

# **Jinji Resources Pty Ltd**

ABN 73 128 802 611

## **Financial Statements**

For the Year Ended 30 June 2010

# Jinji Resources Pty Ltd

ABN 73 128 802 611

For the Year Ended 30 June 2010

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## **Independent Audit Report to the members of Jinji Resources Pty Ltd**

### **Report on the Financial Report**

We have audited the accompanying financial report, being a special purpose financial report, of Jinji Resources Pty Ltd (the company), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income and statement of changes in equity for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *The Responsibility of the Directors for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the company's constitution and are appropriate to meet the needs of the members. The directors' responsibility also includes designing, implementing 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 company'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.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting under the company's constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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 complied with the independence requirements of the Australian professional ethical pronouncements.

**Independent Audit Report to the members of Jinji Resources Pty Ltd**

*Auditor's Opinion*

In our opinion, the financial report presents fairly, in all material respects, the financial position of Jinji Resources Pty Ltd as of 30 June 2010 and of its financial performance for the year then ended in accordance with the accounting policies described in Note to the financial statements.

Dated at Sydney this 26 day of October 2010.

*ESV Chartered Accountants*

**ESV Chartered Accountants**



**Tim Valtwies  
Partner**



# Jinji Resources Pty Ltd

ABN 73 128 802 611


## Directors' Declaration

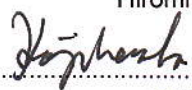
The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 15, present fairly the company's financial position as at 30 June 2010, its performance, and changes in equity for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Director .....  .....  
Hiromi Nakamura

Director .....  .....  
Koji Uenaka

Dated 25/10/10

# Jinji Resources Pty Ltd

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## Statement of Comprehensive Income

For the Year Ended 30 June 2010

	<b>Note</b>	<b>2010</b>	<b>2009</b>
		<b>\$</b>	<b>\$</b>
Sales revenue	2	241,993	175,291
Marketing costs		-	(800)
Occupancy costs		(31,041)	(32,384)
Administrative costs		(137,013)	(42,261)
Finance costs		-	(8,095)
Employee benefit expense		(89,112)	(60,709)
Other expenses	3	(148,596)	(398,378)
<b>Loss before income tax</b>		<b>(163,769)</b>	<b>(367,336)</b>
Income tax expense	4	-	-
<b>Profit (loss) attributable to members of the entity</b>		<b>(163,769)</b>	<b>(367,336)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the period</b>		<b>(163,769)</b>	<b>(367,336)</b>

The accompanying notes form part of these financial statements.

# Jinji Resources Pty Ltd

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## Statement of Financial Position

As at 30 June 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	84,048	34,145
Trade and other receivables	6	213,515	222,851
Financial assets	7	3,376,720	1,358,403
<b>Total current assets</b>		<b>3,674,283</b>	<b>1,615,399</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	23,610	8,744
<b>Total non-current assets</b>		<b>23,610</b>	<b>8,744</b>
<b>TOTAL ASSETS</b>		<b>3,697,893</b>	<b>1,624,143</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	11,161	104,865
Other financial liabilities	10	516,016	1,517,383
<b>Total current liabilities</b>		<b>527,177</b>	<b>1,622,248</b>
<b>TOTAL LIABILITIES</b>		<b>527,177</b>	<b>1,622,248</b>
<b>NET ASSETS</b>		<b>3,170,716</b>	<b>1,895</b>
<b>EQUITY</b>			
Issued capital	11	3,745,092	412,502
Accumulated losses		(574,376)	(410,607)
<b>TOTAL EQUITY</b>		<b>3,170,716</b>	<b>1,895</b>

The accompanying notes form part of these financial statements.

# Jinji Resources Pty Ltd

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## Statement of Changes in Equity

For the Year Ended 30 June 2010

2010

	Ordinary Shares	Redeemable Preference Shares	Accumulated Losses	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2009</b>	200,002	212,500	(410,607)	1,895
Issue of share	300,000	3,032,590	-	3,332,590
<b>Total comprehensive income for the period</b>				
Loss attributable to members of the entity	-	-	(163,769)	(163,769)
Other comprehensive income	-	-	-	-
Total other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	(163,769)	(163,769)
<b>Balance at 30 June 2010</b>	500,002	3,245,090	(574,376)	3,170,716

2009

	Note	Ordinary Shares	Redeemable Preference Shares	Accumulated Losses	Total
		\$	\$	\$	\$
<b>Balance at 1 July 2008</b>		1	-	(43,271)	(43,270)
Issue of shares		200,001	212,500	-	412,501
<b>Total comprehensive income for the period</b>					
Profit attributable to members of the entity		-	-	(367,336)	(367,336)
Other comprehensive income		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive income for the period		-	-	(367,336)	(367,336)
<b>Balance at 30 June 2009</b>		200,002	212,500	(410,607)	1,895

The accompanying notes form part of these financial statements.

# Jinji Resources Pty Ltd

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## Statement of Changes in Equity

For the Year Ended 30 June 2010

### 1 Summary of Significant Accounting Policies

#### (a) General Information

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial reports. This financial report is therefore a special purpose financial report that has been prepared in order to meet the needs of members.

Jinji Resources Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

#### (b) Basis of Preparation

The financial report has been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless otherwise stated.

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

#### (c) Functional Currency

These financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

#### (d) Comparative Figures

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

#### (e) Property, Plant and Equipment

##### Plant and equipment

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The accompanying notes form part of these financial statements.

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 1 Summary of Significant Accounting Policies continued

#### (e) Property, Plant and Equipment continued

##### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis and diminishing value method over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office Equipment	15% - 30%

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

##### Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired.

If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. 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.

An impairment loss is recognised if the carrying value of an asset exceeds its recoverable amount. Impairment losses are expensed to the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

# Jinji Resources Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 1 Summary of Significant Accounting Policies continued

### (f) Financial Instruments

#### Initial Recognition and Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

#### Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- the amount in which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

# Jinji Resources Pty Ltd

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Notes to the Financial Statements

For the Year Ended 30 June 2010

## 1 Summary of Significant Accounting Policies continued

### (f) Financial Instruments continued

#### **Initial Recognition and Measurement continued** **Financial assets at fair value through profit or loss**

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost .

#### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

#### **Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### **Fair Value**

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

#### **Impairment**

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

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 1 Summary of Significant Accounting Policies continued

#### (g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

#### (h) Revenue

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

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Gains and losses on share trading are recognised on the date of disposal.

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

#### (i) Goods and Services Tax (GST)

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

#### (j) Income Tax

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

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

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

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

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 2 Revenue

	2010	2009
	\$	\$
Services revenue	45,501	341,810
Rental revenue	1,727	-
Interest received	2,939	4,142
Dividends received	-	104
Share trading gain/(loss)	108,343	(171,848)
Unrealised foreign exchange gain	82,265	-
Other revenue	1,218	1,083
<b>Total revenue</b>	<b>241,993</b>	<b>175,291</b>

### 3 Other Expenses

	2010	2009
	\$	\$
Commission paid	67,817	-
Consulting and professional fees	84,672	47,788
Capital raising expense	140,000	-
Equipment	180	4,344
Brokerage	9,259	1,368
Research and survey costs	424,225	154,016
Subscriptions	2,592	2,730
Loss on exchange differences	2,256	6,384
Fair value adjustment - fair value through profit & loss	(750,296)	112,090
Travel	162,182	66,483
Depreciation, amortisation and impairments	5,709	3,175
<b>Total other expenses</b>	<b>148,596</b>	<b>398,378</b>

### 4 Income Tax Expense

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2010	2009
	\$	\$
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	-	-
<b>Income tax expense attributable to entity</b>	<b>-</b>	<b>-</b>

Future income tax benefit not brought to account totalled \$213,137 in respect of tax losses.

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 5 Cash and Cash Equivalents

	2010	2009
	\$	\$
Cash on hand	2	2
Cash at bank	84,046	34,143
<b>Total cash and cash equivalents</b>	<b>84,048</b>	<b>34,145</b>

### 6 Trade and Other Receivables

	2010	2009
	\$	\$
CURRENT		
Loans to related parties - KOR Holdings Pty Ltd	193,207	142,939
Loan to Uenaka Sangyu	-	69,158
Trade receivables	6,600	-
Deposits	9,319	9,319
GST receivable	4,358	1,404
Other receivables	31	31
<b>Total current trade and other receivables</b>	<b>213,515</b>	<b>222,851</b>

### 7 Financial Assets

	2010	2009
	\$	\$
CURRENT		
Financial assets at fair value through profit & loss	3,229,153	1,119,947
Partnership in LLS No. 7	147,567	238,456
<b>Total current financial assets</b>	<b>3,376,720</b>	<b>1,358,403</b>

#### Shares held for trading:

	2010	2009
	\$	\$
Shares in listed corporations	3,229,153	119,947
Shares in unlisted corporations	-	1,000,000
<b>Total available-for-sale financial assets</b>	<b>3,229,153</b>	<b>1,119,947</b>

Shares held for trading comprise of investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 8 Property, Plant and Equipment

	2010	2009
	\$	\$
Office equipment		
At cost	34,127	13,551
Accumulated depreciation	(10,517)	(4,807)
<b>Total office equipment</b>	<b>23,610</b>	<b>8,744</b>
<b>Total property, plant and equipment</b>	<b>23,610</b>	<b>8,744</b>

#### (a) Movements in Carrying Amounts

	Office Equipment	Total
	\$	\$
Balance at the beginning of year	8,744	8,744
Additions	20,575	20,575
Depreciation expense	(5,709)	(5,709)
<b>Carrying amount at the end of 30 June 2010</b>	<b>23,610</b>	<b>23,610</b>

### 9 Trade and other payables

	2010	2009
	\$	\$
CURRENT		
Unsecured liabilities		
Sundry payables and accrued expenses	11,161	6,336
Loans from related parties - Kor Holdings Pty Ltd	-	98,529
<b>Total current trade and other payables</b>	<b>11,161</b>	<b>104,865</b>

### 10 Financial liabilities

	2010	2009
	\$	\$
CURRENT		
Other loans	516,016	1,320,983
Loan from related parties - FA Stock Co Ltd	-	196,400
<b>Total current financial liabilities</b>	<b>516,016</b>	<b>1,517,383</b>

Other loans are for the purpose of investing in Kimberely Metals Ltd. These loans are unsecured and are non-interest bearing. Loans will be fully payable in 2012.

# Jinji Resources Pty Ltd

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## Notes to the Financial Statements

For the Year Ended 30 June 2010

### 11 Issued capital

	2010	2009
	\$	\$
500,000,002 (2009: 200,000,002) Ordinary shares, fully paid	500,002	200,002
120,440,784 (2009: 17,850,000) Redeemable preference shares	3,245,090	212,500
<b>Total issued capital</b>	<b>3,745,092</b>	<b>412,502</b>

### 12 Events after the balance sheet date

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

### 13 Contingencies and Commitments

Property Rental Commitment due in one year \$54,996, one to two years \$54,996, greater than two \$54,996.

Other than those already disclosed above, there were no material undisclosed contingent assets, contingent liabilities or commitments at 30 June 2010 (2009: \$Nil).

### 14 Company Details

The registered office and principle place of business of the company is Suite 503, 37 Bligh Street, Sydney, NSW 2000.