



Pacific Enviromin Limited

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Annual Financial Report

For the year ended 30 June 2007

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CHAIRMAN'S REPORT

The major event for the 2007 financial year was the acquisition of the world-class Mantuan Downs bentonite resource in December 2006, and the subsequent activities required to gain mining lease approval.

The approval of the Queensland Minister for Mines and Energy required that the Company have in place:

- a compensation deed with the native title claimants,
- a compensation deed with the holders of the pastoral lease on which Mantuan Downs is located,
- the recommendation of the Queensland Land and Resources Tribunal

On 25th May 2007, the Land and Resources Tribunal recommended that the mining lease be approved, subject to completion of the native title processes.

On 4th July 2007, PEV signed the compensation deed with the Bijara 3 People, the Native Title Claimants, under which the Company undertook to provide an amount for the technical training of two indigenous workers each year.

In August 2007, Enniskillen Pastoral Company Pty Ltd, the pastoral lease holder of the Mantuan Downs property, signed a deed under which PEV made a single payment of \$150,000 to Enniskillen as compensation.

The application for the Mining Lease is currently before the Minister.

During the year, the Company was also working to establish the logistics framework necessary to move the product from Mantuan Downs to potential markets, and now has in place a very cost-effective transport system to move the product to the port of Gladstone.

There are a number of major international bentonite suppliers and wholesalers who are keen to access the high quality bentonite available from Mantuan Downs. Several wish to visit Mantuan Downs as soon as mining lease approval is given and the resource can be developed.

When bentonite is first extracted, it has approximately 30% water content. It is laid out on pads and dried to a 12% water content before shipping or further processing. The Company has analysed the market and considers that it can generate immediate revenues with minimal capital expenditure through the sale of sundried ("raw") bentonite, rather than moving into a processed product with the additional processing plant requirements. In particular the Company is progressing a number of domestic supply proposals for sundried bentonite.

A number of other industrial mineral opportunities were presented to the Company during the year. Most were rejected as being too long term, of low value product, or requiring excess expenditure.

PEV has applied for exploration tenements covering Nephleline Syenite, which is used in glass and ceramic manufacture, and Rare Earths, including a number of elements which are important in component manufacture for the IT and communications sector. Samples from these tenements will be analysed and if proved satisfactory, further work will be completed. If not the tenements will be dropped.

Subsequent to year end, the Company formed a joint venture with high profile industrial mineral company, Penfold Developments to acquire several granted sodium bicarbonate tenements near Roma in South West Queensland for which a Mining Lease Application has already been lodged.

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

The Roma sodium bicarbonate is contained in subterranean brine water that will be pumped to the surface. The brine can then generate the carbonate products through a number of environmentally clean processes including solar evaporation or reverse osmosis. These processes produce significant volumes of potable water as a by-product which could be sold to local communities.

CHAIRMAN'S REPORT

At the Annual General Meeting, a resolution will be placed before shareholders for the acquisition of three companies which hold 15 prospective uranium tenements covering 22,000 sq kms of the Northern Territory. The strategy is not to expend money on these tenements, but to immediately sell down the Company's holdings in these tenements to uranium exploration companies which will provide the necessary exploration funding.

Activity during the year in the environmental technologies portfolio was focussed on the patented technology for the removal of toxins produced by high temperature combustion, and the use of a bentonite product for the reduction of methane emissions in livestock.

PEV met earlier this year with an international tobacco group regarding the capacity for the bentonite-based product to reduce toxins in tobacco smoke. As a result, PEV is conducting further research utilising the testing regime specified by that group.

The Company is working with Meat & Livestock Australia to progress the research on the methane emission technology.

Pacific Enviromin operates with a lean administration structure. There are only three executives, including the two executive directors. The roles of Company Secretary and Financial Controller are contracted out. As this has been a year of considerable progress, a lot has been asked of every member of the PEV team, including the non-executive directors, and I thank them all for their significant contribution to the Company.

Finally, I thank shareholders for their continued support. The progress this year places the Company in a good position for the future and we look forward to generating long-awaited revenues through sales of our bentonite product.



Brian Jones
Chairman
Brisbane

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Pacific Enviromin Limited (referred to hereafter as "the Company") and its controlled entities for the year ended 30th June 2007.

DIRECTORS

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

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

Experience and expertise

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

Other current Directorships

Mr. Jones is currently a Director of Business Management Limited, Aurion Corporation Limited, and several private companies.

Special responsibilities

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

Interests in shares and options

8,449,028 ordinary shares in Pacific Enviromin Limited

Mr. Paul Byrne (Executive Director)

Experience and expertise

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

Other current Directorships

Upango Limited.

Special responsibilities

Oversee Pacific Enviromin Limited's operations on a day to day basis, represent the Company and its interests, evaluation and development of opportunities.

Interests in shares and options

40,293,575 ordinary shares in Pacific Enviromin Limited

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

Experience and expertise

Mr. Dredge joined the Company as Executive Director following the acquisition of the Ipoh Group of companies. He was a founder of the Ipoh Group and has 30 years experience as a geologist responsible for identifying and developing mineral resources, including a number of successful operating mines in Australia and South East Asia.

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

Other current Directorships

Nil

Special responsibilities

Responsible for geological and mine development activities.

Interests in shares and options

41,816,304 ordinary shares in Pacific Enviromin Limited

DIRECTORS' REPORT

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

Experience and expertise

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

Other current Directorships

Mr. Laurie is currently a Director of Impact Capital Limited and the Chairman of the Twilight aged care group and was previously the Chairman of Home Leisure Limited, Executive Director of Australian Cement Ltd, and Managing Director of Melcann Ltd as well a past senior executive of CSR.

Special responsibilities

Member of the Remuneration Committee
Logistics and international trade

Interests in shares and options

1,850,000 ordinary shares in Pacific Enviromin Limited

Mr. Peter Ziegler B. Com (Hons), LL.B (Hons); MFM, FCPA, FTIA, ACA (Non-Executive Director)

Experience and expertise

Mr. Ziegler is a very experienced Company Director. He was a partner of one of the major international accounting firms, specialising in taxation and corporate structuring. He is also a solicitor of the Supreme Court of Victoria. Director since 29th November 2005

Other current Directorships

Nil
Mr. Ziegler was previously a Director of Village Roadshow Limited.

Special responsibilities

Member of the Audit and Remuneration Committees

Interests in shares and options

200,000 ordinary shares in Pacific Enviromin Limited

Mr. John Fick BSc, BE, ME, MBA, MA, FAICD (Executive Director)

Mr. Fick resigned as a Director on 28th June 2007.

Company Secretary

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

Mr. Ilett is a Chartered Accountant and a Chartered Secretary with over 20 years commercial experience.

Mr. Ilett has been involved with a number of public mining company listings and capital raisings including the dual listing of an Australian public company on London's Alternative Investment Market (AIM). From 2002 to 2005 Mr. Ilett held the position of Company Secretary and Chief Financial Officer for a publicly listed mining company. Mr. Ilett is currently the Company Secretary and Chief Financial Officer for Drummond Gold Limited and Chief Financial Officer for Queensland Gold and Minerals Limited.

Company Secretary since 30th June 2006.

All Directors were in office for the entire year and up to the date of this report, unless otherwise stated.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The operating profit from ordinary activities after income tax of the consolidated entity for the year ended 30th June 2007 was \$801,145 (2006: loss \$2,195,482).

REVIEW OF OPERATIONS

Pacific Enviromin Limited ("PEV") is an industrial minerals exploration and exploitation company that also holds a portfolio of environmental remediation technologies developed from its industrial minerals.

During the financial year PEV undertook the following activities:

Corporate

At a General Meeting of Shareholders held on 5th April 2007, the shareholders approved the change of name for the Company from TechStar Limited to Pacific Enviromin Limited.

During the year, the Company raised \$3.82 million through equity placements to sophisticated investors and to existing shareholders through a shareholder share placement plan.

Industrial Minerals

Following shareholder approval at the 2006 Annual General Meeting, in December 2006 the Company acquired the world-class Mantuan Downs bentonite resource located in Central Queensland.

Subsequent activity has been focussed on finalising the compensation agreements with native title claimants and the pastoral lease holders to enable approval of the mining lease. These agreements are now in place and the mining lease application is being processed by the Queensland Department of Mines and Energy for approval.

PEV also reviewed several other industrial mineral opportunities during the year and now holds, or has an agreement to acquire:

Tenement	Mineral	Location	Status	Uses
EPM 13886	Calcium Bentonite	Springsure Central Qld	Mining lease approval imminent	Multiple uses including clarification of food oils, steel manufacture
EPM 16087	Dolomite	Ipswich Qld	Testing samples	Agricultural applications
EPM 16083	Nepheline Syenite	Baralabar Central Qld	Testing samples	Glass and ceramic manufacture
EPM 16082	Rare Earths Lanthanides	Marlborough Central Qld	Testing samples	Component manufacture for the IT and communications sector
EPM 16629	Sodium Bicarbonate	Roma Qld	Subject to settlement of acquisition	Baking Soda and Soda Ash. Food and other industries, glass manufacture

On 25th June 2007, an agreement was signed, subject to shareholder approval, for the 100% acquisition of two companies, and the acquisition of 30% of a third company, which in aggregate hold 18 prospective uranium tenements covering 22,000 sq kms of the Northern Territory. PEV will expend minimal funds on these tenements, and sell down the Company's holdings to qualified uranium exploration companies which will provide the necessary exploration funding.

DIRECTORS' REPORT

Bentonite-based Technologies

With the focus for the year on developing revenues from the Mantuan Downs bentonite project, there has been less activity in the longer time horizon technology portfolio.

PEV resigned as a paying partner in the public/private Co-operative Research Centre for Containment Assessment and Remediation of the Environment, as it was considered more cost-effective for research on PEV's technologies to be completed by other university researchers.

PEV has engaged a university to continue testing the patented technology to reduce organic toxins produced by high temperature combustion such as cigarette smoke. This testing will use the program specified by an international tobacco group. In addition, the university is testing this technology for use in pollution-style face masks which are common in Asia.

The Company continues to work with Meat & Livestock Australia on a patented technology to reduce methane emissions in livestock.

Given the focus on water management in Australia, PEV registered the name Waterwise Home and Garden for its calcium bentonite product which has significant long-term water saving capacities as researched and proven by CSIRO. The Company has applied for approval as a specified product under the Queensland Government's Waterwise subsidy program.

DIVIDENDS

No dividends of the Company or any entity of the Group have been paid or declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30th June 2007.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Following shareholder approval at the Annual General Meeting held on 29th November 2006, Pacific Enviromin Limited completed the acquisition of 100% of Ipoh Pacific Resources Pty Ltd. This transaction resulted in Pacific Enviromin Limited:

- a) securing 100% ownership of the Mantuan Downs bentonite resource;
- b) issuing a total of 40 million fully paid ordinary shares to the vendors of Ipoh Pacific Resources Pty Ltd; and
- c) completing a forgiveness of \$620,616 debt in the Group.

SIGNIFICANT EVENTS AFTER BALANCE DATE

Mining Lease application for the Mantuan Downs bentonite deposit was lodged with Queensland Department of Mines and Energy.

The Company signed an agreement under the Native Title Act with the Bidjara 3 People and signed an agreement with Enniskillen Pastoral Company, the pastoral lease holder of Mantuan Downs.

PEV signed a preliminary agreement whereby the Company is forming a joint venture with a minerals exploration and marketing company to acquire several granted sodium bicarbonate tenements in Queensland for which a mining lease application has been lodged.

The tenements, located north of Roma in South West Queensland, are being acquired by the joint venture for \$200,000 in cash, and 1,500,000 PEV ordinary shares, plus a royalty of 2.5% on net revenue to a maximum of \$1 million.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS IN THE GROUP OPERATIONS

Proposed acquisition of uranium tenements:

On 25th June 2007 the Company entered into a heads of agreement, which subject to shareholder approval, provided for the Company to acquire 100% of the issued capital of Spinifex Uranium Pty Ltd and Frontier Uranium Pty Ltd, and hold an exclusive option (expiring on 31st December 2007) to acquire 30% of the issued capital of Diamantina Uranium Pty Ltd.

Under the proposed agreement the Company will acquire eighteen Registered Exploration Licence Applications (ELAs) covering approximately 22,000 km² of highly prospective uranium areas in the Northern Territory, and an Exploration Permit for Minerals Application (EPMA) in Queensland covering 351 km².

The Company will acquire its shareholding in the above companies for a total consideration of \$500,000 for each company consisting of 3,000,000 Pacific Enviromin Limited fully paid shares issued at 16.67 cents per share. These PEV shares issued to the vendors of the three companies being acquired will be subject to an ASX imposed escrow period of 12 months.

Discussions are under way with exploration companies regarding farm-in agreements whereby the farm-in party will provide all funding necessary to continue the exploration on all ELAs through to bankable feasibility studies in exchange for a 70% interest in the ELA. The market will be advised when agreements have been reached with farm-in parties.

Under the farm-in agreements, PEV will not be required to provide funding during the exploration period, but will retain 30% of any identified resource. Diamantina Uranium Pty Ltd, Spinifex Uranium Pty Ltd and Frontier Uranium Pty Ltd are each held by four shareholders; namely one third party and three of PEV's directors (Mr. Paul Byrne, Mr. Chris Dredge and Mr. Peter Ziegler) and/or their associated or related parties.

ENVIRONMENTAL REGULATION

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

The Company has signed a Native Title Agreement with the Bidjara 3 People who are the registered native title claimants over the Mantuan Downs area. The Company has liaised with relevant landholders and discussed the use of infrastructure on their land. It is the Company's policy that its activities cause minimum disturbance or encroachment, or offence to cultural sites or beliefs of members of traditional landowner groups or to any landholder or business enterprise falling within the exploration tenements held by the Company.

RISK MANAGEMENT

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

SHARE OPTIONS

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

DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS

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

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

DIRECTORS' MEETINGS

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

	Directors' meetings	Audit Committee	Remuneration Committee
Number of meetings held	16	3	1
Number of meetings attended:			
Mr. Brian Jones	15 of 16	3	1
Mr. John Laurie	14 of 16	**	1
Mr. Paul Byrne	15 of 16	**	**
Mr. Christopher Dredge	12 of 16	**	**
Mr. Peter Ziegler	16	3	1
Mr. John Fick (<i>resigned 28 June 2007</i>)	13 of 15	**	**

** = Not a member of the relevant committee.

The Company has an Audit Committee and a Remuneration Committee.

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

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

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of the Directors.

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

Name of Director	Ordinary fully paid shares
Mr. Brian Jones	8,449,028
Mr. John Laurie	1,850,000
Mr. Paul Byrne	40,293,575
Mr. Christopher Dredge	41,816,304
Mr. Peter Ziegler	200,000
Total	133,615,793

DIRECTORS' REPORT

REMUNERATION REPORT

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

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

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

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

Executive Remuneration

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

Currently executive remuneration comprises of a total fixed remuneration and does not comprise of any short-term incentive schemes or equity based remuneration.

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

Directors' Fees

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

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

B Details of remuneration

Amounts of Remuneration

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

The key management personnel of the Group are the Directors of Pacific Enviromin Limited and those executives that report directly to the Board. Other than Directors there were only 3 other key management personnel during the financial year

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

Name	Position	Employer/Contractor
Mr. David Hunt	Chief Executive Officer (<i>resigned 9/9/2006</i>)	Pacific Enviromin Limited
Mr. Michael Ilett	Company Secretary	Pacific Enviromin Limited
Mr. Kevin Mischewski	Financial Accountant	Pacific Enviromin Limited

DIRECTORS' REPORT

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

Specified Directors		Short-term benefits	Post-employment benefits	Equity-based benefits	Total
		Base Salary & Fees \$	Superannuation \$	Options \$	
Mr. John Reid	2007	—	—	—	—
	2006	25,000	—	—	25,000
Mr. Brian Jones	2007	—	60,000	—	60,000
	2006	25,000	—	—	25,000
Mr. John Laurie	2007	—	40,000	—	40,000
	2006	23,333	—	—	23,333
Mr. Paul Byrne	2007	54,000	—	—	54,000
	2006	31,500	—	—	31,500
Mr. Christopher Dredge	2007	54,000	—	—	54,000
	2006	31,500	—	—	31,500
Mr. Peter Ziegler	2007	40,000	—	—	40,000
	2006	23,333	—	—	23,333
Mr. John Fick	2007	13,333	—	—	13,333
	2006	—	—	—	—
Total Remuneration	2007	161,333	100,000	—	261,333
	2006	159,666	—	—	159,666

Other key management personnel		Short-term benefits	Post-employment benefits	Other	Total
		Base Salary & Fees \$	Superannuation \$	\$	
Mr. David Hunt	2007	59,489	5,354	6,502	71,345
	2006	157,389	14,165	8,446	180,000
Mr. Peter Dewar	2007	—	—	—	—
	2006	112,746	5,485	—	118,231
Mr. Kevin Mischewski	2007	73,781	—	—	73,781
	2006	89,568	—	—	89,568
Mr. John Hilton	2007	—	—	—	—
	2006	4,500	450	—	4,950
Mr. Michael Ilett	2007	47,596	—	—	47,596
	2006	—	—	—	—
Total Remuneration	2007	180,866	5,354	6,502	192,722
	2006	364,203	20,100	8,446	392,749

It is noted that in addition to the above Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick, charged the Company \$150,000 (2006: \$91,666) for the provision of services.

DIRECTORS' REPORT

C. Service Agreements

Remuneration and other terms of employment for the Executive Directors and Key Management Personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below:

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

1. Executive Directors

The Company entered into a Consultancy Agreement with Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick. The agreement commenced on 1st May 2006 for a period of 36 months, reviewable annually. Under this agreement the Company engaged CTC to manage the Company's technology, including research and development. Payments made to CTC under this agreement have not been included in Specified Directors remuneration. The agreement was terminated on 28th February 2007 by mutual agreement.

The agreement provided the following:

- Payment of a \$16,667 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- Termination for non performance or by mutual agreement; and
- Provides key KPI's for licensing contracts and revenue generated for the portfolio of projects.

The Company entered into a Consultancy Agreement with Mr. Paul Byrne and Moray Holdings (Qld) Pty Ltd as trustee for the Byrne Family Trust ("MOH"), an entity associated with Mr. Paul Byrne. The agreement commenced on 29th November 2005 for a period of 12 months. Under this agreement the Company engaged MOH to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$4,500 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

The Company entered into a Consultancy Agreement with Mr. Chris Dredge. The agreement commenced on 29th November 2005 for a period of 12 months. Under this agreement the Company engaged Mr. Chris Dredge to provide executive advice, support and administrative functions to the Company and its Board.

The agreement provides the following:

- Payment of a \$4,500 per month plus GST consulting retainer;
- Payment of any service fees and disbursements;
- After the 12 month period the agreement shall continue and each party may terminate the agreements on 30 days notice in writing.

2. Key Management Personnel

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

Mr. David Hunt was engaged under a contract of service.

- Base Salary including superannuation of \$180,000 per annum plus travel, accommodation and general out of pocket expenses
- Salary Package – Includes a Company car. The Fringe Benefits Tax reportable amount of the car was \$6,502.

DIRECTORS' REPORT

- Termination Payment or Notice– Amount equal to 25% of the employee's total remuneration for the year as set out in the contract of employment.
- Resigned: 9th September 2006

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

The agreement provides the following:

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

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

The agreement provides the following:

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

D. Share Based Compensation

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

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

No element of the remuneration of any Director or Executive is related to the performance of the Company.

DIRECTORS INTERESTS IN CONTRACTS

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

NON-AUDIT SERVICES

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

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

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

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

DIRECTORS' REPORT

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

	Consolidated	Consolidated
	2007	2006
	\$	\$
Assurance Services		
1. Audit Services		
Ernst & Young		
Audit and review of financial reports of the entity or any entity in the consolidated entity and other audit work under the Corporations Act 2001	--	\$47,964
Sothertons Chartered Accountants		
Audit and review of financial reports of the entity or any entity in the consolidated entity and other audit work under the Corporations Act 2001	\$52,000	\$32,000
Total remuneration for audit services	\$52,000	\$79,964

	Consolidated	Consolidated
	2007	2006
	\$	\$
2. Taxation Services		
Sothertons Chartered Accountants		
Tax compliance services, including review of Company income tax matters	\$16,186	\$4,695
Total remuneration for taxation services	\$16,186	\$4,695

AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Sothertons Chartered Accountants, to provide the Directors with a written independence declaration in relation to their review of the financial report for the year ended 30th June 2007. The written Auditor's independence declaration is attached to and forms part of this Directors' Report.

TAX CONSOLIDATION

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

CORPORATE GOVERNANCE

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

ROUNDING

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

DIRECTORS' REPORT

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

On behalf of the Directors



Brian Peter Jones
Chairman
Brisbane, 20th September 2007



Peter Alexander Ziegler
Director

PARTNERS

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

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

CONSULTANT

Kenneth E. Scells

In accordance with Section 307C of the Corporations Act 2001 I declare that, to the best of my knowledge and belief, in relation to the audit of Pacific Enviromin Limited for the financial year ended 30 June 2007 there have been:

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



Sothertons - Brisbane Partnership



**A C Bryen
Lead Audit Partner**

Dated at Brisbane this twenty-first day of September 2007

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Pacific Enviromin Limited ("the Company") is responsible for Corporate Governance and protecting the rights and interests of Shareholders to whom it is accountable. In considering its approach to Corporate Governance, the Company has considered the ASX Corporate Governance Council's (2003) *"Principles of good corporate governance and best practice recommendations."* Pacific Enviromin Limited's Corporate Governance practices were in place throughout the year ended 30 June 2007 and the Company was substantially compliant with the Council's best practice recommendations.

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

Principle 1. Lay solid foundations for management and oversight

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

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

The specific function and responsibilities of the Board include:

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

Principle 2. Structure the Board to add value

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

Principle 3. Promote ethical and responsible decision making

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

The Company has implemented a Corporate Ethics Policy for the Directors and other key executives designed to ensure proper dealing in the Company's securities, ensure practices are in place to maintain the confidence in

CORPORATE GOVERNANCE STATEMENT

the Company's integrity and ensure responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

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

Principle 4. Safeguard integrity in financial reporting

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

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

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

All members of the Audit Committee are non-executive Directors. Due to the size, nature and level of complexity of the Company, the Board does not believe that it is necessary to have a majority of independent Directors on the Audit Committee.

The members of the Audit Committee during the year were Mr. Peter Ziegler (Chairman of Audit Committee) and Mr. Brian Jones. Mr. John Laurie will be appointed to the Audit Committee on 1st October 2007. Details of the qualifications of the members of the Audit Committee and number of meeting held during the year are contained in the Directors' report.

Principle 5. Make timely and balanced disclosure

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

Principle 6. Respect the rights of shareholders

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

Principle 7. Recognise and manage risk

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

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

Principle 8. Encourage enhanced performance

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

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

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

Principle 9. Remunerate fairly and responsibly

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

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

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

Principle 10. Recognise the legitimate interests of stakeholders

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

INCOME STATEMENTS

For the year ending 30 June 2007

	Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
Revenue	4	14,761	7,052	14,154	25,001
Cost of sales		-	-	-	-
Gross profit		14,761	7,052	14,154	25,001
Gain on debt forgiveness		620,616	-	-	-
Gain on acquisition of subsidiary		926,447	-	-	-
Other income	4	5,396	46,144	45	3,398
Gains on disposal of assets	5	-	5,909	-	5,909
Employee benefits expense	5	(181,749)	(347,329)	(181,749)	(347,329)
Depreciation and amortisation expenses		(4,527)	(6,696)	(3,961)	(6,256)
Impairment of assets	5	(2,408)	-	(348,057)	(282,195)
Research and development costs		377,812	(849,519)	-	-
Exploration and evaluation costs		(4,216)	-	-	-
Finance Costs	5	(118,765)	(141,640)	(108,358)	(133,988)
Administration expenses	5	(811,559)	(909,403)	(757,057)	(742,353)
PROFIT(LOSS) BEFORE INCOME TAX		821,808	(2,195,482)	(1,384,983)	(1,477,813)
Income tax expense		-	-	-	-
PROFIT(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		821,808	(2,195,482)	(1,384,983)	(1,477,813)
PROFIT(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS		(20,663)	-	-	-
PROFIT(LOSS) FOR THE PERIOD		801,145	(2,195,482)	(1,384,983)	(1,477,813)
		cents	cents		
Basic profit(loss) per share		0.3	(1.8)		
Diluted profit(loss) per share		0.3	(1.8)		

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

BALANCE SHEETS

As at 30 June 2007

	Notes	Consolidated 30 June 2007 \$	Consolidated 30 June 2006 \$	Pacific Enviromin Limited 30 June 2007 \$	Pacific Enviromin Limited 30 June 2006 \$
CURRENT ASSETS					
Cash and cash equivalents		1,798,970	100,850	1,798,970	100,054
Trade and other receivables	7	18,210	91,751	8,210	16,825
TOTAL CURRENT ASSETS		1,817,180	192,601	1,807,180	116,879
NON-CURRENT ASSETS					
Trade and other receivables	7	-	-	309,745	25,812
Other financial assets	8	-	-	9,485,395	7,485,398
Property, plant and equipment	9	29,261	9,240	28,167	7,580
Exploration and evaluation expenditure	10	3,167,818	-	-	-
Intangible assets	11	8,165,916	8,175,279	-	-
TOTAL NON-CURRENT ASSETS		11,362,995	8,184,519	9,823,307	7,518,790
TOTAL ASSETS		13,180,175	8,377,120	11,630,487	7,635,669
CURRENT LIABILITIES					
Trade and other payables	12	607,622	2,152,126	63,927	322,734
Other financial liabilities	13	253,820	42,889	239,574	7,611
Provisions	14	-	25,834	-	25,697
TOTAL CURRENT LIABILITIES		861,442	2,220,849	303,501	356,042
NON-CURRENT LIABILITIES					
Financial liabilities	13	727,696	1,185,933	727,696	1,115,296
TOTAL NON-CURRENT LIABILITIES		727,696	1,185,933	727,696	1,115,296
TOTAL LIABILITIES		1,589,138	3,406,782	1,031,197	1,471,338
NET ASSETS (DEFICIENCY)		11,591,037	4,970,338	10,599,290	6,164,331
EQUITY					
Parent entity interest					
Contributed equity	15	25,796,217	19,976,275	25,796,217	19,976,275
Accumulated losses	16	(14,205,180)	(15,005,937)	(15,196,927)	(13,811,944)
Total parent entity interest		11,591,037	4,970,338	10,599,290	6,164,331
TOTAL EQUITY		11,591,037	4,970,338	10,599,290	6,164,331

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2007

Notes	Consolidated				Pacific Enviromin Limited		
	Attributable to Equity Holders of the Parent				Ordinary Shares	Retained Earnings	Total
	Ordinary Shares	Retained Earnings	Total	Minority Interest	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
TOTAL EQUITY AT 1 JULY 2006	19,976,275	(11,207,174)	8,769,101	(3,798,763)	19,976,275	(13,811,944)	6,164,331
PROFIT (LOSS) FOR THE PERIOD	-	(138)	(138)	801,283	-	(1,384,983)	(1,384,983)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	-	(138)	(138)	801,283	-	(1,384,983)	(1,384,983)
Total changes in minority interest	-	-	-	(388)	-	-	-
Transactions with equity holders in their capacity as equity holders:							
Shares issued on acquisition of subsidiary	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
Shares issued on exchange of debt for equity	-	-	-	-	-	-	-
Shares issued for cash	4,050,300	-	4,050,300	-	4,050,300	-	4,050,300
Transaction costs on share issue	(230,358)	-	(230,358)	-	(230,358)	-	(230,358)
	5,819,942	-	5,819,942	(388)	5,819,942	-	5,819,942
TOTAL EQUITY AT 30 JUNE 2007	25,796,217	(11,207,312)	14,588,905	(2,997,868)	25,796,217	(15,196,927)	10,599,290

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

STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 30 June 2006

	Consolidated					
	Attributable to Equity Holders of the Parent			Pacific Enviromin Limited		
	Notes	Ordinary Shares \$	Retained Earnings \$	Total \$	Minority Interest \$	Total \$
TOTAL EQUITY AT 1 JULY 2005		6,761,502	(9,153,979)	(2,392,477)	(3,656,476)	(6,048,953)
PROFIT (LOSS) FOR THE PERIOD		-	(2,053,195)	(2,053,195)	(142,287)	(2,195,482)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD		-	(2,053,195)	(2,053,195)	(142,287)	(2,195,482)
Total changes in minority interest		-	-	-	-	-
Transactions with equity holders in their capacity as equity holders:						
Shares issued on acquisition of subsidiary		7,200,000	-	7,200,000	-	7,200,000
Shares issued on exchange of debt for equity		4,744,773	-	4,744,773	-	4,744,773
Shares issued for cash		1,270,000	-	1,270,000	-	1,270,000
Transaction costs on share issue		-	-	-	-	-
		13,214,773	-	13,214,773	-	13,214,773
TOTAL EQUITY AT 30 JUNE 2006		19,976,275	(11,207,174)	8,769,101	(3,798,763)	4,970,338
		6,761,502	(12,334,130)	(5,572,628)		
		-	(1,477,814)	(1,477,814)		
		-	(1,477,814)	(1,477,814)		
		-	-	-		
		7,200,000	-	7,200,000		
		4,744,773	-	4,744,773		
		1,270,000	-	1,270,000		
		-	-	-		
		13,214,773	-	13,214,773		
		19,976,275	(13,811,944)	6,164,331		

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

CASH FLOW STATEMENTS

For the year ended 30 June 2007

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
NET CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	7,195	24,137	45	27,325
Payments to suppliers and employees	(1,436,918)	(1,579,965)	(1,246,507)	(1,747,597)
Interest received	14,761	7,052	14,154	6,620
Borrowing costs	(32,092)	(2,692)	(21,685)	(2,692)
Research and development expenditure	(316,241)	(49,519)	(316,241)	-
Government grants	-	41,466	-	-
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(1,763,295)	(1,559,521)	(1,570,234)	(1,716,344)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant, equipment and financial assets	-	9,307	-	9,307
Acquisition of plant and equipment	(24,548)	(22,894)	(24,548)	-
Acquisition of subsidiaries	-	(157,720)	-	-
Loans to associates	-	(9,788)	(283,933)	-
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(24,548)	(181,095)	(308,481)	9,307
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	3,819,942	1,270,000	3,819,942	1,270,000
Proceeds from borrowings	49,539	513,882	49,540	489,332
Repayment of borrowings	(383,518)	9,790	(291,851)	-
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES	3,485,963	1,793,672	3,577,631	1,759,332
NET INCREASE/(DECREASE) IN CASH HELD	1,698,120	53,056	1,698,916	52,295
Add opening cash brought forward	100,850	47,794	100,054	47,759
CLOSING CASH CARRIED FORWARD	1,798,970	100,850	1,798,970	100,054

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 30 June 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Report of Pacific Enviromin Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the Directors on 20th September 2007.

(a) Basis of preparation

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

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

(b) Statement of compliance

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

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

Critical accounting estimates

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

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

(c) Going Concern

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

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

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

(d) Intangible assets

The directors have reviewed the carrying value of the intellectual property at 30 June 2007 based on projections of future cash flows expected to be received from the projects and have concluded that the recoverable amount of the intellectual property remains unchanged since its acquisition in December 2005. The directors acknowledge that good progress has been made in commercialisation of the projects, however, due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustment of the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

(e) Summary of significant accounting policies

(i) Basis of consolidation

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

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

(ii) Investment in associate

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

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

(iii) Interest in joint venture operation

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

(iv) Foreign currency translation

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

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

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

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

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

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

(v) Property, plant and equipment

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

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

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

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

Impairment

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

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

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

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

Revaluations

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

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

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

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

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

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

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

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

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

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

(vi) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(vii) Investment properties

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

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

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

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

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

(viii) Goodwill

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

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

Goodwill is not amortised.

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

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

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

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

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

(ix) Intangible assets

Acquired both separately and from a business combination

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

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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

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

Research and development costs

Research costs are expensed as incurred.

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

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

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

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

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

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

(x) Recoverable amount of assets

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

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(xi) Investments

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

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

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

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

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

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

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

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

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

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

(xii) Inventories

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

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

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

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

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

(xiii) Trade and other receivables

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

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(xiv) Cash and cash equivalents

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

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

(xv) Interest-bearing loans and borrowings

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

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

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

(xvi) Provisions

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

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

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

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

(xvii) Leases

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

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

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

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

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

(xviii) Revenue

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

Sale of goods

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

Interest

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

Dividends

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

(xix) Government grants

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

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

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

(xx) Income tax

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xxi) Other taxes

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

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

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

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

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

(xxii) Derecognition of financial instruments

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

(xxiii) Derivative financial instruments

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

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

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in

cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

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

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

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

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

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

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

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

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

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

(xxiv) Exploration and evaluation expenditure

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

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

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

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

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

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

2. FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Price risk

The Group is exposed to bentonite commodity price risk. As it develops the Mantuan Downs project the Group's capacity to raise additional funds is dependent upon commodity prices.

(ii) Fair value interest rate risk

Refer to (d) below

(b) Credit risk

The Group has no significant concentrations of credit risk.

(c) Liquidity risk

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

(d) Cash flow and fair value interest rate risk

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

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

(a) Critical accounting estimates and assumptions

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

(i) Intangible Assets

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

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

(ii) Impairment

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

No impairment has been recognised for the year ended 30th June 2007 in respect of the intangible assets acquired with Ipoh Pacific Limited and Exnox Technologies Limited. No impairment has been recognized in respect of the value of the mining tenement acquired with Ipoh Pacific Resources Pty Ltd. Should the projected turnover figures vary significantly from the budgeted figures incorporated in the value-in-use calculations an impairment loss would be recognised up to the maximum carrying value of the relevant assets as at 30th June 2007.

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

(i) Recovery of deferred tax assets

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

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
4 REVENUE				
Revenue				
Rendering of Services	-	-	-	18,381
Interest	14,761	7,052	14,154	6,620
	14,761	7,052	14,154	25,001
Other income				
Compensation for impairment(loss) of property, plant and equipment	-	3,398	-	3,398
Government grants	-	41,466	-	-
Royalties	5,351	1,280	-	-
Other	45	-	45	-
	5,396	46,144	45	3,398
5 ITEMS INCLUDED IN PROFIT (LOSS)				
Gains(losses) on disposal of assets				
Property, plant and equipment	-	5,909	-	5,909
	-	5,909	-	5,909
Employee benefits expense				
Wages and salaries	36,201	228,605	36,201	228,605
Directors remuneration	90,000	96,666	90,000	96,666
Defined contribution plans	55,548	22,058	55,548	22,058
	181,749	347,329	181,749	347,329
Impairment of assets				
Impairment losses recognised in profit or loss:				
- diminution in value of investments	-	-	62	1
- diminution in value of bans receivable	2,408	-	347,995	282,194
	2,408	-	348,057	282,195
Finance Costs				
Interest expense	116,938	139,814	106,531	132,162
Other borrowing costs	1,827	1,826	1,827	1,826
	118,765	141,640	108,358	133,988
Other expenses				
Bad debts written off	863	200	363	200
Foreign currency exchange differences	(4)	75	-	21
Administration expenses	810,700	909,128	756,694	742,132
	811,559	909,403	757,057	742,353
Specified directors and specified executives				
Interest expense from transactions with directors	98,936	71,951	92,141	70,286

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
6 INCOME TAX				
The major components of income tax expense comprise:				
Current tax expense/(income)	114,187	-	-	-
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
- current tax expense	(114,187)	-	-	-
Income tax expense/(income)	-	-	-	-
The prima facie income tax expense on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense in the financial statements as follows:				
Profit (Loss) from continuing operations	821,808	(2,195,482)	(1,384,983)	(1,477,813)
Profit (Loss) from discontinued operations	(20,663)	-	-	-
	801,145	(2,195,482)	(1,384,983)	(1,477,813)
Income tax expense/(income) calculated at 30% (2006: 30%)	240,344	(658,645)	(415,495)	(443,343)
Tax effect of non-deductible expenses:				
- impairment of assets	722	-	104,417	84,658
- other items net	(126,879)	183,742	(115,709)	21,903
Effect of current year tax losses not recognised as deferred tax asset	-	474,903	426,787	336,782
Effect of realisation of prior years' tax losses not previously recognised	(114,187)	-	-	-
Income tax expense/(income)	-	-	-	-
Deferred tax assets have not been recognised in respect of:				
- deductible temporary differences	34,699	384,266	16,819	62,729
- tax losses available to the tax consolidated group	1,403,335	1,518,684	1,646,720	1,518,684
- tax losses available to entities outside the tax consolidated group	2,217,483	2,537,616	-	-
	3,655,517	4,440,566	1,663,539	1,581,413

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

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

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
7 TRADE AND OTHER RECEIVABLES				
Current				
Trade accounts receivable	-	5,899	-	363
Less: Provision for doubtful debts	-	(3,737)	-	-
	-	2,162	-	363
Amounts receivable from related parties:				
- loans to director related entities	-	70,831	-	3,204
Other receivables	10,000	500	-	-
Prepayments	8,210	18,258	8,210	13,258
	18,210	91,751	8,210	16,825
Non-current				
Amounts receivable from related parties:				
- loans to controlled entities	-	-	309,745	25,812
	-	-	309,745	25,812

(a) Interest rate risk

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

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

2006	Floating interest rate \$	Fixed interest maturing in:						Non- interest bearing \$	Total \$
		1 year or less \$	Over 1 to years \$	Over 2 to years \$	Over 3 to years \$	Over 4 to years \$	Over 5 years \$		
Cash & cash equivalents	-	-	-	-	-	-	-	100,850	100,850
Trade accounts receivable	-	-	-	-	-	-	-	2,162	2,162
Amounts receivable from related parties	-	-	-	-	-	-	-	70,831	70,831
Other receivables	-	-	-	-	-	-	-	500	500
Prepayments	-	-	-	-	-	-	-	18,258	18,258
	-	-	-	-	-	-	-	192,601	192,601
Weighted average interest rate	- %	- %	- %	- %	- %	- %	- %	- %	

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
8 OTHER FINANCIAL ASSETS				
Non-Current				
Investment in subsidiaries at cost	-	-	9,485,395	7,485,397
	-	-	9,485,395	7,485,397
During the prior year investments in controlled entities were written down to recoverable amount as follows:				
Inter Whistle Pty Ltd				
Opening balance			-	1
Diminution in value			-	(1)
Closing balance			-	-
Eyebionics Pty Ltd				
Opening balance			2	-
Investment at cost			-	2
Diminution in value			(2)	-
Closing balance			-	2
Mining Investments One Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-
Mining Investments Two Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-
Mining Investments Three Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-
Mining Investments Four Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-
Mining Investments Five Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-
Home and Garden Waterwise Pty Ltd				
Investment at cost			10	-
Diminution in value			(10)	-
Closing balance			-	-

(a) Interests in wholly owned subsidiaries *

Name	Equity interest held by consolidated entity	Equity interest held by consolidated entity	Company carrying value of investment	Company carrying value of investment
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
Inter-whistle Pty Ltd	100%	100%	-	-
Inter-cent Pty Ltd	100%	100%	-	-
Inter-ironbar Pty Ltd	100%	100%	-	-
Inter-medteq Pty Ltd	100%	100%	-	-
Ipoh Pacific Limited	100%	100%	6,033,682	6,033,682
Exnox Technologies Limited	100%	100%	1,451,713	1,451,713
Eyebionics Pty Ltd	100%	100%	-	2
Ipoh Pacific Resources Pty Ltd	100%	100%	2,000,000	-
Mining Investments One Pty Ltd	100%	100%	-	-
Mining Investments Two Pty Ltd	100%	100%	-	-
Mining Investments Three Pty Ltd	100%	100%	-	-
Mining Investments Four Pty Ltd	100%	100%	-	-
Mining Investments Five Pty Ltd	100%	100%	-	-
Home and Garden Waterwise Pty Ltd	100%	100%	-	-

(b) Interests in other subsidiaries *

SportzWhistle Pty Ltd (i)	0.0%	61.2%
Centurion Tech Holdings Pty Ltd (ii)	60%	60%
Centurion Technologies Pty Ltd (ii)	60%	60%
Ironbar Pty Ltd (iii),(v)	49%	49%
Medteq Holdings Pty Ltd (iv)	50%	50%
Medteq Innovations Pty Ltd (iv)	50%	50%

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

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

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

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

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

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

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

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

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

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
9 PLANT AND EQUIPMENT				
Plant and equipment:				
- at cost	58,154	101,493	51,808	75,302
- provision for depreciation	(50,885)	(92,253)	(45,633)	(67,722)
	7,269	9,240	6,175	7,580
Motor vehicles				
- at cost	22,572	-	22,572	-
- provision for depreciation	(580)	-	(580)	-
	21,992	-	21,992	-
Total plant and equipment	29,261	9,240	28,167	7,580
Total plant and equipment				
- at cost	80,726	101,493	74,380	75,302
- provision for depreciation and amortisation	(51,465)	(92,253)	(46,213)	(67,722)
Total written down amount	29,261	9,240	28,167	7,580
Assets pledged as security				
Assets under lease are pledged as security for the associated lease liabilities.				
(a) Reconciliations				
Plant and equipment				
- carrying amount at beginning	9,240	7,943	7,580	7,943
- additions	1,976	7,442	1,976	5,342
- depreciation expense	(3,947)	(6,145)	(3,381)	(5,705)
	7,269	9,240	6,175	7,580
Motor vehicles				
- additions	22,572	-	22,572	-
- depreciation expense	(580)	-	(580)	-
	21,992	-	21,992	-
Plant and equipment under lease				
- carrying amount at beginning	-	2,474	-	2,474
- terminated during the year	-	(1,922)	-	(1,922)
- amortisation expense	-	(552)	-	(552)
	-	-	-	-
10 EXPLORATION AND EVALUATION EXPENDITURE				
Costs brought forward	-	-	-	-
Acquisition of subsidiaries	3,100,000	-	-	-
Expenditure incurred during the year	67,818	-	-	-
	3,167,818	-	-	-
Expenditure written off	-	-	-	-
	3,167,818	-	-	-

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

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
11 INTANGIBLE ASSETS				
Goodwill	-	59,388	-	-
Accumulated amortisation	-	(59,388)	-	-
	-	-	-	-
Research and development costs				
Balance at beginning of year at cost	849,335	849,335	-	-
Capitalised Research and development costs written back on disposal of the underlying asset	(482,732)	-	-	-
Balance at end of year at cost	366,603	849,335	-	-
Accumulated amortisation prior years	(366,603)	(849,335)	-	-
	-	-	-	-
Intellectual property at cost	8,265,716	8,275,078	-	-
Accumulated amortisation	(99,800)	(99,800)	-	-
	8,165,916	8,175,278	-	-
	8,165,916	8,175,278	-	-
Total intangible assets	8,165,916	8,175,278	-	-
Reconciliation				
Intellectual property				
- carrying amount at beginning	8,175,278	147,073	-	147,073
- acquisitions through business combinations	-	8,175,278	-	-
- amounts expensed in accounts	(9,362)	(147,073)	-	(147,073)
	8,165,916	8,175,278	-	-

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

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

The directors have reviewed the carrying value of the intellectual property at 30th June 2007 based on projections of future cash flows expected to be received from the projects and have concluded that the recoverable amount of the intellectual property remains unchanged since its acquisition in December 2005. The directors acknowledge however, that due to the early stage of development of the projects and the absence of established markets, there remains a significant degree of inherent uncertainty in relation to the ultimate recovery of the intellectual property. This report does not include any adjustments to the value of the intellectual property that might be necessary should the consolidated entity not recover the carrying value of the intellectual property as stated in the financial report.

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
12 TRADE AND OTHER PAYABLES				
Current				
Trade accounts payable	607,622	1,373,647	63,927	161,780
Amounts payable to related parties - directors	-	778,479	-	160,954
	<u>607,622</u>	<u>2,152,126</u>	<u>63,927</u>	<u>322,734</u>
Aggregate amounts payable to related parties:				
- directors	-	778,479	-	160,954
	<u>-</u>	<u>778,479</u>	<u>-</u>	<u>160,954</u>
13 OTHER FINANCIAL LIABILITIES				
Current				
Unsecured borrowings				
- director related entities	241,578	35,279	155,847	-
- controlled entities	-	-	71,484	-
- other entities	5,394	7,610	5,394	7,610
Secured borrowings				
- other entities	6,848	-	6,849	-
	<u>253,820</u>	<u>42,889</u>	<u>239,574</u>	<u>7,610</u>
Non-current				
Unsecured borrowings				
- director related entities	-	526,200	-	455,563
Secured borrowings				
- director related entities	713,044	659,733	713,044	659,733
- other entities	14,652	-	14,652	-
	<u>727,696</u>	<u>1,185,933</u>	<u>727,696</u>	<u>1,115,296</u>

(a) Interest rate risk

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

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

2006	Floating interest rate \$	1 year or less \$	Fixed interest maturing in:					Non-Interest bearing \$	Total \$
			Over 1 to 2 years \$	Over 2 to 3 years \$	Over 3 to 4 years \$	Over 4 to 5 years \$	Over 5 years \$		
Trade and other payables:									
Trade accounts payable	-	-	-	-	-	-	-	1,373,647	1,373,647
Amounts payable to related parties	-	-	-	-	-	-	-	778,479	778,479
Other financial liabilities:									
<i>Unsecured borrowings:</i>									
- director related entities	-	-	526,200	-	-	-	-	35,279	561,479
- other entities	-	-	-	-	-	-	-	7,610	7,610
<i>Secured borrowings:</i>									
- director related entities	-	-	659,733	-	-	-	-	-	659,733
- other entities	-	-	-	-	-	-	-	-	-
	-	-	1,185,933	-	-	-	-	2,195,015	3,380,948
Weighted average interest rate	- %	- %	10%	- %	- %	- %	- %	- %	

	Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
14 PROVISIONS					
Current					
Employee benefits		-	25,697	-	25,697
Warranty provision		-	137	-	-
		-	25,834	-	25,697

The average number of employees during the year was three.

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

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
15 CONTRIBUTED EQUITY				
(a) Issued and paid up capital				
Ordinary shares fully paid	26,626,685	20,576,385	26,626,685	20,576,385
Less: Equity raising costs	(830,468)	(600,110)	(830,468)	(600,110)
	<u>25,796,217</u>	<u>19,976,275</u>	<u>25,796,217</u>	<u>19,976,275</u>

(b) Movements in shares on issue (parent)

	30 June 2007		30 June 2006	
	Number of shares	\$	Number of shares	\$
Beginning of financial period	192,751,606	20,576,385	43,996,697	7,361,612
Issued during year				
- shares issued to other parties including employees	106,102,329	6,050,300	148,754,909	13,214,773
End of the financial period	<u>298,853,935</u>	<u>26,626,685</u>	<u>192,751,606</u>	<u>20,576,385</u>

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

	Exercise Price	Number of Options	
		30 June 2007	30 June 2006
On issue at the beginning of the year		125,000	2,035,881
Expired during the period		125,000	1,910,881
On issue at the end of the period		-	125,000

(i) These options were issued attached to equity placements during the financial year and were exercisable at the following dates and prices:

Expiry Date	Exercise Price	Number of Options	
		30 June 2007	30 June 2006
31 st July 2006	\$0.20	-	125,000
		-	125,000

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends.

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

Options to acquire issued share capital

Each option entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
16 ACCUMULATED LOSSES				
Balance at beginning of year	(11,207,174)	(9,153,979)	(13,811,944)	(12,334,130)
Net losses attributable to members of Pacific Enviromin Limited	(138)	(2,053,195)	(1,384,983)	(1,477,814)
	(11,207,312)	(11,207,174)	(15,196,927)	(13,811,944)
Minority interest transferred to parent	(2,997,480)	(3,798,763)	-	-
Accumulated Losses attributable to parent	(14,204,792)	(15,005,937)	(15,196,927)	(13,811,944)
17 MINORITY INTEREST				
Reconciliation of minority interests in controlled entities:				
Balance at beginning of year	(3,798,763)	(3,656,476)		
Less share of operating profit (loss)	801,283	(142,287)		
Balance at end of year	(2,997,480)	(3,798,763)		
Minority Interest transferred to parent	2,997,480	3,798,763		
Minority Interest	-	-		
Minority interest comprises:				
Share capital	2,061,009	2,061,397		
Accumulated losses	(5,058,489)	(5,860,160)		
	(2,997,480)	(3,798,763)		
18 EARNINGS PER SHARE				
Basic earnings per share (cents)	0.3	(1.8)		
Diluted earnings per share (cents) (i)	0.3	(1.8)		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:				
Net profit/(loss)	801,145	(2,195,482)		
Earnings used in calculating basic and diluted earnings per share	801,145	(2,195,482)		
	Number of shares	Number of shares		
Weighted average number of shares used in calculating basic earnings per share and diluted earnings per share:	235,878,948	121,526,729		
Effect of dilutive securities:				
- share options (i)	10,616	1,515,206		
Adjusted weighted average number of ordinary shares	235,889,564	123,041,935		

(i) Share options could potentially dilute basic earnings per share. Although options that have expired during the year are included in the weighted average number of potential dilutive ordinary shares there were no remaining options outstanding as at 30th June 2007. The weighted average number of potential dilutive ordinary shares are not included in the calculation of diluted earnings per share for 2006 because they are antidilutive for that financial year.

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
19 STATEMENT OF CASH FLOWS				
Reconciliation of the operating loss after tax to the net cash flows from operations				
Operating loss after tax	801,145	(2,195,482)	(1,384,983)	(1,477,813)
Non-cash flows in profit (loss) from operations:				
Gain on debt forgiveness	(620,616)	-	-	-
Gain on aquisition of subsidiary	(926,447)	-	-	-
Depreciation of non-current assets	4,527	(8,131)	3,961	2,837
Accrued interest on interest bearing liabilities	-	138,948	-	131,296
Other	(170,850)	-	-	-
Changes in assets and liabilities:				
Decrease/(increase) in trade and other receivable:	63,493	19,459	3,567	(363)
Decrease/(increase) in prepayments	10,048	3,020	5,048	3,020
(Decrease)/increase in trade and other creditors	(926,979)	336,621	(258,807)	(1,191,851)
(Decrease)/increase in payables	86,673	822,509	86,673	822,509
(Decrease)/increase in employee entitlements	(25,697)	(5,979)	(25,697)	(5,979)
(Decrease)/increase in other provisions	(137)	-	-	-
Decrease/(increase) in exploration and evaluation expenditure	(67,818)	-	-	-
Decrease/(increase) in other financial assets	-	-	4	-
Decrease/(increase) in intangible assets	9,363	(670,486)	-	-
Net cash flow from (used in) operating activities	(1,763,295)	(1,559,521)	(1,570,234)	(1,716,344)
Reconciliation of cash				
Cash balance comprises:				
- cash on hand and at bank	1,798,970	100,850	1,798,970	100,054
Closing cash balance	1,798,970	100,850	1,798,970	100,054

The parent entity earns interest from its cash at bank. The average of the floating interest rate at year end was 6.4% per annum (June 2006: 3.25% per annum).

20 SEGMENT INFORMATION

The consolidated entity comprises of the following business segments:

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

Business Segments

The following table represents revenue and profit information regarding the business segments for the financial years ended 30 June 2007 and 30 June 2006

	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)	Discontinuing Operation (SportzWhistle Technologies)
30 June 2007						
REVENUE						
Sales to external customers	-	-	-	-	-	-
Total Sales Revenue	-	-	-	-	-	-
RESULTS						
Continuing operations						
Segment result	660,090	6,127	238,932	-	925,812	(20,663)
Unallocated expenses						
Profit/(loss)	(10,405)	(2)	(108,358)	-	925,812	(20,663)
Interest Expense	605	2	14,154	-	(118,765)	-
Interest Income	-	-	-	-	14,761	-
Profit/(loss) from continuing operations	-	-	-	-	821,808	(20,663)
ASSETS						
Segment Assets	8,288,277	3,177,818	4,073,607	(2,359,528)	13,180,174	-
Consolidated total assets					13,180,174	
LIABILITIES						
Segment liabilities	8,946,679	266,705	959,712	(8,583,958)	1,589,138	-
Consolidated total liabilities					1,589,138	
OTHER INFORMATION						
Capital expenditure (property, plant, equipment and intangibles)	-	24,548	-	-		
Depreciation and amortisation	566	-	3,381	-		
Impairment losses recognised in profit and loss and directly in equity	-	-	2,408	-		

20 SEGMENT INFORMATION (Continued)

30 June 2006

REVENUE

Sales to external customers
Total Sales Revenue

RESULTS

Continuing operations

Segment result
Unallocated expenses
Profit/(loss)
Interest Expense
Interest Income
Profit/(loss) from continuing operations

ASSETS

Segment Assets
Consolidated total assets

LIABILITIES

Segment liabilities
Consolidated total liabilities

OTHER INFORMATION

Capital expenditure (property, plant,
equipment and intangibles)

Depreciation and amortisation

	Technology Development	Resource Development	Corporate	Eliminations	Consolidated Entity (Continuing Operations)
Sales to external customers	-	-	-	-	-
Total Sales Revenue	-	-	-	-	-
Segment result	(710,449)	-	(1,352,272)	-	(2,062,721)
Unallocated expenses	-	-	-	-	-
Profit/(loss)	(7,652)	-	(132,162)	-	(2,062,721)
Interest Expense	433	-	6,620	-	(139,814)
Interest Income	-	-	-	-	7,053
Profit/(loss) from continuing operations	8,253,977	-	150,274	(27,132)	(2,195,482)
Segment Assets	-	-	-	-	8,377,119
Consolidated total assets	-	-	-	-	8,377,119
Segment liabilities	1,935,444	-	1,471,337	-	3,406,781
Consolidated total liabilities	-	-	-	-	3,406,781
Capital expenditure (property, plant, equipment and intangibles)	7,485,395	-	-	-	-
Depreciation and amortisation	440	-	6,256	-	-

20 CHANGE IN COMPOSITION OF ENTITY

Acquisition of Ipoh Pacific Resources Pty Ltd

On 29th November 2006, Pacific Enviromin Limited acquired 100% of the voting shares of Ipoh Pacific Resources Pty Ltd.

In connection with the acquisition, Pacific Enviromin Limited paid no cash consideration and issued 40,000,000 ordinary shares with a fair value of \$0.05 each.

The net fair value of the identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination by \$926,447 which amount has been included in profit or loss and included in "Gain on acquisition of subsidiary". The excess represents the fair value of the mining tenement in the accounts of Ipoh Pacific Resources Pty Ltd at the time of acquisition.

From the date of acquisition, Ipoh Pacific Resources Limited contributed a loss of \$4,321 to the net profit or loss of the Group.

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

	Carrying value immediately before acquisition	Amounts recognised at acquisition date
	\$	\$
Cash and cash equivalents	778	778
Trade and other receivables	3,053	3,053
TOTAL CURRENT ASSETS	3,831	3,831
Receivables	-	-
Other financial assets	-	-
Property, plant and equipment	-	-
Exploration and evaluation expenditure	3,100,000	3,100,000
TOTAL NON-CURRENT ASSETS	3,100,000	3,100,000
TOTAL ASSETS	3,103,831	3,103,831
Trade and other payables	-	-
TOTAL CURRENT LIABILITIES	-	-
Secured Loans	-	-
Unsecured Loans	177,384	177,384
Lease Liabilities	-	-
Provision for employee benefits	-	-
TOTAL NON-CURRENT LIABILITIES	177,384	177,384
TOTAL LIABILITIES	177,384	177,384
NET ASSETS	2,926,447	2,926,447
Cost of Combination/Consideration:		
Cash and cash equivalents		-
Pacific Enviromin Limited ordinary shares issued at fair value		2,000,000
Costs directly attributable to acquisition:		
Professional fees		-
Total consideration		2,000,000
Cashflow on acquisition is as follows:		
Net cash acquired with subsidiary		778
Cash paid		-
Net cashflow		778

21 DISCONTINUED OPERATIONS

Disposal of SportzWhistle Pty Ltd

On 31st October 2006 the consolidated entity completed the sale of the subsidiary SportzWhistle Pty Ltd, thereby discontinuing its operations in the projects associated with SportzWhistle Pty Ltd. SportzWhistle Pty Ltd was previously included with the Technology Development segment of the consolidated entity.

Financial information relating to the discontinued operation to the date of disposal is set out below.

The financial performance of the discontinued operation to the date of disposal which is included in the profit/(loss) from discontinued operations per the income statement is as follows:

	Notes	Consolidated 2007 \$	Consolidated 2006 \$
Revenue from ordinary activities		-	11,589
Expenses from ordinary activities		3,311	25,809
Profit(Loss) before income tax		(3,311)	(14,220)
Income tax expense		-	-
Profit(Loss) attributable to members of the parent entity		(3,311)	(14,220)
Profit(Loss) on sale before income tax		(17,352)	
Income tax expense		-	
Profit(Loss) on sale after income tax		(17,352)	
Profit(Loss) from discontinued operations		(20,663)	(14,220)
Assets and liabilities held at disposal date:			
- Investment in controlled entity		1,445,474	
- Trade and other receivables		17,740	
- Outside equity interests		554,138	
- Net assets attributable to discontinued operations		2,017,352	
Consideration received or receivable:			
Cash and cash equivalents		-	
Amount due - Trailing royalty		2,000,000	
Total disposal consideration		2,000,000	
Net assets disposed of		(2,017,352)	
Profit(Loss) on sale before income tax		(17,352)	
The net cash flows from the discontinuing operation which have been incorporated into the statement of cash flows are as follows:			
Net cash inflow (outflow) from ordinary activities		(19,352)	(31,427)
Net cash inflow (outflow) from investing activities		-	-
Net cash inflow (outflow) from financing activities		-	-
Net cash increase in cash generated by the discontinuing operation		(19,352)	(31,427)

Notes	Consolidated 2007 \$	Consolidated 2006 \$	Pacific Enviromin Limited 2007 \$	Pacific Enviromin Limited 2006 \$
23 REMUNERATION OF AUDITORS				
During the year the auditors of the parent company and its related practices earned the following remuneration:				
Ernst & Young				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	-	47,964	-	47,964
	-	47,964	-	47,964
Sothertons				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	52,000	32,000	52,000	32,000
- taxation services	16,186	4,695	14,900	-
	68,186	36,695	66,900	32,000

23 KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors

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

Mr. Brian Jones

Mr. John Laurie

Mr. Paul Byrne (*Director since 29 November 2005*)

Mr. Christopher Dredge (*Director since 29 November 2005*)

Mr. Peter Ziegler (*Director since 29 November 2005*)

Mr. John Reid (*Resigned 1 June 2006*)

Mr. John Fick (*Director from 8 June 2006 to 28 June 2007*)

(b) Other key management personnel

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

Name	Position	Employer/Contractor
Mr. David Hunt (<i>resigned 9 Sept. 2006</i>)	Chief Executive Officer	Pacific Enviromin Limited
Mr. Michael Ilett	Company Secretary	Pacific Enviromin Limited
Mr. Kevin Mischewski	Financial Accountant	Pacific Enviromin Limited

(c) Key management personnel compensation

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Short-term employee benefits	180,866	364,203	180,866	364,203
Post-employment benefits	5,354	20,100	5,354	20,100
Other	6,502	8,446	6,502	8,446
	192,722	392,749	192,722	392,749

Share based payment:

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

The Group has taken advantage of the relief provided by Corporations Amendment Regulations 2006 (No.4) which has made amendments to Regulation 2M.3.03 and Schedule 5B of the Corporations Regulations and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A to D of the remuneration report on pages 11 - 14.

24 RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling entity

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

(b) Equity interests in related parties

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

(c) Transactions with key management personnel

i. *Key management personnel compensation*

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

ii. *Loans to key management personnel*

There were no loans to key management personnel.

iii. *Key management personnel equity holdings*

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

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

Directors and key management Personnel on 30 June 2006	1 July 2005 No of shares.	Change No of shares.	30 June 2006 No of shares.
<i>Directors:</i>			
Mr. Brian Jones	5,649,239	2,299,789	7,949,028
Mr. Paul Byrne	-	35,333,477	35,333,477
Mr. Christopher Dredge	-	35,322,970	35,322,970
Mr. John Laurie	1,722,986	-	1,722,986
Mr. Peter Ziegler	-	-	-
Mr. John Fick	-	-	-
<i>Other key management personnel:</i>			
Mr. David Hunt	402,311	-	402,311
Mr. Michael Ilett	262,352	-	262,352
Mr. Kevin Mischewski	-	-	-

iv. Loans from key management personnel

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

- Mr. Brian Jones**
A loan of \$60,000 was provided on commercial lending terms unsecured at the rate of interest of 10%pa. Interest amounting to \$2,986 (2006: \$1,795) has been charged to this loan. The balance of the loan at 30 June 2007 including accrued interest is \$nil (2006: \$61,795)
- Mr. Brian Jones and Mr. John Reid**
A loan of \$600,000 (2006 \$600,000) was provided on commercial lending terms secured by a fixed and floating charge over the assets of the Company at the rate of interest of 10%pa. Interest amounting to \$59,942 (2006: \$59,733) has been charged on this loan. The balance of the loan at 30 June 2007 including accrued interest \$713,044.
- Mr. Paul Byrne**
Loans totalling \$196,100 (2006: \$346,100) were provided on commercial lending terms unsecured at the rate of interest of 10%pa. Interest amounting to \$36,008 (2005: \$7,797) has been charged on these loans. The balance of the loans at 30 June 2007 including accrued interest \$225,207 (2006: \$373,997).
A further amount of \$55,162 unsecured with no interest payable was provided by Paul Byrne as a result of the acquisition of Ipoh Pacific Resources Pty Ltd. The balance of the loan at 30 June 2007 \$16,394

v. Other transactions with key management personnel

During the financial year the, following transactions occurred between the members of the Group and its key management personnel:

- Mr. Paul Byrne**
The trustee for the Paul Byrne Family Trust ("PBFT"), an entity associated with Mr. Paul Byrne charged the Company \$58,500 for the provision of services.
Upon acquisition of Ipoh Pacific Resources Pty Ltd unsecured loans to subsidiaries totalling \$331,721 were forgiven.
- Mr. Christopher Dredge**
Upon acquisition of Ipoh Pacific Resources Pty Ltd unsecured loans to subsidiaries totalling \$265,795 were forgiven.
- Mr. John Fick**
Capital Technic Consulting Pty Ltd ("CTC"), an entity associated with Mr. John Fick, charged the Company \$150,000 for the provision of services. Capital Technic Group Pty Ltd ("CTG") charged the Company \$13,333 for the provision of services.

vi. *Acquisition of Ipoh Pacific Resources Pty Ltd*

At the annual general meeting of shareholders held on 29 November 2006 the shareholders of the Company approved the acquisition of Ipoh Pacific Resources Pty Ltd for the consideration of 40,000,000 ordinary shares at an issue price of 5 cents per share of which 36,449,999 were issued to related parties as set out below.

The transaction resulted in the following financial benefit to Mr. Byrne and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition (No. of shares)
Mr. Paul Byrne	\$Nil	6,816,666
Mrs. Elizabeth Byrne Henderson	\$Nil	10,316,666
Total	\$Nil	17,133,332

The transaction resulted in the following financial benefit to Mr. Dredge and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition (No. of shares)
Mr. CP Dredge	\$Nil	6,816,667
Total	\$Nil	6,816,667

The transaction resulted in the following financial benefit to Mr. Fick and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition (No. of shares)
Capital Technic Group Pty Ltd	\$Nil	10,000,000
Total	\$Nil	10,000,000

The transaction resulted in the following financial benefit to Mr. Ilett and his associates:

Holder/Recipient	Cash Consideration	Share consideration relating to the acquisition (No. of shares)
Mr. MJ Ilett	\$Nil	2,500,000
Total	\$Nil	2,500,000

(d) Transactions with other related parties

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

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

- Pacific Enviromin Limited recognised tax payable and tax losses in respect of the tax liabilities of its wholly-owned subsidiaries. Payments to and from the company are made in accordance with the tax funding arrangement
- Pacific Enviromin Limited provided management, accounting and administration services to its controlled entities.
- Loans to subsidiaries totalling \$1,735,177 were forgiven by the company during the financial year. The company had previously recorded an impairment write down to a recoverable amount of \$nil.

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

- Loans totalling \$71,483 are repayable to subsidiaries (2006: \$Nil). All amounts payable to subsidiaries are unsecured and are subordinate to other liabilities. No interest is charged on the outstanding loan balances. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in respect of bad or doubtful debts.

- Loan receivables totalling \$8,534,174.72 are receivable from subsidiaries (2006: \$9,639,831.74). The amounts advanced to subsidiaries are unsecured and are subordinate to other liabilities. No interest is charged on the outstanding loan balances. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in respect of bad or doubtful debts. Where the carrying amount of a loan exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

ii. Transactions between the Group and its related parties

During the financial year the following transactions occurred between the Group and its other related parties:

- Inter-company loans between subsidiaries totalling \$762,575 were forgiven during the financial year. The entire amount of the loan receivables and loans repayable are eliminated in the preparation of the consolidated financial statements of the group. The loan forgiveness has no effect on the profit or loss of the Group.

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

- Inter-company loan receivables and loans repayable totalling \$4,769,596 (2006: \$6,699,361) were outstanding at the end of the financial year. The amounts advanced to subsidiaries are unsecured and are subordinate to other liabilities. No interest is charged on the outstanding loan balances. The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in respect of bad or doubtful debts. Where the carrying amount of a loan receivable exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The Inter-company loan receivables, loans repayable and the corresponding impairment write downs are eliminated in the preparation of the consolidated financial statements of the Group.

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

25 DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends of the parent entity or any entity within the consolidated entity have been declared or recommended since the end of the preceding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2007.

26 CONTINGENT ASSETS AND LIABILITIES

On 31 October 2006 Pacific Enviromin Limited completed the sale of two of its research and development projects, SportzWhistle and the Emergency Response Vest. The \$2,000,000 purchase consideration for both projects will be paid over 5 years through a revenue-sharing royalty. The company will also receive a perpetual trailing royalty. Pacific Enviromin Limited has not recognised the purchase consideration as a receivable as the amount of the royalty is conditional upon the purchaser receiving sufficient revenue and the amount of that revenue cannot be reliably measured at this stage.

27 CAPITAL EXPENDITURE COMMITMENTS

Exploration and evaluation expenditure

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

	Not later than one year	Later than one year but not later than two years	Later than two years but not later than five years	Total
	\$	\$	\$	\$
EPM 13886	190,000	-	-	190,000
EPM 16087	30,000	45,000	330,000	405,000
EPM 16083	25,000	30,000	85,000	140,000
EPM 16082	55,000	100,000	425,000	580,000
EPM 16629	75,000	330,000	330,000	735,000
	<u>375,000</u>	<u>505,000</u>	<u>1,170,000</u>	<u>2,050,000</u>

28 EVENTS AFTER THE BALANCE SHEET DATE

On 4th July 2007, PEV signed the compensation deed with the Bijara 3 People, the Native Title Claimants, under which the Company undertook to provide an amount for the technical training of two indigenous workers each year.

On 5th August 2007, Enniskillen Pastoral Company Pty Ltd, the pastoral lease holder of the Mantuan Downs property, signed a deed under which PEV will make a single payment of \$150,000 to Enniskillen as compensation.

The financial effects and implications of the above transactions have not been brought to account at 30 June 2007.

DIRECTORS' DECLARATION

The directors declare that:

In the directors' opinion:

- (a) the financial statements and notes of the consolidated entity as set out on pages 22 to 57:
 - (i) are in accordance with the Corporations Act 2001; and
 - (ii) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (iii) give a true and fair view of the consolidated entity's financial position as at 30th June 2007 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

- (b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

- (c) the audited remuneration disclosures set out on pages 11 to 14 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

- (d) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Brian Jones
Chairman

Brisbane,
20th September 2007

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



Report on the Financial Report and AASB 124 Remuneration Disclosures Contained in the Directors' Report

PARTNERS

Geoffrey J. Read

Linda E. Timms

Karen E. Keating

Anthony C. Bryen

We have audited the accompanying financial report of Pacific Enviromin Limited (PEV) which comprises the Balance Sheets as at 30 June 2007, and the Income Statements, Statements of Changes in Equity and Cash Flow Statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the Directors' Declaration of both PEV and the entities it controlled at the year's end or from time to time during the financial year (PEV Group).

CONSULTANT

Kenneth E. Scells

We have also audited the remuneration disclosures contained in the Directors' Report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" on pages 11 to 14 of the directors' report and not in the financial report.

Directors' responsibility for the Financial Report and the AASB 124 remuneration disclosures contained in the Directors' Report

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

The Directors of PEV are also responsible for the financial report and for the remuneration disclosures contained in the Directors' Report in accordance with the Corporations Regulations 2001.

Auditor's responsibility

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

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

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion on the Financial Report

In our opinion, the financial report of Pacific Enviromin Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the PEV's and the PEV Group's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Audit Opinion on AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion, the remuneration disclosures that are contained on pages 11 to 14 of the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

Inherent Uncertainty

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

Continuation as a going Concern

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

Value of Intangible Assets

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



Sothertons - Brisbane Partnership



A C Bryen
Partner

Dated at Brisbane this twenty-first day of September 2007.

ASX ADDITIONAL INFORMATION

Additional Information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as 20th September 2007 .

(a) Statement of Shareholdings

Holding Range	Name of 20 largest shareholders	No. of holders	Fully paid No. of shares held	% held
	Christopher Paul Dredge		41,815,291	13.99
	Elizabeth Anne Byrne Henderson		29,458,553	9.86
	Paul James Byrne		24,670,242	8.25
	Quorrobolong Pty Ltd		20,867,868	6.98
	Moray Holdings Pty Ltd		15,608,333	5.22
	B J Byrne Nominees Pty Ltd		11,608,333	3.88
	ITR investments Pty Ltd		11,408,244	3.82
	Capital Technic Group Pty Ltd		10,000,000	3.35
	Mr Graeme Wood		10,000,000	3.35
	Meltharina Pty Ltd		4,048,101	1.35
	Meltharina Pty Ltd atf Brian & Anne Jones			
	Superannuation Fund		4,000,000	1.34
	Capital Technic Group Pty Ltd atf the Capital Super Fund		3,125,000	1.05
	Rovno Pty Ltd		2,746,030	0.92
	Bevilles Executives Super Fund Pty Ltd		2,247,200	0.75
	ANZ Nominees Limited		2,003,055	0.67
	Mr John William Laurie and Mrs Mary Laurie		1,850,000	0.62
	Gygax Holdings Pty Ltd		1,700,000	0.57
	Scintilla Capital Pty Ltd		1,700,000	0.57
	Kieth Richards and Janet Richards		1,685,000	0.56
	Rincewind Pty Ltd		1,637,352	0.55
	Total of 20 largest shareholders	20	202,178,602	67.65
100,001 and over	Various	234	76,059,439	25.44
10,001 to 100,000	Various	436	19,504,363	6.53
5,001 to 10,000	Various	103	826,951	0.28
1,001 to 5,000	Various	83	264,575	0.09
1 to 1,000	Various	33	20,005	0.01
	Total	909	298,853,935	100.00

No. of shareholders holding less than a marketable parcel

(b) Voting rights

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

(i) Ordinary shares

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

(ii) Options

No voting rights.

CORPORATE DIRECTORY

DIRECTORS

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

LAWYERS

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

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

COMPANY SECRETARY

Michael Johann Ilett

AUDITORS

Sothertons Chartered Accountants
10 Market Street
Brisbane Q 4000

BANKERS

National Australia Bank Limited
100 Creek Street
Brisbane Q 4000

SHARE REGISTRY

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

REGISTERED OFFICE

Pacific Enviromin Limited
Level 37, Riverside Centre
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