Altona RESOURCES PLC

Annual Report & Accounts 2007

Altona Resources PLC

Altona Resources Plc is an AIM listed Australian based energy company. The company's primary focus is the completion of a bankable feasibility study for its 100% owned Arckaringa Project in South Australia — an integrated 10 million barrel per year Coal to Liquids ('CTL') plant with a 560 MW co-generation power facility, supplied by an open cut mine based on the Wintinna coal deposit. There is an acute energy shortage within the region which the Board believes will underpin the economic viability and demand for the Project's output of high value liquid fuels and electricity.

The Company's licences in the northern portion of the Permian Arckaringa Basin in South Australia cover 2,500 sq. km and include three coal deposits, Westfield (EL3360), Wintinna (EL3361) and Murloocoppie (EL3362). Containing more than 7.8 billion tonnes of coal (based on previous JORC equivalent standards of the time) these coal deposits are effectively one of the world's largest undeveloped energy banks, capable of conversion into clean liquid fuels, low cost power and high value industrial feedstocks.

Altona Resources' current drill programme at the Wintinna deposit is focussed on identifying the optimum area for coal extraction by open cut mining methods in order to fuel the proposed CTL and power generation project. Through this drill programme the Company aims to redefine at least 700 million tonnes of coal to be classified as Measured or indicated according to the current JORC code for reporting coal resources.

The location of Arckaringa is key to Altona's success:

- Adjacent to the Adelaide-Darwin railway and Stuart Highway providing accessible infrastructure for transportation of both local and export products
- Stable geopolitical environment
- Ideally situated to tackle South Australia's projected major domestic power and fuel shortage
- Located within the burgeoning South Australian mining expansion region — new projects will require power and fuel

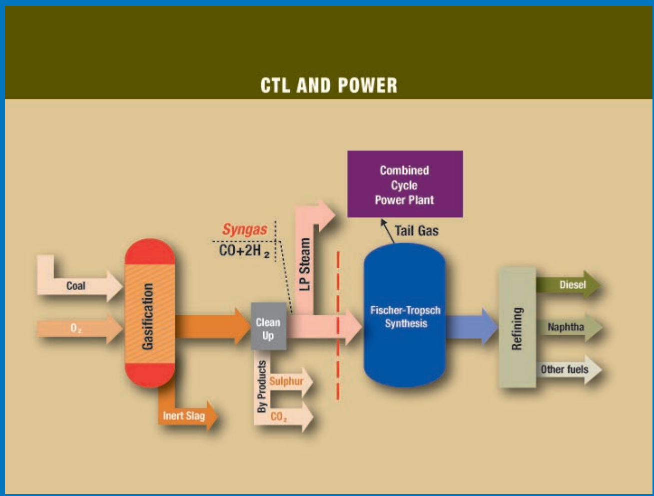
Due to the strategic nature and size of the resource and the potential for Altona to assist in reducing the potential power reserve deficit and securing the State's fuel needs, the Company regularly meets with the South Australian Government, and maintains strong relationships with Government Ministers and Departments.

About Coal-to-Liquids (also see www.altonaresources.com)

CTL is a proven technology which converts coal into more environmentally clean and manageable energy sources including gas and synthetic fuels. The process involves two major stages, gasification to produce synthetic gas ("Syngas") rich in hydrogen and carbon, and a liquefication stage where the Syngas is reacted over a catalyst to produce high quality, ultraclean synthetic fuels and chemical feedstocks.

CTL is a prime example of clean coal technology — the associated combined cycle units produce negligible sulphur oxides, significantly less nitrogen oxides and 10–20% less CO_2 per unit of power generated than a conventional coal fired plant, whilst carbon capture and storage offers the potential to reduce the overall greenhouse gas emissions from CTL to below the "well to wheel" level of fuels derived from crude oil.

The technology is best demonstrated in South Africa, where currently 30% of the country's gasoline and diesel fuel needs are met through CTL plants.



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Highlights

July 2006

- Signed MOU with BP regarding the evaluation of power generation and coal-to-liquids ("CTL") development opportunities.

October 2006

- Reports were received from Jacobs Consultancy ("Jacobs") and MineConsult, which together indicate encouraging financial returns for an integrated mine, Coal-to-Liquids ("CTL") and power cogeneration plant at the Company's Arckaringa Project ("Arckaringa").

November 2006

- Signed MOU with Flinders Power, South Australia's largest electricity producer to evaluate potential of supplying 4 million tonnes of coal p.a. for 25 years.

April 2007

- Completed placing to raise £2,069,375 before costs which was arranged by Matrix Corporate Capital Limited ("Matrix").

May 2007

- Drilling programme and Bulk Sampling at Wintinna commences to validate and upgrade previously defined resources.

July 2007

- MOU with BP extended until 30 June 2008.

September 2007

- Bulk sample of five tonnes of coal extracted and logged successfully to be analysed to define the optimum specifications for the mining and preparation of Wintinna coal in relation to the CTL process.

October 2007

- Identification of a deep geological structure suitable for permanent storage of CO_2 as part of the Company's greenhouse gas management and mitigation program.
- Entered into MOU with FreightLink, Australia's leading rail logistics company in relation to future freight services for Arckaringa.

November 2007

- Bell Potter Australia appointed as the Company's Australian Financial Adviser
- Expected completion of Pre-feasibility Study Q1 2008 after which time the Final Feasibility Study stage of the BFS is scheduled to proceed.

Chairman's Statement

The Board at Arckaringa: Chris Schrape, Chris Lambert, Anthony Samaha and Norman Kennedy. (Director Philip Sutherland not present).

The Board is pleased to report the results of Altona Resources plc ("Altona" or "the Company") for the year ended 30 June 2007.

This has been another busy period of development as we continue to work towards achieving our objective of become a leading energy supplier, through the use of the Coal to Liquid ("CTL") process. Accordingly, we are making solid progress with the bankable feasibility study ("BFS") for an integrated 10 million barrel per year CTL plant with a 560 MW co-generation power facility based on the Company's wholly owned coal assets — the Arckaringa Project ("Arckaringa") in South Australia. We remain confident that the work programme that is currently being carried out will deliver the BFS and in turn create value for our shareholders.

Arckaringa is potentially one of the world's largest undeveloped energy banks which the Company believes will be capable of conversion into clean liquid fuels, low cost power and high value industrial feedstock.

Arckaringa's location in South Australia is key to the importance of this energy project. According to official forecasts of electricity supply and demand by the South Australian Electricity Supply Industry Planning Council, South Australia is facing a 'reserve' supply deficit of over 500 MW by 2016. This does not include the more than 500 MW of new power demand from BHP Billiton's Olympic Dam Expansion project and other new mineral-based developments planned for the next decade. The State also imports all its petroleum fuel requirements, which are set to rise rapidly on the back of these developments.

Due to the nature of our resource and the potential for Altona to assist in reducing the potential reserve deficit and securing the State's fuel needs, the Company regularly meets with the South Australian Government, including officials such as the Minister for Mineral Resources Development and the Executive Director of the State Office of Minerals and Energy Resources to update on developments at Arckaringa. These meetings have resulted in the Company being asked to formally present the current status of the project to multiple government agencies, and discussions relating to the CTL plant continue in anticipation of establishing a process and framework for Project assessments and approvals.

CTL, the proven technology best demonstrated in South Africa, where currently 30% of the country's gasoline and diesel fuel needs are met through CTL plants, converts coal into more environmentally clean and manageable energy sources including gas and synthetic fuels. CTL is a prime example of 'clean coal technology' — the associated combined cycle power units produce up to 20% less CO_2 per unit of power generated than a conventional coal fired plant, whilst carbon capture at the synthetic gas production stage and subsequent storage offers the potential to reduce the overall greenhouse gas emissions from CTL to below the "well to wheel" level of fuels derived from crude oil.

Early in the reporting period Chris Schrape was appointed to the Board and subsequently as Managing Director in relation to Arckaringa. Chris is based in Australia and is working diligently in heading up all activities at the Project and is a key figure in the development of commercial opportunities and relationships to advance the development of this potentially world-scale energy project. As is Phillip Sutherland who was appointed to the Board as Non-Executive Director and his experience with local, state and federal government agencies and his comprehensive understanding of regulatory procedures and issues in developing resource projects will be invaluable to Altona's relationships with the South Australian government and related bodies. At present Altona is currently looking to identify a firm to report as the Project's Development Engineers in relation to completion of the Final Feasibility report stage of the BFS.

In April this year we raised £2.07 million before costs through Matrix Corporate Capital LLP ("Matrix") with the proceeds of the placing being put towards the further development of Arckaringa and in particular, the Wintinna drill programme. Following on from this placing, the Company appointed Matrix as Broker in August 2007.

In July 2007 the Company's existing MOU agreement with BP Australia to evaluate power generation and CTL development opportunities was extended until 30 June 2008, which the Company believes is a strong reflection of the potential that Arckaringa demonstrates in becoming a fully integrated CTL and power project.

Looking forward towards the completion of the BFS I remain positive about our potentially world class Arckaringa project. We continue to build and maintain relationships with key players in the industry, such as BP Australia, and we are increasingly happy to report the growing institutional support Altona is receiving, particularly demonstrated through our relationship with Matrix.

I would like to thank you, the shareholders, for your continuing support throughout the year and to the Board members for all of their hard work and commitment to Altona and our work in South Australia.

Chris Lambert
Chairman
30 November 2007

2007 Drill Programme — 200mm core, showing the base of the Mt. Barry and top of the Nilkinina seams, two of the eight main coal seams in the Wintinna deposit.

Altona Resources plc ("Altona") holds, through its wholly owned subsidiary Arckaringa Energy Pty Ltd, a 100% interest in three exploration licences, covering 2,500 sq km in the northern portion of the Permian Arckaringa Basin in South Australia. These licences include three coal deposits — Westfield (EL 3360), Wintinna (EL 3361) and Murloocoppie (EL 3362) — each located close to the Adelaide to Darwin railroad and the Stuart Highway.

Today, the growing deficit in Australian oil and fuels production and a rising demand for power, fuel and industrial feedstocks in South Australia provide the keys for unlocking the value inherent in these resources. Altona has therefore shifted its strategic focus from simply mining, to the high value added business model of an integrated mine and Coal to Liquids ("CTL") plant with a co-generation power facility — the "Arckaringa Project".

The Company has made significant progress on the Project during the current year, including the completion of a number of pre-feasibility studies and reports commissioned from Altona's team of consultants and advisers. The results of this work have been used to develop a Project "Base Case", which covers:

- a 10 Million Tonne Per Annum ("MTPA") open cut mine based on the Wintinna deposit;
- a CTL plant producing 10 Million Barrels Per Annum ("MBPA") or 30 Thousand Barrels Per Day ("KBPD") of liquid products, mainly zero sulphur diesel fuel, plus by-products including naptha, elemental sulphur and water;
- 560 MW of power for export.

On this basis, one tonne of Wintinna coal can be seen to yield one barrel of liquids plus power and industrial products — a significant order of added value beyond supplying coal simply for conventional power generation.

In conjunction with its principal Project Financial Adviser, the Royal Bank of Scotland, the Company developed a Project Economic Model using the inputs from two keystone reports:

- The Jacobs Consultancy (UK) Feasibility Report on an Expandable CTL and Cogeneration Power Plant, with the plant design incorporating three Phases, each of 5 MBPA of liquid products and 280 MW of power, and using ConocoPhilips Gasification and Rentech's Fischer-Tropsch technology;
- A parallel report by the Company's mine planning consultants in Australia, Minarco MineConsult, which updated Base Case capital and operating cost estimates for an open cut mine from an optimum area within the Wintinna deposit, to supply the CTL Plant.

The Project Model has revealed a potentially robust long-term operation. The indicated unit production (operating) cost of US$35/barrel, on the basis of liquids production alone, is competitive with global CTL industry operating cost benchmarks. However, the attractiveness of the Project is significantly enhanced by the revenue available from the sale of power into the increasingly supply deficient South Australian power market. Applying the sale of the Base Case 560 MW of power at recent base load prices against costs, the net unit operating costs are effectively reduced to a projected US$20 per barrel of liquid products. This would place the Project at the very low end of CTL industry operating cost benchmarks and indicates that it could make operating profits under virtually all future oil price forecasting scenarios.

The Base Case combines 2 Phases over a 4.5 year construction period, at a capital cost of US$2.7 Billion for CTL and Power and US$0.5 Billion for the mine (including mine development operating costs). These capital costs, which are within the typical range for CTL projects worldwide, can be offset by the large revenue generating capacity of the Project, underpinned by strong location advantages.

Several factors are converging to make South Australia and the Arckaringa region a particularly attractive location for a CTL and power project:

- Political and economic stability, which is critical to the success of long life, high capital cost projects;
- Abundant and technically suitable coal resources;
- The Adelaide–Darwin rail and road links;
- Growing markets for fuels and power, plus industrial process inputs such as sulphur, water and chemicals.

South Australia is host to a large number of new and expanding resource projects, fostered by a rapid increase in minerals exploration. At the same time, the State's dependence on imported diesel is rising and available power supply is officially forecast to fall increasingly short of demand. In addition, regional centres and new mining developments in the north of the State and in the neighbouring Northern Territory are dependent on imported diesel fuel.

The Arckaringa Project will be uniquely placed to:

- supply both fuel and power to new resources and industrial projects;
- be a catalyst for regional development and employment;
- enhance power supply to the State grid and the National Electricity Market;
- provide commercial grade sulphur and potentially a range of chemical feedstocks such as naptha;
- supply water to the region from mine dewatering and plant processes, subject to appropriate environmental management and approval.

Based on encouraging results from the studies over the past 18 months and as a result of a "Gap Analysis" report commissioned from Hatch Engineering, the Company identified several key areas that required further work to make the Project ready for the Final Feasibility stage. The first step was to undertake a field drilling programme to update the Wintinna deposit to current JORC classification standards, extract bulk samples for coal quality and process testing and to update hydro-geological (groundwater) and geotechnical assessments. The programme commenced in May 2007 and is scheduled to be finished before the end of the year. It focuses on an optimum area within the Wintinna deposit for extraction by open cut mining methods and, as such, has been designed for the definition of at least 700 million tonnes of coal to be classified as Measured or Indicated according to the current, 2004, JORC Code for reporting coal resources.

A bulk sample of approximately five tonnes of coal, extracted from five large diameter (200mm) partially cored boreholes, was completed in June and logged successfully. These large diameter boreholes were drilled adjacent to previously drilled sites and will be used to validate and upgrade the previous exploration results. The bulk sample will also be used for various tests and analyses to define the optimum specifications for the mining and preparation of Wintinna coal in relation to the CTL process. Test work commenced during September 2007 at the Newcastle laboratories of ACIRL Pty Ltd, one of Australia's leading coal testing and analysis companies, in accordance with the test programme supervised by Altona's coal quality and testing consultants, QCC Resources Pty Ltd. (part of DownerEDi Mining).

As part of the associated hydrogeological and geotechnical assessments, drilling of production wells and monitoring piezometers is included in the programme. This work includes various tests to assess the hydrogeological characteristics of the deposit and the impact of mine dewatering, plus the development of a groundwater model. Following completion of the hydrogeological wells, an additional fifteen geophysically logged slim diameter (HQ-61mm), partially cored boreholes and five geophysically logged open holes are proposed to be drilled to reduce the borehole spacing within the area of interest to between 500 metres and 1 kilometre for resource definition purposes. Up to four geotechnical holes are also being undertaken to better define the geotechnical parameters of the different lithological units proposed to be mined at Wintinna and to help define pit geometry for mine design and planning.

The Company has identified that the Final Feasibility studies will need to give priority attention to environmental and social impact issues. In preparation, Altona has started scoping the evaluation of regional water supply impacts and mitigation, based on the groundwater modelling and covering the use and disposal of water in an area subject to water allocation approvals. Additionally, recognising that the CTL process is a prime example of 'clean coal technology' (incorporating the extraction and storage of CO_2), the Company has identified potential CO_2 sequestration options for the Project and will be investigating these further for the Final Feasibility environmental reports.

Altona has already commenced a community consultation process and has presented the environmental and technical aspects of the Project to a number of regional forums during the year. The Company has also held regular briefing sessions with the South Australian Government and the Opposition parties, to inform them about progress on the Project and to anticipate future approval requirements.

Overall, I am very pleased with the progress of the Project and am looking forward to working with the Company's world class advisers and the Board to complete the Final Feasibility stage and bring this global scale project to commercial fruition.

Chris Schrape
Managing Director
30 November 2007

Corporate Information

Directors
Christopher Lambert (Executive Chairman)
Christopher Schrape (Managing Director)
Anthony Samaha (Executive Finance Director)
Norman Kennedy (Non-executive Technical Director)
Phillip Sutherland (Non-executive Director)

Secretary and registered office
Stephen Ronaldson
Third Floor
55 Gower Street
London
WC1E 6HQ

Auditors
Chapman Davis LLP
Chartered Accountants
2 Chapel Court
London
SE1 1HH

Nominated adviser
Nabarro Wells & Co Limited
Saddlers House
Gutter Lane
London
EC2V 6HS

Broker
Matrix Corporate Capital LLP
1 Jermyn Street
London
SW1Y 4UH

Bankers
HSBC Bank plc
39 Tottenham Court Road
London
W1T 2AR

Anglo Irish Banking Corporation Plc
10 Old Jewry
London
EC2R 8DN

Registrars
Share Registrars Limited
Craven House
West Street
Farnham
Surrey
GU9 7EN

Solicitors
Watson, Farley & Williams
15 Appold Street
London
EC2A 2HB

Ronaldsons Solicitors
55 Gower Street
London
WC1E 6HQ

The Directors are pleased to present their annual report together with the consolidated financial statements for the year ended 30 June 2007.

Principal Activities and Business Review

The principal activities of the Group is the evaluation of the development of an integrated Coal-to-Liquid plant and co-generation power facility, supported by an open-cut coalmine at its Arckaringa Project in South Australia. The developments during the period are detailed in the Chairman's Statement and Operations Report.

Results and dividends

The consolidated loss for the year on ordinary activities of the Company after taxation amounted to £1,010,000 (2006: Loss £359,000). The Directors do not recommend payment of a dividend.

Directors

Christopher Walter Lambert, Executive Chairman
Mr Lambert's financial background is predominantly commodity-based in the City of London. Over a period of 17 years Mr Lambert headed up the London and global trading for Elders Finance Group, The Rural and Industries Bank of Western Australia, Barclays Bank and Prudential Securities (USA). During his time at these companies his duties included managing global dealing operations in the major financial centres around the world, the structuring of corporate and project finance transactions for governments, central banks, industrial companies and mining houses.

In 1997 Mr Lambert left the City to act as a consultant to mining houses predominantly in Australia. During this period he also worked closely with a Far Eastern government body whose investments included soft commodities, mining assets and substantial property portfolios. Mr Lambert is currently a director of Braemore Resources Plc, Cue Energy Plc, Atlantic Coal plc and Australian Stock Exchange listed resource exploration company Pepinnini Minerals Limited.

Christopher John Schrape, Managing Director
Mr Schrape is an Economics graduate from the University of Melbourne, with over 25 years' experience in the coal industry, including the position of Chief Executive Officer of Western Australian based Griffin Coal and 20 years with Rio Tinto in senior coal marketing and management roles.

Anthony John Samaha, Executive Finance Director
Mr Samaha holds Bachelor of Commerce and Bachelor of Economics degrees. He is an Associate of the Institute of Chartered Accountants of Australia and an Associate of the Securities Institute of Australia. Mr Samaha has over 16 years' experience in providing accounting and corporate advice in a diverse range of industry sectors, including resource development. He is a director of AIM quoted resources companies Braemore Resources Plc and Irvine Energy Plc.

Norman Lee Kennedy, non-executive Technical Director
Mr Kennedy is a geologist with more than 25 years' experience in exploration management in both Australia and overseas and is a principal of Rank Geological Services Pty Ltd, a geological services consulting firm. He has been an exploration consultant for a number of resource companies, including Western Mining Corporation, Caltex, CRA, Meekatharra Minerals, NRG Flinders, Shell, BP and ABB Energy Ventures. He is currently a director of Australian Stock Exchange listed resource exploration company Pepinnini Minerals Limited.

Mr Kennedy has been associated with Arckaringa since the early 1980s as principally a consulting geologist and has extensive knowledge of its geology and commercial aspects. He oversaw the extensive drilling programme which progressed Arckaringa from an early stage to a JORC compliant resource, including a significant Measured Resource component.

Phillip George Sutherland, non-executive Director
Phillip Sutherland joined the Board of Altona Resources in November 2006. He has been the Chief Executive Officer of the South Australian Chamber of Mines and Energy since February 2001. Born in Adelaide in 1951, Mr Sutherland is a graduate in business management from the South Australian Institute of Technology and the University of South Australia. Mr Sutherland is a Fellow of the Australian Institute of Management and a Member of both the Australian Institute of Company Directors and Australian Human Resources Institute. Mr Sutherland is a recipient of the National Service Medal.

Under Mr Sutherland's leadership, the South Australian Chamber of Mines and Energy has grown from 60 member companies to 170 and become firmly positioned as the peak industry body for the resources industry in South Australia. Mr Sutherland is an accomplished advocate specializing in resources industry related public policy and public affairs. He has a whole of industry appreciation of the challenges and opportunities facing resources companies. Mr Sutherland is well known in government, media and industry circles.

In addition to his work with the Chamber, Mr Sutherland has extensive executive management experience with local, state and federal government agencies.

Jeremy Edelman — resigned 4 July 2006

Directors' Interests

The Directors who served during the year to 30 June 2007 had, at that time, and at the date of their respective appointment, the following beneficial interests in the shares of the Company:

	30 June 2007			
	Number of ordinary shares	Options at 7p	Options at 10p	Options at 14p
Christopher Lambert	5,000,000	1,500,000	2,000,000	2,000,000
Christopher Schrape	—	1,500,000	1,000,000	1,000,000
Anthony Samaha	1,000,000	1,500,000	1,000,000	—
Norman Kennedy	17,712,693	1,500,000	1,000,000	—
Phillip Sutherland	—	—	—	—

For further details on options held by Directors, refer to notes 6 and 15 of the Financial Statements. None of the Directors hold, warrants in the Company.

There have been no changes in Directors' interests in shares since the year end.

Employment Policies

The Group is committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work with the Group are treated equally regardless of sex, marital status, creed, age, colour, race or ethnic origin.

Details of the Director emoluments and payments made for professional services rendered are set out in note 6 to the financial statements.

Health & Safety

The Group's aim is to maintain its record of workplace safety. In order to achieve this objective the Group provides training and support to employees and sets demanding standards for workplace safety.

Substantial Shareholdings

On 28 October 2007 the following shareholdings were registered as being interested in 3% or more of the Company's issued share capital, other than Directors' holdings as previously disclosed under Directors' Interests above:

	Number of shares	Percentage of issued capital
Euroclear Nominees Limited	46,715,800	16.50%
Securities Services Nominees Limited	22,749,000	8.03%
Fitel Nominees Limited	22,050,000	7.79%
Credit Suisse Client Nominees (UK) Limited	17,925,000	6.33%
Teawood Nominees Limited	17,575,000	6.21%
T. Hoare Nominees Limited	11,550,000	4.08%
HSBC Global Custody Nominee (UK) Limited	10,740,789	3.79%
R C Greig Nominees Limited	9,950,964	3.51%
Bear Stearns Securities Corp	9,240,789	3.26%

Political Contributions and Charitable Donations

During the period the Group did not make any political contributions or charitable donations.

Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. It is usual for suppliers to be paid within 30 days of receipt of invoice.

Insurance

The Group maintained insurance in respect of its Directors and Officers against liabilities in relation to the Group.

Going Concern

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Group's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

Auditors

The auditors, Chapman Davis LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. The Directors have established procedures, so far as is practicable, given the Company's size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance. The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UKLA.

The Board

The Board meets regularly throughout the year. To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive Directors may take independent professional advice at the Company's expense. The Board currently includes two non-executive Directors. The Board has delegated specific responsibilities to the committees described below.

The audit committee

The audit committee comprises Anthony Samaha (Chairman) and Norman Kennedy, with two meetings held during the period ended 30 June 2007. The committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The committee also reviews regular reports from management and the external auditors on accounting and internal control matters. When appropriate, the committee monitors the progress of action taken in relation to such matters. The committee also recommends the appointment of, and reviews the fees of, the external auditors.

The remuneration committee

The remuneration committee is made up of Christopher Lambert (Chairman) and Anthony Samaha, with one meeting held during the period ended 30 June 2007. It is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Company.

Directors' Responsibilities

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business for the foreseeable future.

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

The maintenance and integrity of the Company's website is the responsibility of the Directors: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of Board:

Christopher Lambert
Chairman
30 November 2007

Independent Auditors' Report to the Shareholders of Altona Resources plc

We have audited the Group and parent company financial statements of Altona Resources plc for the year ended 30 June 2007, which comprise the Group and Parent Income Statement, the Group and Parent Statement of Recognised Income and Expense, Group and Parent Balance Sheets, Group and Parent Cash Flow Statements, Group and Parent Statement of Changes in Equity, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985, and as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Operations Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

— the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 and of its loss for the year then ended;

— the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2007;

— the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

— the information given in the Directors' Report is consistent with the financial statements.

Chapman Davis LLP
Registered Auditors
London
30 November 2007

Income Statement

For the year ended 30 June 2007	Notes	Group 2007 £'000	Group 2006* £'000	Company 2007 £'000	Company 2006* £'000
Administrative expenses		**(675)**	(394)	**(674)**	(370)
Share options expensed		**(364)**	—	**(364)**	—
Operating loss	4	**(1,039)**	(394)	**(1,038)**	(370)
Interest income	5	**29**	35	**29**	35
Loss on ordinary activities before taxation		**(1,010)**	(359)	**(1,009)**	(335)
Income tax expense	7	**—**	—	**—**	—
Loss for the financial period		**(1,010)**	(359)	**(1,009)**	(335)
Loss per share expressed in pence					
— Basic	8	**(0.41p)**	(0.18p)		

All of the operations are considered to be continuing.

Statement of Recognised Income and Expense

For the year ended 30 June 2007	Group 2007 £'000	Group 2006* £'000	Company 2007 £'000	Company 2006* £'000
Loss for the financial period	**(1,010)**	(359)	**(1,009)**	(335)
Currency translation difference	**(1)**	—	**—**	—
Total recognised gains and losses for the period	**(1,011)**	(359)	**(1,009)**	(335)

* The 2006 period is from incorporation on 2 February 2005 to 30 June 2006.

The notes on pages 14 to 24 form part of these financial statements.

Balance Sheets

As at 30 June 2007	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
ASSETS					
Non-current assets					
Intangible assets	9	**2,957**	2,361	**—**	—
Plant and equipment	10	**6**	2	**6**	2
Investment in subsidaries	11	**—**	—	**—**	—
Trade and other receivables	12	**39**	—	**36**	—
		3,002	2,363	**42**	2
Current assets					
Trade and other receivables	12	**65**	42	**2,960**	2,402
Cash and cash equivalents	16	**1,638**	454	**1,627**	450
		1,703	496	**4,587**	2,852
Total assets		**4,705**	2,859	**4,629**	2,854
LIABILITIES					
Current liabilities					
Trade and other payables	13	**164**	150	**62**	121
Net assets		**4,541**	2,709	**4,567**	2,733
EQUITY					
Issued capital	14	**283**	231	**283**	231
Share premium		**3,226**	829	**3,226**	829
Merger reserve		**2,001**	2,001	**2,001**	2,001
Other reserves		**401**	7	**401**	7
Retained earnings		**(1,370)**	(359)	**(1,344)**	(335)
Total equity		**4,541**	2,709	**4,567**	2,733

The financial statements were approved by the Board on 30 November 2007 and signed on its behalf by:

Christopher Lambert
Director

The notes on pages 14 to 24 form part of these financial statements.

Cash Flow Statements

For the year ended 30 June 2007

	Notes	Group 2007 £'000	Group 2006* £'000	Company 2007 £'000	Company 2006* £'000
Operating activities					
Operating loss		**(1,039)**	(394)	**(1,038)**	(370)
Adjustment to reconcile profit before tax to net cash flows					
Non-cash:					
Depreciation		**1**	1	**1**	1
Foreign exchange adjustment		**22**	—	**37**	—
Share options expensed		**364**	—	**364**	—
Working capital adjustments					
Increase in debtors		**(59)**	(42)	**(42)**	(33)
Increase in creditors		**(59)**	150	**(59)**	121
Net cash flows used in operating activities		**(770)**	(285)	**(737)**	(281)
Investing activities					
Payments to acquire tangible fixed assets		**(5)**	(3)	**(5)**	(3)
Payments to acquire intangible fixed assets		**(546)**	(330)	**—**	—
Payment for bond deposit		**(3)**	—	**—**	—
Payment for investment		—	—	**—**	(69)
Payments to subsidiary		**—**	—	**(589)**	(269)
Interest received		**29**	35	**29**	35
Net cash outflows used in investing activities		**(525)**	(298)	**(565)**	(306)
Financing activities					
Net proceeds from issue of shares		**2,479**	1,037	**2,479**	1,037
Net cash inflow from financing		**2,479**	1,037	**2,479**	1,037
Net increase in cash and cash equivalents		**1,184**	454	**1,177**	450
Cash and cash equivalents at beginning of period		**454**	—	**450**	—
	16	**1,638**	454	**1,627**	450

* The 2006 period is from incorporation on 2 February 2005 to 30 June 2006.

The notes on pages 14 to 24 form part of these financial statements.

Statement of Changes in Equity

Group	Called up share capital £'000	Share premium reserve £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total equity £'000
As at 2 February 2005	—	—	—	—	—	—
Share capital issued	231	846	2,001	—	—	3,078
Cost of share issue	—	(10)	—	—	—	(10)
Share-based payments	—	(9)	—	9	—	—
Options exercised	—	2	—	(2)	—	—
Loss for the period	—	—	—	—	(359)	(359)
Balance at 30 June 2006	**231**	**829**	**2,001**	**7**	**(359)**	**2,709**
Share capital issued	52	2,599	—	—	—	2,651
Cost of share issue	—	(204)	—	—	—	(204)
Share-based payments	—	—	—	396	—	396
Options exercised	—	2	—	(2)	—	—
Currency translation differences	—	—	—	—	(1)	(1)
Loss for the period	—	—	—	—	(1,010)	(1,010)
Balance at 30 June 2007	**283**	**3,226**	**2,001**	**401**	**(1,370)**	**4,541**

Company	£'000	£'000	£'000	£'000	£'000	£'000
As at 2 February 2005	—	—	—	—	—	—
Share capital issued	231	846	2,001	—	—	3,078
Cost of share issue	—	(10)	—	—	—	(10)
Share-based payments	—	(9)	—	9	—	—
Options exercised	—	2	—	(2)	—	—
Loss for the period	—	—	—	—	(335)	(335)
Balance at 30 June 2006	**231**	**829**	**2,001**	**7**	**(335)**	**2,733**
Share capital issued	52	2,599	—	—	—	2,651
Cost of share issue		(204)	—	—	—	(204)
Share-based payments	—	—	—	396	—	396
Options exercised	—	2	—	(2)	—	—
Loss for the period	—	—	—	—	(1,009)	(1,009)
Balance at 30 June 2007	**283**	**3,226**	**2,001**	**401**	**(1,344)**	**4,567**

The notes on pages 14 to 24 form part of these financial statements.

1. Corporate Information

The Group financial statements of Altona Resources plc ('the Company') for the year ended 30 June 2007 were authorised for issue in accordance with a resolution of the directors on 30 November 2007. Altona Resources plc is a publicly listed company incorporated and domiciled in England & Wales under the Companies Act 1985. The Company's ordinary shares are traded on the Alternative Investment Market (AIM) operated by the London Stock Exchange.

2. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

Statement of compliance

The consolidated financial statements of Altona Resources plc and all its subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards (IFRS).

Basis of accounting

These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act, 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 22.

The financial report is presented in sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

Exemptions taken on first time adoption of IFRS 1

Business combinations: The Group has applied the exemption from restrospectively recalculating goodwill which arose on acquisitions prior to 1 July 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 July 2006 following an impairment review.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Altona Resources plc and its subsidiaries ('the Group') as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Foreign currencies

The Company's functional currency is Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. All other differences are taken to the income statement.

Significant accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date 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) *Impairment of intangibles*
The Group determines whether intangibles are impaired when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. The carrying amount of intangibles at 30 June 2007 was £2,957,000 (2006: £2,361,000).

(ii) *Share-based payment transactions*
The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

Exploration and evaluation costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

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

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity related. The cash-generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and development.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impaired losses.

Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful life on a straight-line basis at the following annual rate:

Plant and equipment	20%

All assets are subject to annual impairment reviews.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Financial instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade debtors and trade creditors. The Group has overseas subsidiaries in Australia whose expenses are denominated in Australian dollars. Market price risk is inherent in the Group's activities and is accepted as such.

There is no material difference between the book value and fair value of the Group's cash.

Cash and cash equivalents

Cash consists of cash on hand and cash held on current account or on short-term deposits at variable interest rates. Any interest earned is accrued monthly and classified as interest.

Trade and other receivables

Trade and other receivables, which generally have 30–60 day terms, are stated at cost less impairment for losses.

Trade and other payables

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

Impairment of non-financial assets

Non-financial assets and identifiable intangibles, other than exploration and evaluation assets, are reviewed for impairment each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the expected undiscounted future cash flow from the use of the assets and their eventual disposition is less than the carrying amount of the assets, an impairment loss is recognised and measured using the asset's fair value or discounted cash flows.

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value, prior to their elimination on consolidation.

Finance costs/revenues

Borrowing costs are recognised as an expense when incurred.

Finance revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial assets and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Share-based payment transactions

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is determined using a Black-Scholes model.

Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received, except where it is in respect to costs associated with the issue of securities, in which case it is charged to the share premium account.

Merger reserve

The difference between the fair value of an acquisition and the nominal value of the shares allotted in a share exchange have been credited to a merger reserve account, in accordance with the merger relief provisions of the Companies Act 1985 and accordingly no share premium for such transactions is set up.

3. Turnover and segmental information

The Company has no turnover during the period.

The Group operates in one business segment, the exploration and evaluation of coal. The Group has material interests in two geographical segments, Australia and the United Kingdom. The Group assets are substantially attributable to the exploration and evaluation of coal activities in Australia. The parent company operates a head office based in the United Kingdom which incurred certain administration and corporate costs.

By geographical area	United Kingdom £'000	Australia £'000	Total £'000
Loss for the year ended 30 June 2007	(1,009)	(1)	(1,010)
Other segment information:			
Segment assets	1,709	2,996	4,705

Operating results and net assets are substantially attributable to activities in Australia.

The parent company operates a head office based in the United Kingdom which incurs certain administration costs.

4. Operating loss

	Group		Company	
	2007 **£'000**	2006 £'000	**2007** **£'000**	2006 £'000
Operating loss is arrived at after charging:				
Auditors' remuneration — audit services	**13**	8	**10**	5
— non-audit services	**7**	3	**2**	3
Depreciation	**1**	1	**1**	1
Directors' emoluments (note 6)	**166**	71	**166**	71
Directors' share-based payments (note 15)	**175**	—	**175**	—
Finance warrants expensed (note 15)	**189**	—	**189**	—

Auditors' remuneration for audit services above includes £8,000 (2006: £Nil) charged by Deloitte Touche Tohmatsu and £Nil (2006: £3,000) charged by William Buck, Chartered Accountants relating to the audit of the subsidiary companies.

5. Finance revenue

	Group		Company	
	2007 **£'000**	2006 £'000	**2007** **£'000**	2006 £'000
Interest receivable	**29**	35	**29**	35

6. Directors' emoluments

	Directors' Fees		Options Issued	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Non-executive Directors				
Norman Kennedy (1)	**24**	14	**35**	—
Anthony Samaha	**60**	40	**35**	—
Phillip Sutherland	**14**	—	**—**	—
Executive Directors				
Christopher Schrape	**87**	—	**43**	—
Christopher Lambert (2)	**146**	49	**62**	—
Jeremy Edelman (3)	**—**	45	**—**	—
	331	148	**175**	—
Directors' fees allocated to intangibles	**(157)**	(77)	**—**	—
Directors' fees allocated to cost of capital	**(8)**	—	**—**	—
	166	71	**175**	—

(1) Services provided by Rank Geological Services Pty Limited.
(2) Services provided by Walkerton Limited.
(3) Jeremy Edelman — resigned from office on 4 July 2006.

No pension benefits are provided for any Director.

7. Tax on profit on ordinary activities

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
No taxation has been provided due to losses in the period.				
Factors affecting the tax charge for the year				
Loss on ordinary activities before tax	**(1,010)**	(359)	**(1,009)**	(335)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	**(303)**	(108)	**(303)**	(100)
Effects of:				
Non-deductible expenses	**110**	5	**110**	5
Losses available for future relief	**193**	103	**193**	95
Current tax charge	**—**	—	**—**	—

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered.

8. Loss per share

The loss for the period attributed to shareholders is £1,010,000 (2006: loss £359,000).

This is divided by the weighted average number of Ordinary shares outstanding calculated to be 245.7 million (2006: 204.2 million) to give a basic loss per share of 0.41p (2006: basic loss per share of 0.18p).

As inclusion of the potential Ordinary shares would result in a decrease in the loss per share they are considered be to anti-dilutive and, as such, a diluted loss per share is not included.

9. Intangible assets

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Exploration and evaluation				
Cost				
At beginning of period	**2,361**	—	**—**	—
Fair value uplift on acquisition	**—**	2,031	**—**	—
Costs of acquisition	**—**	69	**—**	—
Deferred evaluation expenditure	**619**	261	**—**	—
Exchange adjustment	**(23)**	—	**—**	
At 30 June	**2,957**	2,361	**—**	—
Amortisation	**—**	—	**—**	—
Net book value at 30 June	**2,957**	2,361	**—**	—

The Directors undertook an impairment review as at 30 June 2007 and as a result of this review no provision was required.

10. Plant and equipment

	Group	**Company**
	£'000	**£'000**
Cost		
Additions	3	3
At 30 June 2006	3	3
Additions	5	5
At 30 June 2007	8	8
Depreciation		
Depreciation charge for the period	1	1
At 30 June 2006	1	1
Depreciation charge for the year	1	1
At 30 June 2007	2	2
Net book value		
At 30 June 2007	6	6
At 30 June 2006	2	2

11. Investments

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Cost				
Investments in subsidiaries (i)	**—**	—	**—**	—

(i) The investment in subsidiaries is for £2 (2006: £2).

Subsidiaries of Altona Resources PLC

Entity	Country of Registration	Holding 2007 %	Holding 2006 %	Nature of Business
Direct				
Altona Australia Pty Limited	Australia	100	100	Holding Company
Indirect				
Arkaringa Energy Pty Limited	Australia	100	100	Evaluation of the Arckaringa Project

12. Trade and other receivables

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Current trade and other receivable				
Other receivables (i)	**46**	35	**20**	26
Amounts owed by subsidiary undertakings (ii)	**—**	—	**2,921**	2,369
Prepayments and accrued income	**19**	7	**19**	7
	65	42	**2,960**	2,402
Non-current trade and other receivable				
Rent deposit (iii)	**36**	—	**36**	—
Tenement bond	**3**	—	**—**	—
	39	—	**36**	—

(i) Other receivables are non-interest bearing and generally repayable between 30–60 days.
(ii) The receivables from wholly owned subsidiaries are non-interest bearing and are due at call.
(iii) Rent deposit accrues interest at 2.76% and is refundable upon completion of the lease property.

13. Trade and other payables

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Trade creditors	**139**	119	**37**	93
Accruals and other creditors	**25**	31	**25**	28
	164	150	**62**	121

Trade and other creditors are non-interest bearing and are normally settled on terms of 30 days from month end.

14. Share capital

Authorised

1,000,000,000 Ordinary shares of 0.1p each (2006: 1,000,000,000)	1,000	1,000	1,000	1,000

Allotted, called up and fully paid

283,165,784 ordinary shares of 0.1p each (2006: 230,500,000)	283	231	283	231

During the period the Company issued the following Ordinary 0.1 pence fully paid shares for cash:

Date	Issue Price	Number of Shares
1 July 2006	Opening balance	230,500,000
3 July 2006	Exercise of options at £0.01 per share	250,000
14 August 2006	Placing at £0.09 per share	1,000,000
14 August 2006	Placing at £0.07 per share	350,000
11 September 2006	Placing at £0.065 per share	6,000,000
1 December 2006	Exercise of options at £0.01 per share	500,000
1 December 2006	Placing at £0.07 per share	1,000,000
24 April 2007	Placing at £0.0475 per share	43,565,784
		283,165,784

Share options and warrants

During the period, 26,000,000 options or warrants to subscribe for ordinary shares in the Company were issued (2006: 3,000,000).

As at 30 June 2007 the options and warrants in issue were:

	Date Granted	Number	Exercise Price	Expiry Date
IPO options*	10/03/2005	1,750,000	1.00p	10/03/2010
Warrant instruments	03/08/2006	3,000,000	8.00p	02/08/2011
Warrant instruments	03/08/2006	3,000,000	12.00p	02/08/2011
Warrant instruments	03/08/2006	3,000,000	16.00p	02/08/2011
Director options	13/10/2006	6,000,000	7.00p	12/10/2011
Director options	13/10/2006	5,000,000	10.00p	12/10/2011
Director options	13/10/2006	3,000,000	14.00p	12/10/2011
Broker options	24/04/2007	1,500,000	4.75p	23/04/2012
Broker options	24/04/2007	1,500,000	9.50p	23/04/2012

* During the period Nabarro Wells & Co Limited (advisers to the Company) exercised options on the following shares:

Date of Exercise	Number	Market Price at Date of Exercise
03/07/2006	250,000	6.6p
01/12/2006	500,000	8.0p

15. Share-based payments

The assessed fair value at the grant date has been determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Directors' Options

The Company granted options to Directors as tabled below. Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

Date Granted/ Vested	Number	Exercise Price	Expiry Date	Fair Value per Option	Fair Value £'000
13/10/2006	6,000,000	7p	12/10/2011	1.6p	96
13/10/2006	5,000,000	10p	12/10/2011	1.1p	55
13/10/2006	3,000,000	14p	12/10/2011	0.8p	24
	14,000,000				175

The fair value of the options granted to Directors during the period was £175,000. The key inputs applied to the Black-Scholes Model included: the closing share price on 13 October 2006 of 6.6p; risk-free interest rate of 4.79%; and expected volatility of 0.40. In accessing the fair value of the options, a discount of 40% has been applied to the theoretical value calculated by the Black-Scholes Model to take into account the lack of marketability of the options and the inherent limitations of the Black-Scholes Model.

Warrants to Royal Bank of Scotland

The Company granted warrants to Royal Bank of Scotland (RBS) as tabled below. The expense in respect to these options was charged to the financing fees in the income statement.

Date Granted/ Vested	Number	Exercise Price	Expiry Date	Fair Value per Option	Fair Value £'000
03/08/2006	3,000,000	8p	12/10/11	2.7p	81
03/08/2006	3,000,000	12p	12/10/11	1.9p	57
03/08/2006	3,000,000	16p	12/10/11	1.7p	51
	9,000,000				189

The fair value of the warrants granted to RBS during the period was £189,000. The key inputs applied to the Black-Scholes Model included: the closing share price on 3 August 2006 of 9.4p; risk-free interest rate of 4.80%; and expected volatility of 0.40. In accessing the fair value of the options, a discount of 40% has been applied to the theoretical value calculated by the Black-Scholes Model to take into account the lack of marketability of the options and the inherent limitations of the Black-Scholes Model.

Options to Matrix Corporate Capital Limited

The Company granted options to Matrix Corporate Capital Limited (Matrix) as tabled below. The expense in respect to these options was charged to the share premium account.

Date Granted/ Vested	Number	Exercise Price	Expiry Date	Fair Value per Option	Fair Value £'000
24/04/2007	1,500,000	4.75p	23/04/12	1.4p	21
24/04/2007	1,500,000	9.50p	23/04/12	0.7p	11
	3,000,000				32

The fair value of the options granted to Matrix during the period was £32,000. The key inputs applied to the Black-Scholes Model included: the closing share price on 24 April 2007 of 5.2p; risk-free interest rate of 5.21%; and expected volatility of 0.40. In accessing the fair value of the options, a discount of 40% has been applied to the theoretical value calculated by the Black-Scholes Model to take into account the lack of marketability of the options and the inherent limitations of the Black-Scholes Model.

16. Cash and cash equivalents

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Cash at bank and on hand	**1,638**	454	**1,627**	450

Cash at bank was bearing an average interest rate of 5.64% per annum at 30 June 2007 (2006: 4.10%).

17. Financial instruments

The Group uses financial instruments comprising cash, liquid resources and debtors/creditors that arise from its operations. The Group holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in sterling and in Australia dollars. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

The Company has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk; however, it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

To date, the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation but controls over expenditure are carefully managed.

The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements. The currency and interest rate profile of the financial asset is as follows:

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Sterling	**1,627**	450	**1,627**	450
Australian dollars	**11**	4	**—**	—
At 30 June	**1,638**	454	**1,627**	450

The financial assets comprise cash balances in interest earning bank accounts at call. The financial assets in sterling earn interest at 30 June 2007 of 5.64% (2006: 4.10%).

18. Material non-cash transactions

Refer to Note 15 for share-based payments made during the year ended 30 June 2007.

19. Commitments

As at 30 June 2007, the Group had entered into the following material commitments:

Exploration commitments

Ongoing exploration expenditure is required to maintain title to the Group's mineral exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

Operating lease commitments

Leasing arrangements

Operating leases relate to office facilities. The Company entered into a 5 year lease with a break clause after 3 years. The lease was entered into jointly with Braemore Resources Plc (Refer to Note 20).

	Group		**Company**	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Non-cancellable operating lease payments				
Not longer than one year	**83**	—	**83**	—
Longer than one year and not longer than five years	**145**	—	**145**	—
	228	—	**228**	—

20. Related party transactions

During the period the subsidiary company Arckaringa Energy Pty Ltd paid geological consultancy fees and expenses reimbursements of £36,000 (2006: £53,000) to Rank Geological Services Pty Ltd, a company related to Norman Kennedy, Director of Altona Resources PLC. This amount was paid under a management agreement dated 18 November 2005 forming part of an agreement to transfer Arckaringa coalfield tenements EL 3360, 3361, and 3362. At 30 June 2007 £13,000 (2006: £8,000) of the total balance was outstanding.

The Company has entered into a joint lease of office facilities with Braemore Resources Plc, a related party due to common Directors. At 30 June 2007, there was £Nil owing to/from Braemore Resources Plc.

21. Post-balance sheet events

At the date of this report, there are no subsequent events noted that would materially affect the results of the Group.

22. Transition from UK GAAP to IFRS

The adoption of IFRS did not have any affect on the Income Statement of the Group. IFRS 2 'Share Based Payments' required the Company to fair value share options issued. In 2006, the Company issued 3,000,000 options to a third party engaged on the Company's IPO. The fair value of the options issued was £9,000 which was allocated to Share Premium Reserve. The net assets of the Group and the Company remained unchanged as a result of the adoption of IFRS.

23. Restatement of balance sheet comparatives

The investment in Altona Australia Pty Limited (Refer to Note 11) and the amount receivable from subsidiary (Refer to Note 12) were incorrectly recorded in the prior year. The comparative figures have been adjusted for this as reflected in the table below:

2006 Company	Prior year accounts £'000	Correction £'000	Restated balance £'000
Investment in subsidiary	2,100	(2,100)	—
Trade and other receivables — current	302	2,100	2,402

The above restatement had no impact upon the consolidated Group.

24. Contingent liabilities

In the prior financial period the Company acquired the subsidiary Arckaringa Energy Pty Ltd. At that time Arckaringa Energy Pty Ltd was the holder of three exploration licences in South Australia. The Group obtained advice that this acquisition would not be subject to the land rich stamp duty provisions relating to South Australian property. On 7 September 2007, the Commissioner of State Revenue has contacted the Group advising that Revenue SA was conducting a review of the transaction to determine whether land rich stamp duty should have been paid in connection to this transaction.

The Group has obtained further advice and has responded to Revenue SA indicating that they do not believe the transaction is subject to a payment of further stamp duty. The advice provided to the Group indicates that should stamp duty be ultimately payable it may amount to £112,000.

In the event that an additional stamp duty payment is required the amount paid would represent an increase in the amount recognised as capitalised exploration and evaluation expenditure.

The Group has not recognised a liability in connection to additional stamp duty as the Directors believe that no further stamp duty is payable in connection to this matter.

Altona RESOURCES PLC

Third Floor
55 Gower Street
London, WC1E 6HQ

www.altonaresources.com