITMENTS AND CONTINGENCIES

Remuneration Commitments

The company entered into remuneration commitments with all the directors of the company on 1 July 2008, for all services rendered from this date forward. The Company also employs consultants who are contracted under standard consultancy rates.

There were no other remuneration commitments made.

Guarantees

Windy Knob Resources Limited did commit to nor make guarantees of any form as at 30 June 2008.

Titiribi Project, Colombia, South America

As at the end of the reporting year, the Company had met all ongoing commitments of the Titiribi Agreement.

The Agreement sets out that the Company can earn a 65% project interest in the Titiribi Project by

1. Funds transfer of $1,000,000 USD prior to 18 January 2008; and
2. Expenditures of at least US$3,500,000 by no later than 6 May 2009.

As at the end of the year, the Company had completed the funds transfer of US$1,000,000 and has completed expenditure of US$1,497,772.

The Company must spend in expenditure on the Titiribi project an additional US$2,002,228 prior to 6 May 2009 to earn a 65% interest in the Titiribi Project.

If funding is not completed by 6 May 2009, the company loses all rights to the project. The company does not have access to any interest whatsoever in the project before this time. If, however, in the event of Force Majeure which results in the exploration commitment not being reached by 6 May 2009, the parties agree to negotiate in good faith to extend such dates taking into accounts delays that have been caused by Force Majeure.

The company acknowledges that additional capital may be required in order to complete these expenditures.

Western Australian Projects

The Company has minimum expenditure commitments on it's 100% owned Western Australian granted tenements. These commitments include expenditure on annual rental fees (a total of $27,779) and minimum annual exploration expenditure (of 199,000) which are both detailed in the below table.

WINDY KNOB RESOURCES LTD - FULL TENEMENT "GRANTS" SCHEDULE

HOLDER	PROJECT	TID	AREA	GRTDATE	RENT	EXPCOM
WKRE	TUCKANARRA	E20/0515	18	04/07/06	$ 2,049.30	$ 20,000.00
WKRE	WINDY KNOB BORE	E51/0900	39	09/11/05	$ 6,906.90	$ 39,000.00
WKRE	TUCKANARRA	E51/0919	65	20/01/06	$11,511.50	$ 65,000.00
WKRE	HONEYMOON WELL SOUTH	E53/0976	40	15/06/05	$ 7,084.00	$ 60,000.00
WKRE	HONEYMOON WELL SOUTH	E53/1241	2	06/03/07	$ 227.70	$ 15,000.00
					$27,779.40	**$199,000.00**

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE

On 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566 before costs.

On 10 July 2008, the Company issued 500,000 shares in consideration for the Tenement Sale Agreement with Clinton Dean Hood.

NOTE 15: AUDITOR'S REMUNERATION

The auditor of Windy Knob Resources Limited is HLB Mann Judd.

	2008 $	2007 $
Amounts received or due and receivable by HLB Mann Judd for:		
Audit or review of the 2007 financial reports	13,500	-
An Independent Accountants Report prepared for the Company's Prospectus dated 19 December 2006	-	5,000
	13,500	5,000

NOTE 16: DIRECTORS AND EXECUTIVES DISCLOSURES

(a) Details of Key Management Personnel

Mr Klaus Eckhof	Chairman (non-executive)
Mr Mathew Walker	Executive Director
Mr Russell Lynton-Brown	Director (non-executive)
Mr Andrew McIlwain	Director (non-executive)
Mr William Witham	Director (non-executive)
Mr Guy Leclezio	Chairman (non-executive)
Mr Michael Montgomery	Geological Consultant

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 16: DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(b) Option holdings of Key Management Personnel; Options are exercisable at 20 cents on or before 31 December 2009

30 June 2008	Balance at beginning of Year	Granted as remune-ration	Options exercised	Net change Other #	Balance held at retirement	Balance at end of year
Mr Klaus Eckhof	-	1,000,000	-	-	-	1,000,000
Mr Mathew Walker	3,000,000	-	-	-	-	3,000,000
Mr Russell Lynton-Brown*	3,000,000	-	-	1,060,000	-	4,060,000
Mr Andrew McIlwain**	-	1,000,000	-	120,000	-	1,120,000
Mr William Witham	-	-	-	-	-	-
Mr Guy Leclezio	-	-	-	-	-	-
Mr Michael Montgomery***	-	500,000	-	-	-	500,000
Total	**6,000,000**	**2,500,000**	**-**	**1,180,000**	**-**	**9,680,000**

Options purchased as part of the purchases as part of the non-renounceable rights issue at $0.08

*

1. 20,000 options held in the Name of Russell Lynton Brown.
2. 4,020,000 options held in the name of Husif Nominees Pty Ltd <RC Lynton-Brown Family A/c>; Mr Lynton-Brown is a director and controlling shareholder.
3. 10,000 options held in the name of Mrs Joanne Marie Lynton-Brown, a spouse of Mr Lynton-Brown and an associate for this purpose.
4. 10,000 options held in the name of Mr Russell Lynton-Brown & Mrs Rosemary Beeck ATF R Lynton-Brown Super A/c. Mr Lynton-Brown is a beneficiary.

** 1,120,000 options held in Macfac Pty Ltd ATF the McIlwain Family S/F A/c. Mr McIlwain is a director of Macfac Pty Ltd and a beneficiary of the Super Fund.

*** 1. 500,000 held in the of Melissa Jane Montgomery, the spouse of Michael Montgomery.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 16: DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(c) Shareholdings of Key Management Personnel

Shares held in Windy Knob Resources Limited (number)

	Balance at beginning of year	Granted as remuneration	On Exercise of Options	Net Change Other#	Balance held on retirement	Balance at end of year
30 June 2008	Ord	Ord	Ord	Ord	Ord	Ord
Mr Klaus Eckhof	-	-	-	-	-	-
Mr Mathew Walker*	75,000	-	-	-	-	75,000
Mr Russell Lynton-Brown**	1,060,001	-	-	1,060,000	-	2,120,001
Mr Andrew McIlwain***	-	-	-	120,000	-	120,000
Mr William Witham	225,001	-	-	-	225,001	-
Mr Guy Leclezio***	700,001	-	-	-	700,001	-
Mr Michael Montgomery	-	-	-	-	-	-
	1,360,002	**-**	**-**	**1,180,000**	**225,001**	**2,315,001**

Shares purchased as part of the purchases as part of the non-renounceable rights issue at $0.08. See ASX release dated 2 July 2008.

*75,000 shares held in the name of Mathew Donald Walker as trustee for the Isabella Margaret Davis Trust. Since the end of the year Mr Walker has purchased via on market trades 425,000 ordinary shares in the name of Mathew Donald Walker.

**

1. 40,001 shares held in the Name of Russell Lynton Brown.
2. 2,040,000 shares held in the name of Husif Nominees Pty Ltd <RC Lynton-Brown Family A/c>; Mr Lynton-Brown is a director and controlling shareholder.
3. 20,000 shares held in the name of Mrs Joanne Marie Lynton-Brown, a spouse of Mr Lynton-Brown and an associate for this purpose.
4. 20,000 shares held in the name of Mr Russell Lynton-Brown & Mrs Rosemary Beeck ATF R Lynton-Brown Super A/c. Mr Lynton-Brown is a beneficiary.

*** Shares held in Macfac Pty Ltd ATF the McIlwain Family S/F A/c. Mr McIlwain is a director of Macfac Pty Ltd and a beneficiary of the Super Fund.

****

1. 350,000 shares held in the name of Mr Guy Francois Leclezio ATF the R W Superfund.
2. 1,000,000 shares held in the name of Canon Point Pty Ltd. Me Leclezio is a director and controller of Canon Point Pty Ltd
3. 50,000 shares held in Peloton Pty Ltd. Mr LecLezio holds a 40% interest.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 16: DIRECTORS AND EXECUTIVES DISCLOSURES (Continued)

(d) Related Party Disclosures

1. Disclosure of interest of Administration Agreement with Cicero Corporate Services Pty Ltd
    a. Mathew Walker and David Parker are the joint owners and controllers of Cicero Corporate Services Pty Ltd.
    b. Cicero Corporate Services Pty Ltd provided administration services to the Company on commercial terms during the year. The Company made payments during the year totalling $14,946 to Cicero Corporate Services Pty Ltd for administration services and reimbursements.
    c. Services provided include office rent of the Company's principle place of business, bookkeeping, boardroom facilities and reimbursements.
    d. Cicero Corporate Services Pty Ltd is contracted to provide administration services on an ongoing basis, of approximately $4,000 plus reimbursements per month.

2. Disclosure of interests in ACNS Capital Markets t/a Alto Capital (previously Delta Securities)
    a. Mathew Walker holds a 5% interest in ACNS Capital Markets t/a Alto Capital. Mr Parker also holds a 1% interest in ACNS Capital Markets t/a Alto Capital. ACNS Capital Markets t/a Alto Capital provided administration and corporate services to the Company during the period.
    b. ACNS Capital Markets t/a Alto Capital provided administration services to the Company on commercial terms during the year. The Company made payments during the year totalling $32,000 to Alto Capital for Administration Services.
    c. ACNS Capital Markets t/a Alto Capital also provided corporate services to the Company on commercial terms during the year, including acting as the as a broker to the Rights Issue and broker to share placements. The Company made payments during the year totalling $173,796.92 to Alto Capital for corporate and capital raising services.

NOTE 17: FUTURE CAPITAL RAISINGS

Since the end of the year, on 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566.32 before costs.

Since incorporation of the Company the Directors have actively raised capital on an ongoing basis to maintain the working capital of the company and to ensure that the exploration plans of the company are fully funded. As noted in the Directors Report, section 'Significant Events' the Company, through three separate capital raisings, raised gross funds before capital raising costs of $4,300,000 during the year. In the previous year (as reported in the 30 June 2007 Annual Report), the Company, through three separate capital raisings, raised a gross amount of $2,550,005.

In line with previous years, the company may from time to time raise further capital as required to meet the Companies exploration and working capital commitments. The ability of the Company to raise the required funds to meet its working capital and exploration commitments depends on various factors, including general market conditions on the ongoing success of the Company's exploration program. It is considered likely that the further capital raisings will be to be required and sought by the Directors during the year ended 30 June 2009.

NOTE 18: GOING CONCERN

The financial statements are prepared on a going concern basis.

At balance date, the Company had an excess of current assets over current liabilities of $2,231,508. In addition, as referred to in Note 17, on 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566 before costs since the end of the year.

NOTES TO THE FINANCIAL STATEMENTS
For The Year Ended 30 June 2008

NOTE 18: GOING CONCERN (Continued)

The board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its operations and further develop their mineral exploration and evaluation assets.

Such additional funding as accrued during the year ended 30 June 2008 as disclosed in Note 10, can be derived from either one or a combination of the following

1. The reduction in costs of operations;
2. The receipt of additional equity funds.

The Company's existing projections show that anticipated cash inflows from current operations, collections of receivables and ongoing commercial negotiations with contractors, coupled with further successful capital raisings will enable the Company to fund its activities for at least the next twelve months from the date of signing these financial statements. However, as the Company is in its early commercialisation stage, there is significant uncertainty associated with the key assumptions in those cash flow projections.

Any inability to obtain these additional cash inflows may have a material adverse effect on the Company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the balance sheet. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Company does not continue as a going concern.

NOTE 19: SUBSEQUENT EVENTS

On 10 July 2008, the Company issued 8,269,579 shares and 8,269,579 options at 8 cents as part of the Entitlement Issue Prospectus (shortfall) dated 23 May 2008 to raise $661,566 before costs.

On 10 July 2008, the Company issued 500,000 shares in consideration for the Tenement Sale Agreement with Clinton Dean Hood.

Directors' 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 2008 and of it's performance for the year 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 year ended 30 June 2008.

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

Mathew Walker

Director

Dated this 30 Day of September 2008

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of
Windy Knob Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Windy Knob Resources Limited, which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 26 to 53.

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(c), 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 controls 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 controls. 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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Liability limited by a scheme approved under Professional Standards Legislation
HLB Mann Judd (WA Partnership) is a member of
International, a world-wide organisation of accounting firms and business advisers

INDEPENDENT AUDITOR'S REPORT (Continued)

Independence

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

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 2008 and of its performance for the year ended on that date; 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(c).

Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 18 in the financial report which indicates that the company will require additional sources of funding to enable it to carry out its objectives. If the company is unable to generate additional cash flows, there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 16 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Windy Knob Resources Limited for the year ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
30 September 2008

N G NEILL
Partner

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

There are no substantial shareholders listed on the Companies register as at 10 September 2008.

2. Number of holders in each class of equity securities and the voting rights attached (as at 10 September 2008)

Ordinary Shares

There are 549 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 317 holders of 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 10 September 2008.

a) Fully Paid Ordinary Shares

SPREAD OF HOLDINGS	HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING			
1 - 1,000	17	1,680	.00 %
1,001 - 5,000	44	151,733	.24 %
5,001 - 10,000	54	488,019	.77 %
10,001 - 100,000	303	13,425,698	21.31 %
100,001 -	131	48,932,870	77.67 %
TOTAL ON REGISTER	549	63,000,000	100.00 %

* The above distribution schedule includes 3,735,000 escrowed securities that are unlisted.

Additional Shareholder Information (Continued)

b) Listed Options exercisable at $0.20 on or before 31 December 2008*

SPREAD OF HOLDINGS			HOLDERS	UNITS	% OF ISSUED CAPITAL
NIL HOLDING					
1	-	1,000			.00 %
1,001	-	5,000	14	54,237	.11 %
5,001	-	10,000	49	470,635	1.01 %
10,001	-	100,000	169	7,047,166	15.16 %
100,001	-		83	37,927,957	81.57 %
TOTAL ON REGISTER			315	46,499,995	100.00 %

* The above distribution schedule includes 6,000,000 unlisted (escrowed) options held that are under the same terms and conditions as the other options.

4. Marketable Parcel

There are 61 shareholders with less than a marketable parcel.

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 10 September 2008) is as follows:

Ordinary Shares Top 20 holders and percentage held

		HOLDER NAME	DESIGNATION	UNITS	% OF ISSUED
1	*	HUSIF NOM PL	R C LYNTON-BROWN F	2,020,000	3.21%
2	*	LYNTON-BROWN DARRYL F		1,600,000	2.54%
3	*	& RESOURCE CONS PL		1,500,000	2.38%
4		DONGRAY RICHARD S + J	S/F A/C	1,440,000	2.29%
5	*	VIENNA HLDGS PL	RONJEN S/F A/C	1,250,000	1.98%
6		WILD JONATHAN MARK		1,125,000	1.79%
7		FOWLER PAUL TRAVIS		1,125,000	1.79%
8	*	D F LYNTON-BROWN PL		1,000,000	1.59%
9		NELSON PETER	P NELSON NO 2 ACCO	1,000,000	1.59%
10		DOZAK EDWARD MAX		1,000,000	1.59%
11		TINELLE PL	LUNDY S/F PORTFOLI	1,000,000	1.59%
12		KAZAC PL	SVCS ACCOUNT	900,000	1.43%
13	*	RALSTON GARRY		883,600	1.40%
14		LE CLEZIO GUY FRANCOIS	R W S/F ACCOUNT	850,000	1.35%
15		EDMONDSON FIONNUALA C		840,000	1.33%
16		SIGMA CHEMICALS 1986 PL		750,000	1.19%
17	*	LEGENDRE BRUCE ROBERT		740,000	1.17%
18		EVERINGHAM ELISSA	P & E EVERINGHAM F	625,000	.99%
19		FRANCOIS GUY	RW S/F ACCOUTN	625,000	.99%
20		BATIO PL	WILD S/F A/C	625,000	.99%
		*** TOP 20 TOTAL ***		20,898,600	33.18%

** ALL HOLDERS INCLUDED * - DENOTES MERGED HOLDER

Additional Shareholder Information (Continued)

Options exercisable at $0.20 on or before 31 December 2009 Top 20 holders and percentage held

WINDY KNOB RESOURCES LIMITED OPTIONS 31/12/09 $0.20 TOP 20 LISTING

		HOLDER NAME	DESIGNATION	UNITS	% OF ISSUED
1	*	HUSIF NOMINEES PTY LTD	RC LYNTON-BROWN A/C	4,020,000	8.65%
2		MATHEW DONALD WALKER		3,000,000	6.45%
3		TALEX INV PL		1,500,000	3.23%
4	*	& RESOURCE CONS PL		1,250,000	2.69%
5	*	VIENNA HLDGS PL	RONJEN S/F A/C	1,187,500	2.55%
6		MACFAC PL	MCILWAIN FAM S/F A	1,120,000	2.41%
7		ECKHOF KLAUS		1,000,000	2.15%
8	*	RALSTON GARRY		891,800	1.92%
9		SIGMA CHEMICALS 1986 PL		750,000	1.61%
10		MCNEIL NOM PL		750,000	1.61%
11		ANZ NOM LTD	CASH INCOME A/C	627,000	1.35%
12		EVERINGHAM ELISSA	P & E EVERINGHAM F	625,000	1.34%
13		FRANCOIS GUY	RW S/F ACCOUTN	625,000	1.34%
14	*	OLDVIEW ENTPS PL	PRIESTLEY A/C	600,000	1.29%
15		CALM HLDGS PL	TIDE A/C	534,842	1.15%
16	*	LYNTON-BROWN DARRYL F		531,005	1.14%
17		DONGRAY RICHARD S + J	S/F A/C	520,000	1.12%
18	*	CANON POINT PL		500,000	1.08%
19		MONTGOMERY MELISSA JANE		500,000	1.08%
20		WALL STREET NOM PL	BRENNAN S/F A/C	500,000	1.08%
		*** TOP 20 TOTAL ***		21,032,147	45.23%

** ALL HOLDERS INCLUDED * - DENOTES MERGED HOLDER

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:

Suite 9, 1200 Hay Street
WEST PERTH WA 6005

Telephone:	(08) 6460 4960
Fax:	(08) 9324 3045

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 Security	Number	Date Ceasing to be Restricted Securities
Fully paid ordinary shares	3,735,000	6 February 2009
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.

Additional ASX Information (Continued)

8. Schedule of Tenements

Western Australian Tenements

Exploration Licences (Granted)

The following granted tenements are registered in the name of and 100% owned by Windy Knob Resources Ltd (WKRE).

HOLDER	PROJECT	TID	CURAREA
WKRE	TUCKANARRA	E20/0515	18
WKRE	WINDY KNOB BORE	E51/0900	39
WKRE	TUCKANARRA	E51/0919	65
WKRE	HONEYMOON WELL SOUTH	E53/0976	40
WKRE	HONEYMOON WELL SOUTH	E53/1241	2

Exploration Licences (Applications)

The following tenement 'applications' are registered in the name of and 100% owned by Windy Knob Resources Ltd.

CLIENT	PROJECT	TID
WKRE	WINDY KNOB NTH	E51/1282
WKRE	WINDY KNOB	E51/1284
WKRE	LAKEWAY	E53/1408
WKRE	TUCKANARRA	P20/2057
WKRE	DAN WELL	P51/2596
WKRE	WINDY KNOB NTH	P51/2597
WKRE	WINDY KNOB NTH	P51/2598
WKRE	WINDY KNOB NTH	P51/2599
WKRE	WINDY KNOB	P51/2603
WKRE	WINDY KNOB	P51/2604
WKRE	MT WAY	P53/1498
WKRE	MT WAY	P53/1499
WKRE	MT WAY	P53/1500
WKRE	MT WAY	P53/1501
WKRE	MT WAY	P53/1502

The following tenement 'application' is **not** registered in the name of Windy Knob Resources Ltd, however is 100% owned by Windy Knob Resources Ltd.

PROJECT	TID
BLACK TANK WELL	E58/0330
Holder %	**HOLDER NAME**
60/200ths	Bruce Robert LEGENDRE
120/200ths	Corporate & Resource Consultants Pty Ltd
20/200ths	TE Johnston & Associates Pty Ltd

Additional ASX Information (Continued)

8. Schedule of Tenements continued.

Exploration Licences Titiribi Project Colombia

Windy Knob Resources Limited does not own any holding and/or does not hold title to any of the tenements that form part of the Titiribi Project in Columbia. Please see Note 13 of the Notes to the Financial Accounts for more information.