

**VITA BIODIESEL LIMITED**  
**ABN 25 115 635 035**

**Financial Report at 30 June 2007**

## COMPANY PARTICULARS

### DIRECTORS

**Bruno G. Camarri** Non-Executive  
**George H. C. White** Executive Director  
**Colin J. Agnew** Non-Executive

### REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 5  
29 Hood Street  
SUBIACO WA 6008  
Western Australia  
Telephone: +61 8 9388 8071  
Facsimile: +61 8 9388 8047  
Email: admin@vitabiodiesel.com.au

### COMPANY SECRETARY

Peter Newcomb FCA

### AUDITORS

Ernst & Young  
11 Mounts Bay Road  
PERTH  
WA 6000

### SOLICITORS

Freehills  
QV.1 Building  
250 St Georges Terrace  
Perth  
WA 6000

### BANKERS

Commonwealth Bank  
432 Hay Street  
SUBIACO  
WA 6008

## DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2007.

### Directors

The names and details of directors in office at any time during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<b>Bruno G. Camarri</b>	Non-Executive, Chairman
<b>George H. C. White</b>	Executive Director
<b>Colin J. Agnew</b>	Non-Executive Director

### Information on Directors

#### **Bruno G. Camarri** (Non-Executive Chairman)

Bruno Camarri was a partner of Freehills from 1973 to 2003 and is a senior member of Freehills National Energy and Resources team.

Currently he is Deputy Chairman of United Group Limited, a director of LinQ Capital Limited and Australian representative director of the Australian subsidiaries of Nippon Oil and Agrium Inc.

Bruno has extensive experience at Board level in the management of both industrial and resource companies, including former positions as a director of Bristle Limited, Doral Resources NL and Doral Mineral Industries Limited.

#### **George H.C. White** (Executive Director)

George White has wide ranging management experience in mining, minerals and energy processing.

He is currently a director of Doral Mineral Industries Ltd, Australian Fused Materials Pty Ltd, Diatreme Resources Limited and Doral Speciality Chemicals Pty Ltd.

#### **Colin J. Agnew** (Non- Executive Director)

Colin Agnew was until recently the Director of Alumina Business Development for BHP Billiton Limited.

He has a history of managing complex chemical processing plants, and achieving substantial increases in profitability. He has held the top management position in a series of mining companies including Worsley Alumina Pty Ltd, Nabalco Pty Limited and Bond Gold Australian Pty Ltd, where he was responsible for the start of the super pit in Kalgoorlie.

Colin is a mining engineer by profession, having graduated from the University of Queensland in 1967 with a Bachelor of Engineering (Mining). He also holds a Master of Business Administration from Sloan School, Massachusetts Institute of Technology.

## DIRECTORS' REPORT (CONTINUED)

### Company Secretary

**Peter Newcomb** F.C.A.

Peter Newcomb is a Fellow of the Institute of Chartered Accountants in England and Wales and member of the Institute of Chartered Accountants in Australia.

He has held roles of Financial Controller, Company Secretary and Finance Director of companies in Australia, United Kingdom and Asia. He specialises in financial systems design and implementation.

### Directors' Interests in the shares of the Company

The relevant interest of each Director in the share capital of the Company held directly and indirectly as at the date of this report was:

	Number of ordinary shares
Bruno G. Camarri	1,200,000
George H.C. White	8,000,000
Colin J. Agnew	500,000
	<u>9,700,000</u>

### Meetings of Directors

The following table sets out the number of meetings of directors held during the year, and the number of meetings attended by each Director.

Number of meetings held	Number entitled to attend	Number attended
Bruno G. Camarri	6	6
George H.C. White	6	6
Colin J. Agnew	6	6

### Dividends

No dividends have been paid during the year ended 30 June 2007, nor have the directors recommended paying a dividend for this period.

### Principal Activities

Vita Biodiesel Ltd's principal activities are the contract farming of *Jatropha curcas* and the extraction and sale of oil from the seeds. At present the *Jatropha* planting is in Thailand where the Company plans to build its first oil extraction factory. In future the business model will be applied to other countries in the region.

*Jatropha* oil is an excellent feedstock for the production of biodiesel. The *Jatropha* tree can grow on marginal soils not suitable for intensive agriculture and is drought resistant.

## **DIRECTORS' REPORT (CONTINUED)**

### **Operating and Financial Review**

#### **Operating Results**

The net loss of the Company from continuing operations for the year to 30 June 2007 was \$1,574,343 (2006: \$1,145,668).

#### **Liquidity**

The cash flow statement shows cash and cash equivalents on hand at 30 June 2007 as \$404,956 (2006: \$1,928,184). Cash inflows amounted to \$791,750 (2006: \$2,385,000) from the issue of shares with cash outflows amounting to \$1,714,978 (2006: \$1,056,816).

#### **Shares issued during the period**

The Company has issued 33,010,000 (2006: 29,000,000) fully paid shares for a net consideration of \$3,176,750 (2006: \$2,385,000) as at 30 June 2007.

#### **Risk Management**

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, and the establishment and monitoring of KPIs of both a financial and non-financial nature.
- Continuous reporting on specific business risks, including for example, such matters as environmental issues and concerns and occupational health and safety.
- Continuous reporting to the Board regarding the Board's responsibility to manage the Company's financial risks. In this regard the Board receives representations on such matters as the Company's liquidity, currency and interest rate exposures and monitors management's actions to ensure the Company has sufficient liquidity to meet its on-going requirements.

#### **Indemnification and Insurance of Directors and Officers**

The company has agreed to indemnify each of the directors and executive officers for any breach of environmental or discrimination laws by the company, for which they may be held personally liable.

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors and officers of Vita Biodiesel Ltd against legal costs incurred in defending proceedings for conduct involving:

- the liability is for costs and expenses incurred by the director or officer in defending proceedings in as permitted by section 199B of the Corporations Act 2001.
- a willful breach of duty; or
- a contravention of sections 182 or 183 of the Corporations Act 2001,

## **DIRECTORS' REPORT (CONTINUED)**

### **Remuneration Report**

This report outlines the remuneration arrangements in place for directors and executives of the Company.

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. To this end, the company embodies the following principles in its remuneration framework:

- Link executive rewards to shareholder value;
- Provide competitive rewards to attract high calibre executives;
- Establish performance hurdles for variable executive remuneration; and
- Performance benchmarks.

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

### **Remuneration structure**

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

### **Executive Director's remuneration policy**

The Company aims to reward executives with a level of remuneration commensurate with their position and responsibilities within the Company in accordance with the overall remuneration policy.

The executive director of the company waived his entitlement to remuneration for the financial years ended 30 June 2006 and 30 June 2007.

### **Non-executive director's remuneration policy**

The Constitution of the Company specifies that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting.

The directors of the company in office during the financial year received no remuneration in either the period ended 30 June 2006 or the year ended 30 June 2007.

### **Performance-based remuneration policy**

The company does not pay any performance-based component of salaries.

## **DIRECTORS' REPORT (CONTINUED)**

### **Likely developments and expected results**

The company intends to make an Initial Public Offering in early 2008 to enable the continued planting of *Jatropha Curcas* in Thailand, and to establish oil extraction facilities. It is intended that the first facility will come into production in early 2009. To provide funds in the interim the Company is undertaking to place 10 million pre IPO shares at 20c.

### **Environmental regulations**

The company aims to ensure a high standard of environmental care is achieved and, as a minimum, to comply with relevant environmental regulations. There have been no known breaches of any of the environmental conditions.

### **Share options**

As at the date of this report there are no options over unissued ordinary shares.

### **Auditor's Independence Declaration**

Our auditor, Ernst & Young have provided the Board of Directors with an independence declaration in accordance with Section 307C of the Corporations Act 2001. The independence declaration is included on page 32.

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Vita Biodiesel Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Vita Biodiesel Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. Vita Biodiesel Limited's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Encourage enhanced performance
- Principle 9. Remunerate fairly and responsibly
- Principle 10. Recognise the legitimate interests of stakeholders

### **Structure of the Board**

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

## DIRECTORS' REPORT (CONTINUED)

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Vita Biodiesel Limited are considered to be independent:

Bruno G. Camarri	Chairman, non-executive
Colin J. Agnew	Non-executive

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.

### Remuneration

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share the success of Vita Biodiesel Limited.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and executive team.

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



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Chairman

Dated at Perth this 31st day of October 2007

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**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 \$	2006 \$
<b>Finance revenue</b>	3	32,264	20,395
<b>Expenditure</b>			
Administration Expenses	3	(676,900)	(384,289)
Other Expenses	3	(929,707)	(781,774)
<b>Net loss before income tax</b>		<u>(1,574,343)</u>	<u>(1,145,668)</u>
<b>Income Tax expense</b>	4	-	-
<b>Net loss for the period</b>		<u><u>(1,574,343)</u></u>	<u><u>(1,145,668)</u></u>
<b>Loss per share (cents)</b>	5	<u><u>(0.05)</u></u>	<u><u>(0.04)</u></u>

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

**BALANCE SHEET AS AT 30 JUNE 2007**

ASSETS	Note	2007	2006
Current Assets		\$	\$
Cash and cash equivalents	6	404,956	1,328,184
Other receivables	7	130,109	49,536
Total Current Assets		<u>535,065</u>	<u>1,377,720</u>
Non-current Assets			
Equipment	8	25,894	27,500
Total Non Current Assets		<u>25,894</u>	<u>27,500</u>
<b>TOTAL ASSETS</b>		<u><u>560,959</u></u>	<u><u>1,405,220</u></u>
<b>LIABILITIES</b>			
Current Liabilities			
Trade and other payables	9	102,280	141,914
Employee provisions	10	1,940	23,974
Total Current Liabilities		<u>104,220</u>	<u>165,888</u>
<b>NET ASSETS</b>		<u><u>456,739</u></u>	<u><u>1,239,332</u></u>
<b>EQUITY</b>			
Contributed equity	11	3,176,750	2,385,000
Accumulated losses	11	(2,720,011)	(1,145,668)
<b>TOTAL EQUITY</b>		<u><u>456,739</u></u>	<u><u>1,239,332</u></u>

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

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**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007	2006
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,610,062)	(1,048,289)
Interest received		32,264	20,395
<b>Net Cash flows used in operating activities</b>	6	<u>(1,577,798)</u>	<u>(1,027,894)</u>
<b>Cash flows used in investing activities</b>			
Proceeds from disposal of equipment		106,158	-
Purchase of equipment		<u>(243,338)</u>	<u>(28,922)</u>
<b>Net Cash flows used in investing activities</b>		<u>(137,180)</u>	<u>(28,922)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		802,000	2,385,000
Transaction costs on issue of shares		<u>(10,250)</u>	<u>-</u>
<b>Net cash flows from financing activities</b>		<u>791,750</u>	<u>2,385,000</u>
<b>Net cash flow</b>		(923,228)	1,328,184
Cash and cash equivalents at beginning of period		1,328,184	-
<b>Cash and cash equivalents at end of period</b>	6	<u>404,956</u>	<u>1,328,184</u>

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

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007**

	Issued Capital \$	Accumulated Losses \$	Total \$
Shares issued	2,385,000	-	2,385,000
Net Loss	-	(1,145,668)	(1,145,668)
Balance at 30 June 2006	<u>2,385,000</u>	<u>(1,145,668)</u>	<u>1,239,332</u>
Balance at 1 July 2006	2,385,000	(1,145,668)	1,239,332
Shares issued	802,000	-	802,000
Transaction costs on share issue	(10,250)	-	(10,250)
Net Loss	-	(1,574,343)	(1,574,343)
Balance at 30 June 2007	<u>3,176,750</u>	<u>(2,720,011)</u>	<u>456,739</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2007

### 1 CORPORATE OVERVIEW

The financial report of Vita Biodiesel Limited for the period ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 31 October 2007.

Vita Biodiesel Limited is a company limited by shares and incorporated in Australia.

The nature of the operations and principal activities of the company are described in note 12.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

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

#### (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 and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2007:

Reference	Title	Nature of change to accounting policy	Application Date of Standard	Application date for the Company
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038]	No change to accounting policy required, therefore no impact	1 January 2007	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	No change to accounting policy required, therefore no impact	1 March 2007	1 July 2007
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, 117, 118, 120, 121, 127, 131, & 139]	No change to accounting policy required, therefore no impact	1 January 2008	1 July 2008
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038]	No change to accounting policy required, therefore no impact	1 January 2009	1 July 2009
AASB 2007- 4	Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No change to accounting policy required, therefore no impact	1 July 2007	1 July 2007
AASB 7	Financial Instruments: Disclosures	No change to accounting policy required, therefore no impact	1 January 2007	1 July 2007

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

AASB 8	Operating Segments	No change to accounting policy required, therefore no impact	1 January 2009	1 July 2009
AASB 101 (revised Oct 2006)	Presentation of Financial Statements	No change to accounting policy required, therefore no impact	1 January 2007	1 July 2007
AASB Interpretation 10	Interim Financial Reporting and Impairment	No change to accounting policy required, therefore no impact	1 November 2006	1 July 2007
AASB Interpretation 11	Group and Treasury Share Transactions	No change to accounting policy required, therefore no impact	1 March 2007	1 July 2007
AASB Interpretation 12	Service Concession Arrangements	No change to accounting policy required, therefore no impact	1 January 2008	1 July 2008
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	No change to accounting policy required, therefore no impact	1 January 2009	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	No change to accounting policy required, therefore no impact	1 July 2007	1 July 2007
AASB 123 (revised June 2007)	Borrowing costs	No change to accounting policy required, therefore no impact	1 January 2009	1 July 2009
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements: Disclosures	No change to accounting policy required, therefore no impact	1 January 2008	1 July 2008
IFRIC Interpretation 13	Customer Loyalty Programmes	No change to accounting policy required, therefore no impact	1 July 2008	1 July 2008
IFRIC Interpretation 14	IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	No change to accounting policy required, therefore no impact	1 January 2008	1 July 2008

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Going Concern**

The company has incurred an operating loss after income tax of \$1,574,343 (2006: \$1,145,668) for the year ended 30 June 2007. The ability of the company to continue as a going concern is dependant on the company generating sufficient income to cover costs and the completion of the proposed capital raising as announced by the directors in the Information Memorandum dated 20 August 2007.

Should the Directors' not be able to raise sufficient additional funds, there is significant uncertainty whether the company will be able to continue as a going concern and therefore whether the company 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 does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the company not be able to continue as going concerns.

**(d) Revenue recognition**

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

Interest income

Revenue is recognized as interest accrues.

**(e) Leases**

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

**(f) 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.

**(g) Other receivables**

Other receivables pertain to amounts reclaimable from the Australian Tax Office for GST, deposits paid for the purchase of freehold property and deposits by way of security bond under lease agreements.

**(h) Foreign currency translation**

Both the functional and presentation currency of Vita Biodiesel Limited is Australian dollars (\$). Transactions in foreign currencies are initially recorded in the functional currency by applying 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 exchange differences in the financial report are taken to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Income tax**

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can 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.

**(j) Other taxes**

Expenses and assets are recognised net of the amount of GST except:

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

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

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

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

**(k) Equipment**

Equipment is stated at cost less accumulated depreciation.

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

Computer equipment – over 3 years  
Office equipment – over 4 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

The carrying values of equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Equipment (continued)**

The recoverable amount of equipment is the higher 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.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Any impairment losses will be recognised in the income statement.

**(l) Trade and other payables**

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

**(m) Employee leave benefits**

Wages, salaries, annual leave and sick leave

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

**(n) Contributed equity**

Ordinary shares are classified as equity.

**(o) Loss per share**

Basic loss per share is calculated as net loss attributable to members, divided by the number of ordinary shares on issue at 30 June 2007.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**3 REVENUES AND EXPENSES**

*Revenue and Expenses*

**(a) Revenue**

	<b>2007</b>	<b>2006</b>
	\$	\$
Bank interest receivable	32,264	20,395
	<u>32,264</u>	<u>20,395</u>

**(b) Administration expenses**

Included in administrative expenses:

	<b>2007</b>	<b>2006</b>
	\$	\$
Wages and salaries	269,529	189,422
Commissions	-	59,300
Employee Superannuation	39,025	39,405
Lease rental	67,654	28,133
Workers compensation	(47)	2,022
Depreciation	9,246	1,422
Loss on disposal of fixed assets	129,540	-
Sundry	161,953	64,585
	<u>676,900</u>	<u>384,289</u>

**(c) Other expenses**

Included in other expenses:

	<b>2007</b>	<b>2006</b>
	\$	\$
Prospectus expenses	433,442	517,260
Consultants	358,035	146,177
Professional reports	3,330	62,984
Legal and professional fees	134,900	55,353
	<u>929,707</u>	<u>781,774</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**4 INCOME TAX**

	<b>2007</b>	<b>2006</b>
	\$	\$
The major components of income tax expense for the year ended 30 June are :		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax charge	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense/(benefit) reported in income statement	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Accounting loss before tax from continuing operations	1,574,343	1,145,668
At the company's statutory income tax rate of 30%	472,303	343,700
Expenditure not allowed for income tax purposes	(1,568)	(148)
Losses not recognised	(373,227)	(190,348)
Other deferred tax movements not brought to account	(97,508)	(153,204)
Income tax expense reported in the income statement	-	-

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**4 INCOME TAX (continued)**

	Balance Sheet		Income Statement	
	2007	2006	2007	2006
<b>Deferred income tax</b>				
Deferred income tax not brought to account at 30 June relates to the following (other than tax losses carried forward):				
<i>Deferred income tax asset/(liabilities)</i>				
Audit Fees	16,500	15,000	450	4,500
Employee entitlements	1,940	23,974	(6,610)	7,192
Business Related costs deductible in the future	817,106	464,806	105,690	139,442
Difference between tax and accounting carrying values of depreciable assets	161	4,793	(1,390)	1,438
Insurance expense deductible in the future	-	2,108	(632)	632
Gross deferred income tax liabilities	<u>835,707</u>	<u>510,681</u>		
Deferred income tax charge			<u>97,508</u>	<u>153,204</u>

No deferred tax assets have been recognised as it is not probable that sufficient taxable profit will be derived in future years to allow the deferred tax asset to be utilised.

The company has tax losses of \$1,878,852 not recognised due to the uncertainty of sufficient taxable profit will be derived in future years to allow the deferred tax asset to be utilised.

Deferred tax asset will only be recognised if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the asset to be realised;
- (b) the conditions for deductability imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the company in realising the asset.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**5 LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity adjusted to exclude any costs of servicing equity divided by the number of ordinary shares outstanding at 30 June 2007.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net loss for the period	(1,574,343)	(1,145,668)
Number of shares on issue	33,010,000	29,000,000
Net loss per share	<u>(\$0.05)</u>	<u>(\$0.04)</u>

**6 CASH AND CASH EQUIVALENTS**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	<u>404,956</u>	<u>1,328,184</u>

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

Reconciliation of net loss after tax to Net cash flows from operations

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net loss	(1,574,343)	(1,145,668)
<i>Adjustments for:</i>		
Loss on disposal of fixed assets	129,540	-
Depreciation	9,246	1,422
<i>Changes in assets &amp; liabilities</i>		
Increase in other receivables	(80,573)	(49,536)
Increase/(decrease) in trade payables	(39,634)	141,914
Increase/(decrease) in employee provisions	(22,034)	23,974
Nets cash from operating activities	<u>(1,577,798)</u>	<u>(1,027,894)</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
 For the year ended 30 June 2007

**7 OTHER RECEIVABLES**

	2007	2006
	\$	\$
Short term deposits	10,537	26,470
GST recoverable	13,280	23,066
Other receivables	106,292	-
	130,109	49,536

Other receivables include a refundable deposit on industrial land at Rayong, Thailand. The deposit was refunded in September 2007.

Short term deposits have a maturity period of five months and earn interest at the respective short term deposit rates.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**8 EQUIPMENT**

<b>Cost</b>	<b>Furniture</b>	<b>Equip</b>	<b>Land</b>	<b>Total</b>
Opening Balance	-	-	-	-
Additions	1,005	27,917	-	28,922
Disposals	-	-	-	-
Closing Balance at 30 June 2006	<u>1,005</u>	<u>27,917</u>	-	<u>28,922</u>
Opening Balance at 30 June 2006	1,005	27,917	-	28,922
Additions	4,004	8,653	230,681	243,338
Disposals	<u>(2,073)</u>	<u>(3,944)</u>	<u>(230,681)</u>	<u>(236,698)</u>
Closing Balance at 30 June 2007	<u>2,936</u>	<u>32,626</u>	-	<u>35,562</u>
<b>Accumulated Depreciation</b>				
Opening Balance	-	-	-	-
Charge	117	1,305	-	1,422
Disposals	-	-	-	-
Closing Balance at 30 June 2006	<u>117</u>	<u>1,305</u>	-	<u>1,422</u>
Opening Balance at 30 June 2006	117	1,305	-	1,422
Charge	968	8,278	-	9,246
Disposals	<u>(250)</u>	<u>(750)</u>	-	<u>(1,000)</u>
Closing Balance at 30 June 2007	<u>835</u>	<u>8,833</u>	-	<u>9,668</u>
<b>Net Book Value</b>				
As at 30 June 2006	<u>888</u>	<u>26,612</u>	-	<u>27,500</u>
As at 30 June 2007	<u>2,101</u>	<u>23,793</u>	-	<u>25,894</u>

The useful life of assets was estimated as follows at 30 June 2007:

Office furniture	4 years
Office equipment	3 years

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**9 TRADE AND OTHER PAYABLES**

	<b>2007</b>	<b>2006</b>
	\$	\$
Trade creditors	85,052	108,845
Accrued expenses	16,500	-
PAYG withholdings payable	728	33,069
	<u>102,280</u>	<u>141,914</u>

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

**10 PROVISIONS**

	<b>2007</b>	<b>2006</b>
	\$	\$
Employee provisions	<u>1,940</u>	<u>23,974</u>

Employee provisions relate to employee entitlements for holiday and sick leave at 30 June 2007.

**11 CONTRIBUTED EQUITY AND NET LOSS**

	<b>2007</b>	<b>2006</b>
	\$	\$
(a) Issued and paid up capital		
Ordinary shares	<u>3,176,750</u>	<u>2,385,000</u>
(b) Accumulated losses		
Balance 1 July	(1,145,668)	-
Net loss for the period	<u>(1,574,343)</u>	<u>(1,145,668)</u>
Balance 30 June	<u>(2,720,011)</u>	<u>(1,145,668)</u>

There are 33,010,000 issued and fully paid ordinary shares as at 30 June 2007.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2007

### 12 SEGMENT INFORMATION

The company is in the start up phase of the production of oil as feedstock for the biofuels industry. This is to be achieved by the processing of Jatropha Cucas seeds grown under contract in Thailand. Most operating overhead is incurred in Australia from the company's Perth headquarters. At this stage in the company's development further segment information is inappropriate.

### 13 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise cash and short-term deposits.

The company has various other financial assets and liabilities such as receivables and payables, which arise directly from its operations.

The main risks arising from the company's financial instruments are foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

#### *Foreign currency risk*

The company's exposure to foreign currency risks is minimal.

#### *Credit risk*

The company trades only with recognised, creditworthy third parties.

It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the company.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**14 FINANCIAL INSTRUMENTS**

**Fair values**

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments recognised in the financial statements.

	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Financial assets</i>				
Cash and cash equivalents	404,956	404,956	1,328,184	1,328,184
Other receivables	<u>130,109</u>	<u>130,109</u>	<u>49,536</u>	<u>49,536</u>
<i>Financial liabilities</i>				
Trade and other payables	<u>102,280</u>	<u>102,280</u>	<u>141,914</u>	<u>141,914</u>

**Interest rate risk**

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

	Non Interest Bearing		Weighted Average Effective Interest Rate %		Floating Interest Rate	
	2007	2006	2007	2006	2007	2006
<b>Financial Assets</b>						
- Cash and deposits at call	-	-	5%	4.37%	404,956	1,328,184
- Bonds	-	-	5%	5%	10,537	26,470
- Other Debtors	<u>106,292</u>	-			-	-
Total Financial Assets	<u>106,292</u>	<u>-</u>			<u>415,493</u>	<u>1,354,654</u>
<b>Financial Liabilities</b>						
- Payables and accruals	102,280	141,914			-	-
- Other liabilities	<u>1,940</u>	<u>23,974</u>			-	-
Total Financial Liabilities	<u>104,220</u>	<u>165,888</u>			<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**15 COMMITMENTS AND CONTINGENCIES**

**Operating lease commitments**

The company has entered into a commercial property lease for its premises at Unit 5, 29 Hood Street, Subiaco WA 6008. The lease runs until 18 February 2008 with the option to renew for a further three years.

Future minimum rentals payable under the lease to 18 February 2008 are as follows:

	<b>2007</b>	<b>2006</b>
	\$	\$
Within one year	17,340	33,637

The company has entered into an operating lease for office equipment. The lease runs until 17 June 2009 with the option to extend indefinitely.

Future minimum rentals payable under the lease to 17 June 2009 are as follows:

	<b>2007</b>	<b>2006</b>
	\$	\$
Within one year	6,264	-
Between one and five years	6,264	-

The weighted average interest rate impact of the lease for the company is 5%.

**17 AUDITORS' REMUNERATION**

The auditor of Vita Biodiesel Limited is Ernst & Young.

Amounts received or due and receivable by Ernst & Young (Australia) for:the audit of the financial report is \$16,500 (2006: \$15,000)

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
For the year ended 30 June 2007

**18 KEY MANAGEMENT PERSONNEL**

**a) Directors**

The names and positions of Directors in office during the financial year are:

Bruno G. Camarri	Non-Executive, Chairman
George H. C. White	Executive Director
Colin J. Agnew	Non-Executive Director

**b) Remuneration Policies**

Remuneration policies are disclosed in the Remuneration Report which is contained in the Directors, Report.

**c) Directors Remuneration**

The directors of the company in office during the financial year received no remuneration in either the period ended 30 June 2006 or the year ended 30 June 2007

**d) Shareholdings**

	Balance 1 July 2006	Shares Purchased	Other Movements	Balance 30 June 2007
B Camarri	1,200,000	-	-	1,200,000
G White	10,500,000	-	(2,500,000)	8,000,000
C Agnew	500,000	-	-	500,000
	<u>12,200,000</u>	<u>-</u>	<u>-</u>	<u>9,700,000</u>

During the year Mr G White transferred 2,500,000 of his original founder shares to other shareholders for no consideration.

## AUDITORS INDEPENDENCE DECLARATION

In accordance with a resolution of the directors of Vita Biodiesel Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of the performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, subject to the matters in note 2(c).

On behalf of the Board



Bruno G. Camarri  
Chairman

Dated at Perth this 31st day of October 2007

## Independent auditor's report to the members of Vita Biodiesel Limited

We have audited the accompanying financial report of Vita Biodiesel Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

### *Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

### *Auditor's Opinion*

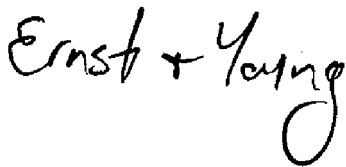
In our opinion:

1. the financial report of Vita Biodiesel Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of Vita Biodiesel Limited at 30 June 2007 and of its performance for the year ended on that date; and

- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- 2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Material Uncertainty Regarding Continuation as a Going Concern**

Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which indicates that the company incurred a net loss of \$1,574,343 during the year ended 30 June 2007 (2006: \$1,145,668). This condition, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial report 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 not continue as a going concern.



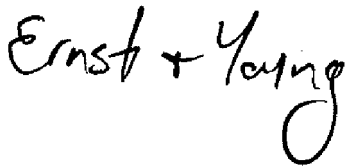
Ernst & Young



P McIver  
Partner  
Perth  
31 October 2007

**Auditor's Independence Declaration to the Directors of Vita Biodiesel Limited**

In relation to our audit of the financial report of Vita Biodiesel Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



P McIver  
Partner  
Perth  
31 October 2007