

NEW WORLD ALLOYS LIMITED

ABN 36 060 774 227

A N N U A L R E P O R T

2006

NEW WORLD ALLOYS LIMITED

CORPORATE DIRECTORY

DIRECTORS

Laurie Findlay (Executive Director/CEO)
Gerard Zytkow (Executive Director)
Ian Cornelius (Non Executive Director)

AUDITORS

RSM Bird Cameron Partners
8 St George's Terrace
Perth
Western Australia, 6000
Tel: (08) 9261 9100
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COMPANY SECRETARY

David McArthur

**REGISTERED OFFICE AND
HEAD OFFICE**

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West Perth
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SHARE REGISTRY

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Level 2, Reserve Bank Building
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Tel: (08) 9323 2000
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Internet: www.newworldalloys.com

STOCK EXCHANGE LISTINGS

HOME LISTING

New World Alloys Limited Securities are listed on
Australian Stock Exchange Limited (ASX)
Level 2
Exchange Plaza
2 The Esplanade
Perth WA 6000
Share Code: NWA

OTHER LISTING

New World Alloys Limited Securities are listed on
Frankfurt Stock Exchange Limited (FSX)

Share Code: 212119

NEW WORLD ALLOYS LIMITED

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NEW WORLD ALLOYS LIMITED REVIEW OF OPERATIONS

HIGHLIGHTS

- The company generates a \$2.255m profit for the year, equivalent to 0.9c per share earnings.
- Production of 3,191 tonnes of blister copper at NOVA MINING (Congo) for the year.
- Sales revenues of \$21.4m from blister copper produced at NOVA MINING (Congo).
- NOVA MINING (Congo) Smelter performance improves, despite lower feedstock grades.
- NOVA MINING (Congo) Smelter expansion project advanced using cash-flow reserves.
- NOVA MINING (Congo) acquires the option to JV on 4 mineral resource properties.
- Improved mini-concentrator designs tested to comply with NOVA criteria.
- IDC Loan facility on track to finance US\$4.5m project expansion.
- Strategic supply of metallurgical coke secured.

REVIEW OF OPERATIONS

During this financial year, the Company focussed on increasing the copper smelting activities in the Democratic Republic of Congo with engineering and logistic support to the copper project provided by the South African based entities.

Nova Mining Sprl

NWA is the sole owner of Nova Mining Sprl ("Nova"), a copper resource and smelting facility located in Lubumbashi, the capital city of Katanga Province in the Democratic Republic of Congo ("DRC"). The Nova copper project was established on a 25,000 m² industrial site in Lubumbashi during 2003/2004 with two blast furnaces and associated plant, extensive warehouse and administrative facilities to operate the smelter.

During the financial year ended 30 June 2006, Nova emerged as the largest independent copper smelter in Katanga province, producing 3,191 tons of 95% grade copper metal for the year. Consistent improvements to the smelter performance compensated for the diminishing copper ore grades that resulted from international demand for unprocessed copper ore. The high LME copper prices that evolved were a bonus to Nova revenues, but created an unrealistic demand for unprocessed ore that deprived Nova from benefiting from increased margins at the smelter.

The development strategy of the Nova project has focussed on (a) the acquisition of JV mineral resource properties to supply smelter operations, (b) the introduction of ore concentrators to enhance quality of furnace feedstock, (c) the increase of furnace smelting capacity. The financial year ended with Nova directors signing options to JV on 4 mineral resource properties, ordering the first ore concentrator due for delivery in October and construction of 2 new furnaces. In addition, Nova purchased more trucks and mining equipment to strengthen the operation by diminishing it's reliance on contractors. These activities were all funded from cash-flow reserves prior to establishment of the IDC loan for project expansion, now estimated for draw-down in the last quarter of 2006. Funding for this project expansion programme was conditionally approved by the South African Industrial Development Corporation ("IDC") (www.idc.co.za) in 2005, where final technical amendments to the concentrator designs were requested by Nova in early 2006. The expansion programme is now packaged to include 6 mini-concentrators and 4 furnaces, of which 2 furnaces and the first mini-concentrator are 'in construction'.

**NEW WORLD ALLOYS LIMITED
REVIEW OF OPERATIONS**

Since financial year end, Nova commissioned Furnace #3 in August, boosting output capacity to 450 tonnes per month of blister copper. The performance of Nova's blast furnaces is directly related to feedstock grade, where the monthly average has dropped from 33% in September 2005 to 23% in September 2006. This grade slump resulted in production de-rating of each furnace from 200 to 150 tonnes of blister copper per month. Commissioning of Nova's first concentrator in November 2006 will correct feedstock quality back above 30% and will enhance the company's ability to access greater quantities of lower grade material at more realistic prices. The furnace production capacities will increase correspondingly without any further investment by the company, while smelting costs per tonne will decrease.

A summary of Nova's production and sales figures are recorded in the table below, reflecting the consistent performance and growth that occurred during the financial year under review.

Summary – Production and Sales Profile

Quarter	Production (tonnes)	Sales (tonnes)	Revenue (\$US'000)	Revenue (\$AUS'000)
Sep 2005	763	762	2,621	3,448
Dec 2005	630	641	2,534	3,406
Mar 2006	923	943	4,482	6,078
Jun 2006	875	877	6,304	8,421
Total (year)	3,191	3,223	15,941	21,353

Under the terms of an earlier marketing contract, the sale of Nova copper has resulted in a steady cash-flow that facilitated project growth and enabled strategic planning for further development. At financial year end, Nova launched a further marketing review of metal traders, due for conclusion in September 2006. The scope of a new off-take contract is likely to include financial support for acquisition opportunities and equity participation in NWA stock.

The Company has secured a coke supply contract with the Hwange Colliery Company (HCC) in Zimbabwe that supports the smelter supply requirements at Nova. Further discussions are in progress for a future arrangement which is likely to include the company's involvement at the colliery to strengthen supply and loading facilities for Nova product.

The improved operating profile of the Company during 2006 reinforced the Board's decisions to expand Nova's Congo operations. The Company has progressed negotiations to acquire and operate more mining leases, augmented by the smelter expansion plan that is now well advanced. The structure and talents of the management and operational staff at Nova have matured this year, where the compliment of Congolese staff at Nova now exceeds 150 employees and is likely to top 200, once the expansion plan is concluded.

Smelting Technologies (“Smeltech”)

NWA is the sole owner of Smeltech, a Johannesburg based engineering and manufacturing business, which provides both key logistical support and engineered equipment (including furnaces), to the company's Nova operations and others in the mining industry.

Smeltech designed and supplied the original 2 furnaces in operation at Nova. The continuous presence of Smeltech engineering staff at Nova has resulted in technical breakthroughs, where the furnace operational campaigns have increased from a modest 10 days in 2004 to over 100 days in 2006. Through Smeltech's appointment as 'the contractor', the Company has secured the financial support from IDC for a contract to supply Nova 'the borrower' with the 4 furnaces and 6 mini-concentrators outlined for the expansion programme over 12 months. Technical certainty, long delivery dates and the price of the earlier mini-concentrator designs caused a 6 month delay to the contract start which was finally settled at the end of June, 2006.

NEW WORLD ALLOYS LIMITED REVIEW OF OPERATIONS

Discussions are advanced for the installation of Smeltech designed arc furnaces at Nova, but studies for additional power are temporarily frustrated by the lack of depth in the local power distribution system.

Other New Projects

The Company's reputation as a successful smelting operation has significantly enhanced its position within the DRC. Nova is recognised by Congolese and South African mining, political and business sectors as a successful commercial operation and serious employer of local staff. The prolonged political process for selection of a new government commenced in DRC with a referendum in December 2005, where 'freezing' of various ministries has frustrated the mineral resource opportunities that are earmarked for JV development by Nova. However, this favourable reputation has enabled the Company to conclude 4 mineral resource JV opportunities that are earmarked for hosting concentrators and for future endeavours within the DRC.

Based on the Company's experience gained from the Nova (Congo) Project, the management are reviewing several proposals to replicate the Nova model in Zambia, Angola and Tanzania. The Company is discussing options to include new board members with a diversity of expertise that will compliment the expansion ambitions of the company into other metals and other countries. There is strong loan funding support being offered to the Company to support further expansion, but the financial strategy is likely to result in the Company listing into other markets such as the TSX and AIMS, where a balance of equity can be maintained with strong investor support.

Batchelor Joint Venture – Northern Territory, Australia

By way of an Agreement with Ausmet Resources Limited ("Ausmet") dated 20 February 2004, the Company formed a Joint Venture to explore the area known as the Batchelor Tenements in the Northern Territory.

The tenements host gold and uranium targets located next to the historical Rum Jungle Uranium Mine.

Summarised these tenements comprise:

- Substitution Exploration Licences 24855;
- Exploration Retention Licence 134;
- Mineral Leases (North) 512 – 515, 542 and 543;
- Application for Authorities (North) 495 and 515;

Ausmet was to earn a 60% interest in the tenements, by sole funding \$600,000 of exploration costs within a 4 year period. During the year, Ausmet assigned this interest to Korab Resources Limited, which recently listed on the Australian Stock Exchange ("ASX").

Other Activities

During the year, \$1,182,830 was raised through option conversions and \$387,981 of equity was issued by way of debt satisfaction. The funds raised have primarily been used to fund the ongoing production expansion program at Nova during the year.

NEW WORLD ALLOYS LIMITED
REVIEW OF OPERATIONS

Future Prospects and Goals

The Company's goals for the forthcoming year are to achieve the following:

- Install 1 mini-concentrator at Nova smelter by November 2006;
- Enlist new directors to strengthen present board by December 2006;
- Increase copper production to 500 tonnes per month by December 2006;
- Increase smelter capacity to 1,000 tonnes of copper per month by December 2006.
- Secure 4 additional JV mineral resource mining operations by December 2006;
- Install 5 mini-concentrators at host mine sites by June 2007;
- Increase copper production to 1,000 tonnes per month by June 2007;
- Establish JV contract with HCC for increased metallurgical coke supply;
- Pursue regional complimentary projects and opportunities;

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

The directors present their report together with the financial report of New World Alloys Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and auditor's report thereon.

DIRECTORS

The directors of the Company in office at any time during or since the end of the financial year, up to the date of this report are:

Ian Raymond Cornelius, *Independent Non-Executive Chairman*

Ian (Inky) Cornelius, aged 65, was appointed as a Non-Executive Chairman on 31 October 2003.

Ian worked for many years in the Western Australian Mines Department, then as Mining Titles Officer of a multi-national mining corporation, before going into business as a tenement consultant. He has had many years experience in the resources industry, and has had much success in the exploration of many mineral deposits.

Directors held in other listed entities:

Alkane Exploration Limited – Chairman (10 June 1986 – 30 June 2006; non-executive director-present)

Pan Continental Oil and Gas NL – Non-Executive Director (15 October 1992 to present)

Ian is also a member of the Audit and Risk Committee.

Lawrence James Findlay, *B.Eng, Executive Director /CEO*

Lawrence (Laurie), aged 57, was appointed as an Executive Director on 5 September 2002 and is presently the CEO.

Laurie is a qualified electrical engineer with 40 year's of experience in the mining industry with particular specialisation in power generation and arc furnaces for metal production. Laurie has considerable business experience relating to the establishment and development of companies, and has managed the commissioning of a range of projects in Australia, Africa and South East Asia valued at \$3 billion.

Gerard Zytkow, *B SocSci (Industrial Psychology), Executive Director*

Gerard Zytkow, aged 58, was appointed as an Executive Director on 21 September 2005, and is the Regional Manager of the Company's operations in Africa.

Gerard has considerable experience with DRC based activities over many years, both socially and in a business capacity exporting equipment to the DRC, over a ten year period.

Gerard was instrumental in the establishment and development of the Nova operation since his engagement in July 2003.

Gerard is a director of all subsidiary companies based in Africa.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

FORMER DIRECTORS

The names of the directors who resigned during or since the end of the financial year:

David Reikie, *Non-Executive Chairman*

David Reikie resigned on 9 March 2006.

COMPANY SECRETARY

The company secretary during the financial year was Mr Riekie to 9 March 2006, Mr Mario Pignatiello to 20 June 2006 and at the date of the report, the current company secretary is Mr David McArthur.

David McArthur, aged 48, is a chartered accountant with over 25 years experience in the corporate management of public listed companies.

DIRECTORS' INTERESTS IN EQUITY INSTRUMENT

Relevant interests of the directors in the shares and unlisted options of the Company, as notified by the directors to the Australian Stock Exchange in accordance with s205G (1) of the Corporations Act 2001, as at the date of this report, are:

Shares

Directors	Balance at beginning of period	Purchased/ issued	On exercise of options	Sales	Balance at end of period
I Cornelius	4,209,399	202,839	-	-	4,412,238
L Findlay	21,145,870	⁽¹⁾ 6,149,286	5,714,286	-	33,009,442
G Zytkow	-	⁽²⁾ 1,735,939	1,735,939	-	3,471,878

(1) 5,714,286 shares were issued upon conversion of debt to equity and 435,000 were purchased on market.

(2) 1,735,939 shares were issued upon conversion of debt to equity.

Options

Directors	Balance at beginning of period	Purchased/ issued	Converted	Sold	Balance at end of period
I Cornelius	-	-	-	-	-
L Findlay	-	⁽¹⁾ 11,428,572	(5,714,286)	-	⁽²⁾ 5,714,286
G Zytkow	-	⁽¹⁾ 3,471,878	(1,735,939)	-	⁽²⁾ 1,735,939

(1) Issued upon conversion of debt to equity.

(2) Exercisable at 10 cents by 1 March 2008.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

PRINCIPAL ACTIVITY

The principal activities of the consolidated entity constituted by New World Alloys Limited and the entities it controlled during the financial year, consisted of mineral ore processing and manufacturing.

There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

OPERATING AND FINANCIAL REVIEW

Operating Overview

A review of the operations is included in pages 4 to 7 in this report.

Operating Results

The Income Statement shows a consolidated net profit attributable to members of \$2,255,442 compared with a loss of \$1,999,349 in 2005.

During the financial year ended 30 June 2006, New World Alloys continued commercial scale operations at its Nova copper smelting operation in Lubumbashi in the Democratic Republic of Congo ("DRC").

SUMMARY OF MATERIAL TRANSACTIONS

On 1 September 2005, the Company issued 3,370,883 fully paid ordinary shares, 3,370,883 unlisted 1 December 2005 options and 3,370,883 unlisted 1 March 2008 options in satisfaction of services rendered. The shares were issued at a deemed price of 3.5 cents each.

On 21 September 2005, Mr Gerard Zytchow was appointed as an executive director and Mr Mario Pignatiello was appointed as company secretary.

On 8 November 2005, the Company issued 5,714,286 fully paid ordinary shares, 5,714,286 unlisted 1 December 2005 and 5,714,286 unlisted 1 March 2008 options on conversion of loans to equity. The shares were issued at a deemed price of 3.5 cents each.

On 23 November 2005, the Company issued 2,000,000 fully paid ordinary shares at 3.5 cents each in consideration of consulting services provided.

On 28 November 2005, the Company's wholly owned subsidiary Nova Mining SPRL entered into an agreement with Kasanta-Lupoto Mines SPRL for the supply of copper ore for smelting at the Company's operations in Democratic Republic of Congo.

On 6 December 2005, the Company issued 23,656,598 fully paid ordinary shares at 5 cents each pursuant to the conversion of options.

On 9 March 2006, Mr David Riekie resigned as a director.

On 20 June 2006, Mr Mario Pignatiello ceased as company secretary and was replaced by Mr David McArthur.

On 9 August 2006, the Company issued 1,994,760 shares at 5 cents each in payment for services rendered.

Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to significantly effect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

STATE OF AFFAIRS

In the opinion of the directors, there were no matters that significantly affected the state of affairs of the consolidated entity during the financial year in review, other than those matters referred to in the summary of material transactions.

LIKELY DEVELOPMENTS

The consolidated entity will continue to operate its copper smelting operation in DRC and progressively expand production capacity. It will also review new regional opportunities as they arise.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

DIVIDENDS

The Directors do not recommend that a dividend relating to the year ended 30 June 2006 be paid.

DIRECTOR'S MEETINGS

Given the nature of the Company's business and the fact that its operations are based primarily in the DRC, the full Board has not been able to meet with greater regularity however, the managing director frequently communicates with other executive management via telephone and email. In addition, the non-executive directors meet regularly regarding the financial and operational issues of the business.

The number of director's and committee meetings (but excluding operations meetings which are attended by the Chairman and Non-Executive Director from time to time) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors Meetings		Audit & Risk Committee	
	A	B	A	B
I Cornelius	2	2	1	1
L Findlay	2	2	-	-
G Zytchow	2	2	-	-
D Riekie	1	1	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the reporting period.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company has agreed to indemnify the following current directors of the Company, Mr I Cornelius, Mr L Findlay and Mr G Zytow, directors of controlled entities and executive officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

During the year, RSM Bird Cameron Partners, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by RSM Bird Cameron Partners and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act is attached to and forms part of this Directors' Report.

Details of the amounts paid (excluding goods and services tax) to RSM Bird Cameron Partners and its related practices for the audit and non-audit services provided during the year are set out below:

	2006	2005
	\$	\$
Statutory audit		
- Statutory audit/review by the auditors of the Company	25,000	29,200
Services other than statutory audit		
- Taxation services	41,014	7,240
- Accounting services	-	4,500
	<u>66,014</u>	<u>40,940</u>

NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT

ENVIRONMENTAL ISSUES

The Company's operations are subject to various environmental regulations in Australia and the DRC. The directors have complied with these regulations and are not aware of any breaches of the legislation during the current financial year, which are material in nature.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received, or become entitled to receive, any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a related corporation) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest other than those disclosed in Notes 27 and 28.

SHARE OPTIONS

Unissued shares under option and shares issued on the exercise of options

At the date of this report, the Company had granted 24,656,598 options over unissued ordinary shares in New World Alloys. Details of unissued shares under option as at 30 June 2006 and the date of this report and shares issued during or since the end of the financial year are set out below:

	Number	Exercise Price	Expiry Date
Unlisted Options	1,000,000	\$0.10	30 June 2007
Unlisted Options	23,656,598	\$0.10	1 March 2008

No option holders have any right to participate by virtue of any options in any share issue of any other corporation.

Shares issued on exercise of options

During the year, 23,656,598 options exercisable by 1 December 2005 at 5 cents each were converted into shares. No options were exercised subsequent to year end.

Share options forfeited

During or since the end of the financial period, no options were forfeited.

Options granted to directors' and executives of the Company

No options have been granted during or since the end of the financial year, to directors or executives as part of their remuneration.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Corporate Governance Section of the annual report.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

KEY MANAGEMENT PERSONNEL REMUNERATION REPORT

The Remuneration Report for the year ended 30 June 2006, is set out below:

Remuneration policies

Remuneration levels for directors, secretaries and senior managers of the Company ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may obtain independent advice on the appropriateness of remuneration packages and remuneration strategies.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the directors and senior executives ability to control the relevant segment/s' performance;
- the consolidated entity's performance including:
 - the consolidated entity's earnings;
 - the growth in share price and returns on shareholder wealth; and
 - the amount of incentives within each directors and senior executive's remuneration.

Remuneration packages currently include a mix of fixed and variable remuneration and long-term performance-based incentives.

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the Board through a process that considers individual, segment and over performance of the consolidated entity. In addition, external consultants may be used to provide analysis and advice to ensure the director's and senior executive's remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Performance-linked remuneration

Performance linked remuneration can include both short-term and long-term incentives and is designed to reward executive directors and senior executives for meeting or exceeding their financial and personal objectives. The short-term incentives ("STI") would include an "at risk" bonus in the form of cash, while the long-term incentive ("LTI") is provided as options over ordinary shares of New World Alloys Limited under the rules of the Employee Option Plan. The Employee Option Plan was last approved by shareholders in 2005.

Short-term incentive bonus

At the end of each financial year, the Board will assess the actual performance of the consolidated entity and individuals employed within the consolidated entity. However, the Board has determined that no bonuses will be paid until such time as the consolidated entity continues to successfully achieve a profitable smelting operation.

NEW WORLD ALLOYS LIMITED DIRECTORS' REPORT

Long-term incentive

Options are issued under the Employee Option Plan and it provides for executive directors and senior executives to receive options over ordinary shares for no consideration. The ability to exercise the options may be conditional on the consolidated entity achieving certain performance hurdles and/or the continuing service of the directors and employees. Options granted to directors and employees, which have not vested on termination of services for the employee or director, are forfeited unless otherwise determined by the Board of New World Alloys Limited.

Performance hurdles may comprise a number of components, including share price hurdles and personal Key Performance Indicators. Performance hurdles are set and assessed by the Board.

Employment contracts

The Company is in the process of finalising employment and or contracts of service with all directors and senior executives. The contracts outline the components of remuneration paid to the executive directors and senior executives but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the Remuneration Policy.

Executives' services may be terminated with four weeks notice. The executive directors and senior executives are entitled to receive on termination of services their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. Executives may contract their services via entities which they control. This generally occurs where the executive is employed overseas or away from their normal place of residence.

Non-executive directors

Total remuneration for all non-executive directors, is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive performance related remuneration other than incentive options, which must be approved by shareholders prior to them being granted. Directors' fees cover all main board activities and membership to committees.

From time to time, the Board may ask non-executive directors with appropriate skills and experience to consult to the Company on a daily basis to carry out particular tasks.

**NEW WORLD ALLOYS LIMITED
DIRECTORS' REPORT**

Directors' and executive officers' remuneration

Details on the nature and amount of each major element of remuneration of each director and executives of the Company are detailed below.

There are only two persons deemed to be executives at 30 June 2006.

	Year	Fees & Salary \$	Super-annuation \$	Other \$	Total \$
Directors					
I Cornelius	2006	-	-	50,000	50,000
	2005	-	-	40,000	40,000
L Findlay	2006	31,500	2,835	257,580	291,915
	2005	30,000	-	122,000	152,000
G Zytkow	2006	-	-	259,647	259,647
	2005	-	-	180,758	180,758
D Riekie	2006	86,479	7,783	39,250	133,512
	2005	55,000	1,800	105,500	162,300
Executives					
Gaetan (David) Kakudji	2006	-	-	155,130	155,130
	2005	-	-	63,158	63,158
David McArthur (Appointed 20 June 2006)	2006	-	-	500	500
	2005	-	-	-	-
Mario Pignatiello (Resigned 20 June 2006)	2006	-	-	207,398	207,398
	2005	-	-	5,600	5,600
Totals	2006	117,979	10,618	969,505	1,098,102
	2005	85,000	1,800	517,016	603,816

Details of performance related remuneration

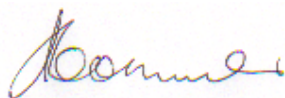
Details of the consolidated entity's policy in relation to the proportion of remuneration that is performance related is discussed above.

Analysis of share-based payments granted as remuneration

No options have been granted to directors or executives as remuneration.

Signed in accordance with a resolution of the Board of New World Alloys Limited.

Dated in Perth this 29th day of September 2006.



IAN CORNELIUS

Non-Executive Director

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

AUDITOR'S INDEPENDENCE DECLARATION
TO THE BOARD OF DIRECTORS OF
NEW WORLD ALLOYS LIMITED

As lead audit partner for the audit of the financial report of New World Alloys Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



Perth, WA
Dated: 28 September 2006

S C CUBITT
Partner

NEW WORLD ALLOYS LIMITED

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

The Board of directors of New World Alloys Limited has adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Best Practice Recommendations in the reporting period. These recommendations are guidelines designed to produce an efficiency, quality or integrity outcome. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the annual report must identify which recommendations have not been followed and give reasons for not following them.

Details have been included at the end of this statement setting out the ASX Best Practice Recommendations with which the Company has and has not complied in the reporting period.

Details of the Company's corporate governance practices in the relevant reporting period are set out below.

THE BOARD OF DIRECTORS

Role of the Board

The primary responsibilities of the Board are set out in a written policy and include:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of these goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

The Board evaluates this policy on an ongoing basis.

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

Board composition

The Directors' report contains details of the directors' skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years. At the completion of the first 3 years, the position of the director is reviewed to ascertain if circumstances warrant a further term.

The Board comprises a non-executive director and two executive directors. Details of the directors are set out in the Directors' Report.

The Company is currently trying to appoint a chairman to the board following the resignation of the former chairman. Mr Cornelius is filling the role in the absence of a chairman, and will be referred to the chairman for the purposes of this report.

The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. The selection of the directors must be approved by the majority of the shareholders.

Retirement and re-election of directors

The Constitution of the Company requires one third of directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Retiring directors are eligible for re-election by shareholders.

Independence of directors

The Board has reviewed the position and association of each of the three directors in office at the date of this report and considers that one of the directors is independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that as Mr Findlay and Mr Zytchow are employed in an executive capacity by the Company, they are not considered to be independent.

Independent professional advice

With the prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Board performance review

The performance of all directors is assessed through review by the Board as a whole of a director's attendance at and involvement in Board meetings, his performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period; however the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

Director remuneration

Details of the Company's remuneration policies are included in the "key management personnel remuneration report" section of the Directors' Report.

Non-executive directors will be remunerated by cash benefits alone and will not be provided with retirement benefits (except in exceptional circumstances). Executive directors may be remunerated by both fixed remuneration and equity performance based remuneration and no termination payments will be agreed other than a reasonable period of notice of termination as detailed in the executive's employment contract.

The Company does not provide any equity-based remuneration to directors.

MANAGING BUSINESS RISK

The Company maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and risk management programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

The Board receives regular reports about the financial condition and operating results of the consolidated group. The Managing Director and Financial Officer annually provide a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the executive directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

AUDIT COMMITTEE

Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held throughout the year between the Managing Director, Mr Laurie Findlay (whose details appear in the Directors' Report), and the Company's auditors to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto.

The Board has not formalised any procedures for the selection, appointment or rotation of its external auditor but reviews this matter on an ongoing basis and implements changes as required.

ETHICAL STANDARDS

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Company's Managing Director as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Company's Managing Director (or in his place the Chairperson) must also be notified of any proposed transaction.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

CONTINUOUS DISCLOSURE

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Stock Exchange in accordance with the Company's continuous disclosure policy, including quarterly cash flow reports, half-year audit reviewed accounts, year end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company by effective use of the Company's share registry;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to communicate or ask questions by writing to the Company; and
- the external auditor is requested to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

ASX BEST PRACTICE RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that based upon the information set out above, it does comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council.

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The Board has adopted a statement of its primary responsibilities as set out above, which reflects the policies that were in place during the reporting year.

Recommendation 2.3: The roles of the chairperson and chief executive officer should not be exercised by the same individual

The role of the chairperson has been fulfilled by Mr Cornelius and the role of Chief Executive Officer has been fulfilled by Mr Laurie Findlay.

Recommendation 3.1: Establish a code of conduct to guide directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity

3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

As set out above, the Company has adopted a Code of Conduct which reflects policies that were in place during the reporting year.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

As set out above, the Company has adopted a trading policy.

NEW WORLD ALLOYS LIMITED
CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

Recommendation 3.3: Provide the information indicated in "Guide to Reporting on Principle 3".

The Company has made available a summary of its Code of Conduct and trading policy in this statement, but has not otherwise made this information publicly available.

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

As set out above, the Company complies with this requirement.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

As set out above, the Company has adopted a continuous disclosure policy, which reflects policies that were in place during the reporting year.

Recommendation 5.2: Provide the information indicated in "Guide to Reporting on Principle 5".

The Company has provided a summary of its continuous disclosure policy in this Statement.

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

As set out above, the Company has adopted a communications policy, which reflects policies that were in place during the reporting year.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

As set out above, the Company requests its auditor to attend the annual general meeting.

Recommendation 7.1: The board or appropriate committee should establish policies on risk oversight and management.

As set out above, the Board has established policies on risk oversight and management.

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

As set out above, the Company complies with this requirement.

Recommendation 7.3: Provide the information indicated in "Guide to Reporting on Principle 7".

The Company has provided relevant information in this Statement upon recognising and managing risk, but has not otherwise made a description of its risk management policy and internal compliance and control system publicly available.

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Company's processes for performance evaluation are set out above.

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

The Company's remuneration policies are referred to above.

NEW WORLD ALLOYS LIMITED

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives. The distinction between non-executive and executive remuneration detailed above.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

As set out in the Company's remuneration policies, the Company complies with this requirement.

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

As set out above, the Company has adopted a Code of Conduct setting standards of behaviour and compliance with obligations to stakeholders, which reflects policies in place during the reporting year.

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Best Practice Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1: A majority of the board should be independent directors.

Having regard to the size of the Board and also the size and nature of the Company, the directors believe that it is not practical to appoint additional directors such that the majority of the Board is independent. However, the Board has adopted procedures intended to ensure that independent decision making occurs. As set out above, all directors are entitled to seek independent professional advice in carrying out their duties. Further, in accordance with the Corporations Act 2001 (Cth) and the Company's policies, each member of the Board is required to keep the Board advised of any potential conflict of interest with the Company and must absent themselves from any Board discussion and not vote if a conflict does exist. Board effectiveness is also achieved through appointing directors with knowledge and experience specific to the Company's business and operations.

Recommendation 2.2: The Chairperson should be an independent director.

As set out above, the Company is currently seeking to appoint a new chairperson. This appointee will be an independent director.

Recommendation 2.4: The Board should establish a Nomination Committee.

The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 2.5: Provide the information indicated in "Guide to reporting on Principle 2".

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 2* is "the names of members of the nomination committee and their attendance at meetings of the committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report or otherwise made publicly available. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 2* by the inclusion of information in this Statement, but has not otherwise made the information publicly available.

Recommendation 4.2: The Board should establish an Audit Committee.

Recommendation 4.3: Structure of the Audit Committee so that it consists of:

- only Non-Executive Directors;
- a majority of Independent Directors;
- an independent Chairperson, who is not chairperson of the Board;
- at least three members.

NEW WORLD ALLOYS LIMITED

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

Recommendation 4.4: The Audit Committee should have a formal charter.

The functions to be performed by an audit committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board, however meetings are held between senior management and the auditors throughout the year to discuss the Company's ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. In doing so, the Board also adheres to the Company's Code of Conduct and procedures to ensure independent judgement in decision making, as set out in relation to ASX Best Practice Recommendation 2.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 4.5: Provide the information indicated in "Guide to reporting on Principle 4".

The *Guide to reporting on Principle 4* requires that the corporate governance section of the annual report include "details of the names and qualifications of those appointed to the audit committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish an audit committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the audit committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 4*.

Recommendation 9.2: The Board should establish a Remuneration Committee.

The functions to be performed by a remuneration committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 9.5: Provide the information indicated in "Guide to reporting on Principle 9".

One of the matters to be included in the corporate governance section of the annual report pursuant to the *Guide to reporting on Principle 9* is "the names of members of the remuneration committee and their attendance at meetings of the committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. However as the Board fulfils the role of the remuneration committee, details of the Company's directors and their attendance at Board meetings are set out in the Company's annual report. In all other respects, the Company has complied with the disclosure requirements contained in the *Guide to reporting on Principle 9*.

NEW WORLD ALLOYS LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Revenue from ordinary activities	2	21,487,995	5,099,110	21,359,712	5,098,542
Cost of sales		(12,775,087)	(5,028,177)	(13,458,662)	(3,769,860)
Employees, directors and contractor expense		(2,656,542)	(1,106,952)	(1,500,112)	(540,139)
Depreciation expense		(323,599)	(220,892)	(7,250)	(8,090)
Borrowing costs expense		-	(2,691)	-	-
Exploration expenditure written off		-	(10,971)	-	(10,832)
Provision or diminution in value of subsidiaries		-	-	-	(420,975)
Goodwill written off		-	(285,529)	-	-
Provision for non recovery of loans to subsidiaries		-	-	(4,118,828)	(2,087,820)
Rental expense on operating leases		(59,978)	(83,379)	(17,357)	(59,222)
Other expenses from ordinary activities		(3,417,347)	(355,014)	(399,699)	(276,680)
Profit/(Loss) from ordinary activities before related income tax expense	3	2,255,442	(1,994,495)	1,857,804	(2,075,076)
Income tax relating to ordinary activities	5	-	(4,854)	-	-
Net Profit/(Loss) attributable to members of the Company after income tax expense		2,255,442	(1,999,349)	1,857,804	(2,075,076)
Total changes in equity other than those resulting from transactions with owners as owners		2,255,442	(1,999,349)	1,857,804	(2,075,076)
		Cents	Cents		
		Per Share	Per Share		
Basic profit/(loss) per share ordinary shares	6	0.94	(1.0)		
Dilutive profit/(loss) per share ordinary shares	6	0.94	(1.0)		

The income statement is to be read in conjunction with the notes to the financial statements set out on the following pages.

NEW WORLD ALLOYS LIMITED
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	7	1,498,094	443,078	1,012,676	364,305
Trade and other receivables	8	1,140,056	186,080	609,256	138,862
Inventories	9	1,286,654	932,275	-	-
Other current assets	10	275,274	-	-	-
TOTAL CURRENT ASSETS		4,200,078	1,561,433	1,621,932	503,167
NON-CURRENT ASSETS					
Trade and other receivables	8	40,961	111,185	5,364,128	3,042,490
Property, plant and equipment	11	3,325,662	1,960,627	26,614	9,312
Mineral exploration and evaluation expenditure	12	17,718	17,718	-	-
Financial assets	13	-	-	-	-
Intangibles	15	26,091	21,618	-	-
TOTAL NON-CURRENT ASSETS		3,410,432	2,111,148	5,390,742	3,051,802
TOTAL ASSETS		7,610,510	3,672,581	7,012,674	3,554,969
CURRENT LIABILITIES					
Trade and other payables	16	998,080	725,448	445,551	608,851
Short-term borrowings	17	194,170	697	194,170	-
Income tax liabilities	18	-	-	-	-
TOTAL CURRENT LIABILITIES		1,192,250	726,145	639,721	608,851
NON-CURRENT LIABILITIES					
Deferred tax liabilities	18	281	318	-	-
TOTAL NON-CURRENT LIABILITIES		281	318	-	-
TOTAL LIABILITIES		1,192,531	726,463	639,721	608,851
NET ASSETS		6,417,979	2,946,118	6,372,953	2,946,118
EQUITY					
Issued capital	19	30,999,127	29,430,096	30,999,127	29,430,096
Reserves	20	(352,612)	-	-	-
Retained earnings		(24,228,536)	(26,483,978)	(24,626,174)	(26,483,978)
TOTAL EQUITY		6,417,979	2,946,118	6,372,953	2,946,118

The balance sheet is to be read in conjunction with the notes to the financial statements set out on the following pages.

NEW WORLD ALLOYS LIMITED

STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2006

Consolidated Entity

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2004	27,462,376	(24,484,629)	-	2,977,747
Loss for the period	-	(1,999,349)	-	(1,999,349)
Shares issued (net)	1,967,720	-	-	1,967,720
As at 30 June 2005	29,430,096	(26,483,978)	-	2,946,118

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2005	29,430,096	(26,483,978)	-	2,946,118
Profit for the period	-	2,255,442	-	2,255,442
Shares issued (net)	1,569,031	-	-	1,569,031
Translations of foreign controlled entities	-	-	(352,612)	(352,612)
As at 30 June 2006	30,999,127	(24,228,536)	(352,612)	6,417,979

Parent Entity

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2004	27,462,376	(24,408,902)	-	3,053,474
Loss for the period	-	(2,075,076)	-	(2,075,076)
Shares issued (net)	1,967,720	-	-	1,967,720
As at 30 June 2005	29,430,096	(26,483,978)	-	2,946,118

	Issued Capital	Accumulated Losses	Foreign Exchange Reserve	Total Equity
	\$	\$	\$	\$
As at 1 July 2005	29,430,096	(26,483,978)	-	2,946,118
Profit for the period	-	1,857,804	-	1,857,804
Shares issued (net)	1,569,031	-	-	1,569,031
As at 30 June 2006	30,999,127	(24,626,174)	-	6,372,953

NEW WORLD ALLOYS LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		20,997,051	5,028,542	20,898,734	4,678,248
Payments to suppliers and employees		(20,061,544)	(6,215,932)	(15,524,842)	(4,212,195)
Interest received		7,317	7,234	6,719	6,432
Other Income		30,000	-	-	-
Borrowing costs		-	(2,691)	-	-
Income tax paid		-	-	-	-
Net cash (used in) provided by operating activities	24(a)	972,824	(1,182,847)	5,380,611	472,485
CASH FLOWS FROM INVESTING ACTIVITIES					
Deposits refunded		11,266	-	11,266	-
Investment in controlled entities		-	(203,032)	-	(203,032)
Loans to controlled entities		-	-	(6,481,191)	(2,201,695)
Proceeds from the sale of fixed assets		-	39,319	-	7,176
Payments for property, plant and equipment		(1,691,578)	(471,463)	(25,516)	-
(Payment) Refund of tenement bonds		-	(62,686)	-	2,500
Net cash (used in) investing activities		(1,680,312)	(697,862)	(6,495,441)	(2,395,051)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		193,473	248,029	194,170	260,000
Proceeds from the issue of shares		1,570,811	1,665,000	1,570,811	1,665,000
Payment of share issue costs		(1,780)	(82,280)	(1,780)	(82,280)
Net cash provided by financing activities		1,762,504	1,830,749	1,763,201	1,842,720
NET (DECREASE) INCREASE IN CASH HELD		1,055,016	(49,960)	648,371	(79,846)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		443,078	493,038	364,305	444,151
CASH AT THE END OF THE FINANCIAL YEAR	24(b)	1,498,094	443,078	1,012,676	364,305

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on the following pages.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated entity of New World Alloys Limited and controlled entities, and New World Alloys Limited as an individual parent entity. New World Alloys Limited is a listed public company, incorporated and domiciled in Australia. The financial report of New World Alloys Limited and controlled entities, and New World Alloys Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

New World Alloys Limited and controlled entities, and New World Alloys Limited as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity financial statements resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated financial statements are the first financial statements of New World Alloys Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 31 to this report.

Reporting Basis and Conventions

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

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity New World Alloys Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Income Tax

The charge for current income tax expense is based on the profit for the year 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 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 a 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.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Revenue recognition

Sale of goods is recognised when control has passed to the buyer.

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

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

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured on the cost basis.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Property, Plant and Equipment (Cont.)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Plant and equipment	13-40%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Exploration and Development Expenditure

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

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

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

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

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

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

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Intangibles

Intangibles are recognised at cost of acquisition. Intangibles are carried at cost less any accumulated amortisation and any impairment losses. Intangibles are amortised, where there is a definitive life, on a straight line basis over the period of benefit.

(g) Share-based Payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(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 Australian 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 balance sheet are shown inclusive of GST.

(j) Acquisitions of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(k) Foreign Currency

Functional and presentation currency

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The financial report is presented in Australian dollars which is New World Alloys Limited's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(k) Foreign Currency (Cont.)

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Subsidiary companies

The financial results and position of foreign operations whose functional currency is different from the New World Alloys Limited's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(l) AASB1 Transitional exemptions

The consolidated entity has made its election in relation to the transitional exemptions allowed by AASB 1 "First-Time Adoption of Australian Equivalents to International Financial Reporting Standards":

AASB 121 "Effect of Changes in Exchange Rates"

AASB 1 provides an election whereby the requirements of AASB 121 in regards to the translation of foreign subsidiaries is not required to be applied to the first AIFRS comparative year and adoption of this standard will apply from 1 July 2005. The consolidated entity has decided to adopt this election and has not restated comparative information.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES				
Sale of goods	21,450,678	5,001,365	21,352,993	4,784,934
Interest received	7,317	7,234	6,719	6,432
Revenue from outside operating activities:				
Proceeds from the sale of plant and equipment	-	39,319	-	7,176
Management fee from subsidiaries	-	-	-	300,000
Other income	30,000	51,192	-	-
	<u>21,487,995</u>	<u>5,099,110</u>	<u>21,359,712</u>	<u>5,098,542</u>
3 PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE				
Profit/(Loss) before income tax expense has been arrived at after charging/(crediting) the following items:				
Loss (Gain) on foreign currency transactions	(26,159)	(1,799)	(26,159)	10,335
Mineral exploration and evaluation written off	-	10,971	-	10,832
Goodwill on consolidation write-off	-	285,529	-	-
Provision for non-recovery of loan to controlled entity	-	-	4,118,828	2,087,820
Provision for diminution in investment in subsidiaries	-	-	-	420,975
Rental expense on operating leases	59,978	101,049	17,357	37,703
Borrowing costs – external parties	-	2,691	-	-
Depreciation charges:				
Plant and equipment	321,492	220,892	5,143	8,090
Leasehold improvements	2,107	-	2,107	-
	<u>323,599</u>	<u>220,892</u>	<u>7,250</u>	<u>8,090</u>
Gains and Losses:				
Proceeds on sale of plant and equipment	-	39,319	-	7,176
Carrying value of plant and equipment disposed	(2,944)	(29,968)	(964)	(2,683)
Net gain (loss) on disposal of plant and equipment	<u>(2,944)</u>	<u>9,351</u>	<u>(964)</u>	<u>4,493</u>
4. AUDITORS' REMUNERATION				
Audit Services:				
Audit and review of financial reports – RSM Bird Cameron Partners	25,000	29,200	25,000	29,200
Other Services:				
Auditors of the Company – RSM Bird Cameron Partners				
Taxation and assurance services	41,014	11,740	41,014	11,740
	<u>66,014</u>	<u>40,940</u>	<u>66,014</u>	<u>40,940</u>
Remuneration of other auditors of subsidiaries for:				
Auditing or review the financial report	54,071	18,194	-	-
	<u>120,085</u>	<u>59,134</u>	<u>66,014</u>	<u>40,940</u>

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. INCOME TAX EXPENSE				
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:				
Operating profit/(loss) before tax	2,255,442	(1,994,495)	1,857,804	(2,075,076)
Prima facie income tax expense/(benefit) calculated at 30% (2005: 30%) on the profit/(loss) before tax	676,633	(598,348)	557,342	(622,523)
Provision for non-recovery of loan to controlled entities	-	-	1,235,648	626,346
Provision for write-down in investment in controlled entities	-	-	-	126,292
Foreign exchange loss	-	(540)	-	3,101
Goodwill written off	-	85,659	-	-
Exploration expenditure written off	-	3,291	-	3,250
Non-assessable items	(474,159)	-	(6,455)	-
Tax losses of non-resident controlled entities not recognised	1,584,062	651,258	-	-
Deferred tax asset recouped not previously brought to account	(1,786,536)	(136,466)	(1,786,535)	(136,466)
Income Tax Expense	-	4,854	-	-
Deferred Tax Asset				
Deferred tax asset not brought to account comprises the estimated future benefit at the applicable tax rates:				
Tax losses	5,699,217	5,901,690	3,211,745	4,998,281

The potential deferred tax asset will only be obtained if:

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

Notwithstanding the above, the Company has submitted an application for a private tax ruling with the Australian Tax Office with regards to the availability of the tax losses carried forward as disclosed above. At the date of this report, no determination has been received from the Australian Tax Office.

New World Alloys Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. New World Alloys Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

6 EARNINGS PER SHARE

	Consolidated	
	2006	2005
	\$	\$
Basic and Dilutive Profit/(Loss) attributable to members of the company	2,255,442	(1,999,349)
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	240,089,528	200,913,644
Weighted average number of ordinary shares used in the calculation of dilutive earnings per share:		
Number for Basic Earnings per share – Ordinary Shares	240,089,528	200,913,644
Effect of options on issue, which are exercisable at less than the market price for ordinary shares as at 30 June	-	-
Number for Diluted Earnings per share – Ordinary Shares	240,089,528	200,913,644

The amount used as the numerator in calculating basic EPS is the same as the net profit/(loss) reported in the income statement.

A total of 24,656,598 options (2005: 1,000,000) have not been included in the calculation of diluted EPS as they are exercisable at prices greater than the market value and are therefore considered not dilutive.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
7 CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	1,498,094	443,078	1,012,676	364,305

8 TRADE AND OTHER RECEIVABLES

Current				
Trade receivables	605,569	151,941	587,415	133,155
Other receivables	534,487	34,139	21,841	5,707
	<u>1,140,056</u>	<u>186,080</u>	<u>609,256</u>	<u>138,862</u>
Non Current				
Loans to controlled entities	-	-	17,030,826	10,579,094
Less: Provision for non-recovery	-	-	(11,674,432)	(7,555,604)
	-	-	5,356,394	3,023,490
Security bonds	40,961	111,185	7,734	19,000
	<u>40,961</u>	<u>111,185</u>	<u>5,364,128</u>	<u>3,042,490</u>

The security bonds are supported by cash deposits held by suppliers or the mines department for the rehabilitation of exploration tenements.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company		
	2006	2005	2006	2005	
	\$	\$	\$	\$	
8	TRADE AND OTHER RECEIVABLES				
	(Continued)				
	Amounts Receivable In Foreign Currencies				
	The Australian dollar equivalents of un-hedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:				
	<u>Receivables</u>				
	US Dollars	1,082,984	15,768	587,415	133,155
	South African rand (ZAR)	35,230	24,605	-	-
9	INVENTORIES				
	Raw materials	684,954	568,988	-	-
	Finished goods	601,700	363,287	-	-
		1,286,654	932,275	-	-
10	OTHER CURRENT ASSETS				
	Prepayments	275,274	-	-	-
11	PROPERTY, PLANT AND EQUIPMENT				
	Land:				
	At cost	466,198	137,755	-	-
	Leasehold improvements:				
	At cost	8,737	-	8,737	-
	Accumulated depreciation	(2,107)	-	(2,107)	-
		6,630	-	6,630	-
	Plant and equipment:				
	At cost	3,429,780	2,090,888	64,130	68,648
	Accumulated depreciation	(576,946)	(268,016)	(44,146)	(59,336)
		2,852,834	1,822,872	19,984	9,312
	Total property, plant and equipment	3,325,662	1,960,627	26,614	9,312

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
11 PROPERTY, PLANT AND EQUIPMENT (continued)				
Reconciliations				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
Land				
Carrying amount at beginning of the year	137,755	133,315	-	-
Additions	328,443	4,440	-	-
Disposals	-	-	-	-
Carrying amount at end of year	466,198	137,755	-	-
Leasehold Improvements				
Carrying amount at beginning of the year	-	-	-	-
Additions	8,737	-	8,737	-
Depreciation	(2,107)	-	(2,107)	-
Carrying amount at end of year	6,630	-	6,630	-
Plant and equipment				
Carrying amount at beginning of the year	1,822,872	1,580,613	9,312	1,157,974
Additions	1,354,398	514,737	16,779	-
Transfers	-	(21,618)	-	(1,137,889)
Disposals	(2,944)	(29,968)	(964)	(2,683)
Depreciation	(321,492)	(220,892)	(5,143)	(8,090)
Carrying amount at end of year	2,852,834	1,822,872	19,984	9,312

12 MINERAL EXPLORATION AND EVALUATION EXPENDITURE

Exploration, evaluation and development – at cost	17,718	28,689	-	10,832
Less: expenditure written off	-	(10,971)	-	(10,832)
	17,718	17,718	-	-

Movement during the year

Carrying amount at beginning of the year	17,718	28,689	-	10,832
Exploration costs written off	-	(10,971)	-	(10,832)
Carrying amount at end of year	17,718	17,718	-	-

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
13 FINANCIAL ASSETS				
Investments in subsidiaries	-	-	2,880,108	2,880,108
Provision for diminution in value of investment in subsidiaries	-	-	(2,880,108)	(2,880,108)
	-	-	-	-

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

14 CONTROLLED ENTITIES Name of Entity	Percentage Owned		Class of Share	Cost of Parent's Investments		Contribution to Consolidated Profit/(Loss) From Operating Activities After Income Tax Expense		Loans to Controlled Entities	
	2006 %	2005 %		2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Parent entity									
New World Alloys Limited				-	-	5,976,633	158,846	-	-
Controlled Entities									
Savanna Mineral Resources Pty Ltd	100	100	Ordinary	1,200,000	1,200,000	29,457	854	5,149,303	5,178,761
Smelting Technologies (Australia) Pty Ltd	100	100	Ordinary	640,000	640,000	-	233	93,490	93,490
Mihlayonke Consulting Services (Pty) Ltd	100	100	Ordinary	750,000	750,000	(56,256)	(221,836)	207,945	439,969
Nova Mining SPRL	100	100	Ordinary	290,108	290,108	(3,667,633)	(1,915,058)	9,788,788	4,595,404
Nova Mining (SA) Pty Ltd	100	100	Ordinary	-	-	-	-	-	-
Hertz Electrical Technologies Pty Ltd	100	100	Ordinary	-	-	(1,880)	2,565	-	-
New World Alloys (SA) Pty Ltd	100	100	Ordinary	-	-	(24,879)	(24,953)	1,791,300	271,470
Mogwele Trading 10 (Pty) Ltd	100	100	Ordinary	-	-	-	-	-	-
Nsele Trading 47 (Pty) Ltd	100	100	Ordinary	-	-	-	-	-	-
KCM services Pty Ltd	60	100	Ordinary	-	-	-	-	-	-
				2,880,108	2,880,108	2,255,442	(1,999,349)	17,030,826	10,579,094

COUNTRY OF INCORPORATION

Parent entity:	
New World Alloys Ltd	Australia
Subsidiaries entities:	
Savanna Mineral Resources Pty Ltd	Australia
Smelting Technologies (Australia) Pty Ltd	Australia
Mihlayonke Consulting Services (Pty) Ltd	South Africa
Nova Mining Sprl	Democratic Republic of Congo
Nova Mining (SA) Pty Ltd	South Africa
Hertz Electrical Technologies Pty Ltd	South Africa
New World Alloys (SA) Pty Ltd	South Africa
Mogwele Trading 10 (Pty) Ltd	South Africa
Nsele Trading 47 (Pty) Ltd	South Africa
KCM Services Pty Ltd	Australia

The carrying value of the controlled entities recorded in the books of the Company at the lower of cost or net asset backing of the subsidiaries at balance date.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
15 INTANGIBLES				
Goodwill				
Balance at beginning of year	-	-	-	-
Goodwill acquired on acquisition of controlled entity	-	285,529	-	-
Amortisation	-	-	-	-
Write-off to recoverable amount	-	(285,529)	-	-
	-	-	-	-
Licences				
Balance at beginning of year	21,618	-	-	-
Transferred from property, plant and equipment	-	21,618	-	-
Additions	4,473	-	-	-
	26,091	21,618	-	-

16 TRADE AND OTHER PAYABLES

Current

Trade creditors and accruals	905,031	315,467	352,502	198,870
Amount owed to Directors/ Director-related entities	93,049	222,000	93,049	222,000
Unallotted share application monies	-	187,981	-	187,981
	998,080	725,448	445,551	608,851

Amounts Payable In Foreign Currencies

The Australian dollar equivalents of un-hedged amounts payable in foreign currencies, calculated at year end exchange rates, are as follows:

Payables

US Dollars	728,366	-	203,020	-
South African Rand (ZAR)	27,183	117,612	-	-

17 SHORT-TERM BORROWINGS

Debtor loan - Unsecured	194,170	-	194,170	-
Bank loan - Secured	-	697	-	-
	194,170	697	194,170	-

The debtor loan of the parent company is unsecured and is for working capital and bears interest at an average rate of 5.7% per annum.

The bank loan held in the consolidated entity has been repaid and was secured over computer equipment with an effective interest rate of 17% per annum.

18 TAX LIABILITIES

Current

Income tax	-	-	-	-
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Non Current

Provision for deferred tax	281	318	-	-
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NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
19 ISSUED CAPITAL				
Issued and paid-up share capital				
253,797,107 (2005: 219,055,340) ordinary shares, fully paid	30,999,127	29,430,096	30,999,127	29,430,096
(a) Movements during the year				
Ordinary shares				
Balance at the beginning of year	29,430,096	27,462,376	29,430,096	27,462,376
41,866,667 shares issued by shares placements	-	1,890,000	-	1,890,000
4,571,429 shares issued for payment of debt	-	160,000	-	160,000
11,085,169 shares issued for payment of debt	387,981	-	387,981	-
23,656,598 shares issued from options exercised	1,182,830	-	1,182,830	-
Share issue costs	(1,780)	(82,280)	(1,780)	(82,280)
Balance at end of year	30,999,127	29,430,096	30,999,127	29,430,096

(b) Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

(c) Share Options

During the financial period, the Company issued the following options. The options are free attaching options and relate to agreements associated with the conversion of debt to equity.

- 9,085,169 options exercisable at 5 cents per share on or before 1 December 2005.
- 9,085,169 options exercisable at 10 cents per share on or before 1 March 2008.

Unissued shares

At the end of the year, there were 24,656,598 (2005: 1,000,000) options over unissued shares. The options are exercisable as follows:

- 1,000,000 options exercisable at 10 cents per share on or before 30 June 2007.
- 23,656,598 options exercisable at 10 cents per share on or before 1 March 2008

Each option entitles the holder to be issued with one ordinary share in the capital of the Company subject to payment of the relevant issue price and satisfaction of applicable conditions (if any).

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

(d) Issued Shares

During the financial period, the Company issued the following shares;

- 11,085,169 shares at 3.5 cents per share, being for the conversion of debt to equity.
- 23,656,598 shares at 5.0 cents per share, being options exercised.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

20 RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary

21 FINANCIAL INSTRUMENTS

(a) **Interest rate risk**

The consolidated entity's exposure to interest rate risk and the effective weighted average rate for classes of financial assets and liabilities is set out below:

30 June 2006	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$				
<i>Financial assets</i>							
Cash	7	-	-	1,498,094	-	1,498,094	1.0%
Receivables	8	-	-	-	1,140,056	1,140,056	-
Total financial assets		-	-	1,498,094	1,140,056	2,638,150	-
<i>Financial liabilities</i>							
Payables	16	-	-	-	998,080	998,080	-
Interest bearing loans	17	194,170	-	-	-	194,170	5.7%
Total financial liabilities		194,170	-	-	998,080	1,192,250	

30 June 2005	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$				
<i>Financial assets</i>							
Cash	7	-	-	443,078	-	443,078	1.0%
Receivables	8	-	-	-	186,080	186,080	
Total financial assets		-	-	443,078	186,080	629,158	
<i>Financial liabilities</i>							
Payables	16	-	-	-	725,448	725,448	
Interest bearing loans	17	697	-	-	-	697	17.0%
Total financial liabilities		697	-	-	725,448	726,145	

(b) **Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the consolidated entity, which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

21 FINANCIAL INSTRUMENTS (Cont.)

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised financial instruments

The carrying amounts of cash and short term deposits, trade debtors, other debtors, payables, lease liabilities and employee entitlements approximate net fair value.

22 SEGMENT INFORMATION

The Company operates predominantly in one segment involved in the mineral exploration and development industry. Geographically, the consolidated entity operates in Australia and South Africa.

30 June 2006

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment Revenue from operating activities	43,438	21,444,557	21,487,995
RESULT			
Profit/(loss) after income tax	(871,933)	3,127,375	2,255,442
ASSETS			
Segment assets	1,068,867	6,541,643	7,610,510
LIABILITIES			
Segment liabilities	445,551	746,980	1,192,531
OTHER			
Segment assets acquired	13,951	1,677,627	1,691,578
Segment depreciation and amortisation	7,250	316,349	323,599

30 June 2005

	Australia \$	Africa \$	Consolidated \$
REVENUE			
Segment Revenue from operating activities	17,265	5,081,845	5,099,110
RESULT			
Profit/(loss) after income tax	(580,269)	(1,414,496)	(1,994,765)
Income tax expense	-	(4,584)	(4,584)
Loss from ordinary activities after income tax expense	(580,269)	(1,419,080)	(1,999,349)
ASSETS			
Segment assets	512,479	3,160,102	3,672,581
LIABILITIES			
Segment liabilities	608,851	117,612	726,463
OTHER			
Segment assets acquired	-	519,172	519,172
Segment depreciation and amortisation	8,090	212,802	220,892

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

23 JOINT VENTURES

The Company has interests in the following unincorporated joint ventures.

Exploration Joint Venture	% Interest	
	2006	2005
Batchelor (Northern Territory)	100% (diluting)	100% (diluting)
Castlemaine	100% (diluting)	100% (diluting)

The carrying value of the Company's interest in these joint ventures is \$17,718 (2005: \$17,718). The contribution of these exploration joint ventures to the loss of the Company for the year was nil. Under the terms of the Joint Venture with Korab Resources Limited, this party must spend \$600,000 to earn 60% of the Batchelor and Castlemaine tenements.

The Company is not aware of any contingent liabilities where it can be held liable for other ventures, including by way of guarantee.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
24 NOTES TO THE CASH FLOW STATEMENT				
(a) Reconciliation of profit/(loss) after income tax to net cash used in operating activities				
Profit/(Loss) after income tax	2,255,442	(1,999,349)	1,857,804	(2,075,076)
<i>Non-cash items:</i>				
Depreciation	323,599	220,892	7,250	8,090
Foreign exchange (gain) loss	-	(1,799)	-	10,335
Exploration expenditure written off	-	10,971	-	10,832
Translation foreign exchange gains/(losses)	(352,611)	-	-	-
Provision for diminution of:				
- Subsidiaries	-	-	-	420,975
- Goodwill on consolidation	-	285,529	-	-
Provision for non-recovery of loans to subsidiaries	-	-	4,118,828	2,087,820
(Profit) loss on sale of non-current assets	2,944	(9,351)	965	4,493
Net cash (used in) provided by operating activities before change in assets and liabilities	2,229,374	(1,493,107)	5,984,847	467,469
Change in assets and liabilities:				
(Increase) decrease in net receivables	(965,241)	(58,154)	(481,660)	(112,393)
(Increase) decrease in net inventories	(354,379)	161,796	-	85,889
(Increase) decrease in other current assets	(209,524)	9,271	40,724	2,752
Increase (decrease) in payables and provisions	272,631	198,546	(163,300)	28,768
Increase (decrease) in tax liabilities	(37)	(1,199)	-	-
Net cash provided from/(used in) operating activities	972,824	(1,182,847)	5,380,611	472,485

(b) Reconciliation of Cash

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank and on hand	1,498,094	443,078	1,012,676	364,305
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NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
24 NOTES TO THE CASH FLOW STATEMENT (Cont.)				
(c) Acquisition of entity				
50% of Nova Mining SPRL acquired on 1 December 2004, to increase shareholding to 100%. Details of this transaction are:				
Purchase consideration	-	285,529	-	-
Cash consideration	-	203,032	-	-
Plant and equipment given as part consideration	-	82,497	-	-
Total consideration	-	285,529	-	-
Assets and liabilities held at acquisition date:				
Goodwill on consolidation	-	285,529	-	-

(d) Loan Facilities

On 13 May 2005, the Company was notified that the Industrial Development Corporation of South Africa (IDC) had approved funding to expand the Company's Nova Mining operation. The loan funding from IDC totals US\$4,000,000 (AUD\$5,500,000) and is subject to completion of certain terms and conditions and formalisation of agreements, which remain outstanding as at 30 June 2006.

The funding conditions include: Nova demonstrating to the satisfaction of IDC that Nova has access to and rights to ore stockpiles to supply it with sufficient copper ore feed; compliance with DRC legislation pertaining to environmental, health and safety matters; agreed insurance cover for the operation, formal approvals under the Financial Intelligence Centre Act 38 of 2001; and exchange control approvals from the South African Reserve Bank.

25 COMMITMENTS

(a) Non cancellable operating lease commitments

Future operating leases rentals for premises not provided for in the financial statements and payable:

Within one year	24,600	10,689	24,600	7,800
One year or later but not later than five years	31,345	126	31,345	-
	55,945	10,815	55,945	7,800

(b) Exploration

The Company and consolidated entity have certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's and the consolidated entity's exploration programs and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Company and the consolidated entity which have not been provided for in the financial statements and which cover the following twelve month period amount to \$Nil (2005: \$Nil) respectively. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

26 EMPLOYEE ENTITLEMENTS

Employee Share Option Plan (ESOP)

The Company has an Employee Share Option Plan (Plan), which was approved by shareholders on 20 May 1999. Options are issued at the discretion of the Directors at no consideration. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. All options expire on the earlier of their expiry date or on termination of the employee's employment if not exercised.

No options were granted under the Plan during the financial year. No options are outstanding at the end of the financial year under the Plan.

The options can be granted free of charge and are exercisable at a fixed price calculated in accordance with the Plan over a period of five years to a maximum of 20% in any one financial year.

Details of options issued under the ESOP

No option was issued under the ESOP for the year ended 30 June 2006.

Consolidated		The Company	
2006	2005	2006	2005
\$	\$	\$	\$

Superannuation plans

The Company and its controlled entities contribute to several employee superannuation plans.

Details of contributions to the employee superannuation plans during the year and contributions payable at 30 June 2006 are as follows:

Employer contributions to the plans	18,131	7,625	18,131	7,265
Employer contributions owing to the plans at balance date	2,882	-	2,882	-

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

27 KEY MANAGEMENT PERSONNEL

(a) Details of Specified Directors and Specified Executives during the year ended 30 June 2006.

(i) **Specified Directors**

Laurie Findlay	Managing Director	
Ian Cornelius	Non Executive Director	
David Rieke	Non Executive Director	(Resigned 9 March 2006)
Gerard Zytkow	Executive Director	(Appointed 20 September 2005)

(ii) **Specified Executives**

Gaetan (David) Kakudji	Resources Manager DRC	
Mario Pignatiello	Company Secretary	(Resigned 20 June 2006)
David McArthur	Company Secretary	(Appointed 20 June 2006)

There are no other specified executives within the Company and or its controlled entities at 30 June 2006.

(b) **Compensation Practices**

The remuneration policy of the Company as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

(c) **Key Management Personnel Compensation**

	Year	Fees & Salary \$	Super-annuation \$	Other \$	Share-based payments \$	Total \$
Directors						
I Cornelius	2006	-	-	50,000	-	50,000
	2005	-	-	40,000	-	40,000
L Findlay	2006	31,500	2,835	257,580	-	291,915
	2005	30,000	-	122,000	-	152,000
G Zytkow	2006	-	-	259,647	-	259,647
	2005	-	-	180,758	-	180,758
D Rieke	2006	86,479	7783	39,250	-	133,512
	2005	55,000	1,800	105,500	-	162,300
Executives						
Gaetan (David) Kakudji	2006	-	-	155,130	-	155,130
	2005	-	-	63,158	-	63,158
David McArthur (Appointed 20 June 2006)	2006	-	-	500	-	500
	2005	-	-	-	-	-
Mario Pignatiello (Resigned 20 June 2006)	2006	-	-	207,398	-	207,398
	2005	-	-	5,600	-	5,600
Totals	2006	117,979	10,618	969,505	-	1,098,102
	2005	85,000	1,800	517,016	-	603,816

(d) **Options Granted As Compensation**

No compensation options were issued to specified directors or specified executives during the year.

(e) **Shares Issued on Exercise of Compensation Options**

No options were exercised during the year that were received as compensation in prior periods.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

27 KEY MANAGEMENT PERSONNEL (Cont.)

(f) Shareholdings of Specified Directors and Specified Executives

	Balance at Beginning of period	Acquisition s	On exercise of Options	Sales	Net Change Other	Balance at End of Period
Laurie Findlay	21,145,870	⁽¹⁾ 6,149,286	5,714,286	-	-	33,009,442
Ian Cornelius	4,209,399	202,839	-	-	-	4,412,238
Gerard Zytchow	-	⁽²⁾ 1,735,939	1,735,939	-	-	3,471,878
David Rieke	500,000	-	-	-	(500,000)	-
Gaetan (David) Kakudji	-	-	-	-	-	-
David McArthur	-	-	-	-	-	-
Mario Pignatiello	-	60,000	-	-	(60,000)	-
	25,855,269	8,148,064	7,450,225	-	(560,000)	40,893,558

(1) 5,714,286 shares were issued upon conversion of debt to equity and 435,000 were bought on market.

(2) 1,735,939 shares were issued upon conversion of debt to equity.

(g) Option holdings of Specified Directors and Specified Executives

	Balance at Beginning of period	Acquired through conversion of debt to equity	Exercised	Sales	Balance at End of Period
Laurie Findlay	-	⁽¹⁾ 11,428,572	(5,714,286)	-	⁽²⁾ 5,714,286
Ian Cornelius	-	-	-	-	-
Gerard Zytchow	-	⁽¹⁾ 3,471,878	(1,735,939)	-	⁽²⁾ 1,735,939
David Rieke	-	-	-	-	-
Gaetan (David) Kakudji	-	-	-	-	-
David McArthur	-	-	-	-	-
Mario Pignatiello	-	-	-	-	-
	-	14,900,450	(7,450,225)	-	7,450,225

(1) Issued upon conversion of debt to equity.

(2) Exercisable at 10 cents by 1 March 2008.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

28 RELATED PARTY TRANSACTIONS

Other Transactions and Balances with Specified Directors and Specified Executives Services

The following transactions with Directors and Director-related entities occurred during the year on normal commercial terms and conditions:

- (i) During the year, Corporate Advisory and Company Secretarial fees totalling \$39,250 (2005: \$105,500) were paid to Grange Consulting Group Pty Limited, a company associated with Mr D Riekie. As at 30 June 2006, \$nil (2005: \$6,711) was owed to this company by the Company.
- (ii) During the year, the Company paid fees totalling \$257,580 (2005: \$122,000) to International Engineers Sdn Bhd, a company associated with Mr L Findlay, for the hire of metallurgical and power test equipment and other services. As at 30 June 2006, \$22,771 (2005: \$22,000) was owed to International Engineers by the Company.

During the year, Mr L Findlay advanced \$166,056 (2005: \$200,000) to the Company on an unsecured basis. Interest of \$18,039 was paid on this advance. The funds advanced were used to fund working capital requirements. This advance was repaid in full during the year. The Company issued 5,714,285 shares and 11,428,570 options to Mr Findlay in settlement of a \$200,000 loan advanced in a prior year. The options were granted on the basis of 5,714,285 options exercisable at 5 cents per share on or before 1 December 2005 and 5,714,286 options exercisable at 10 cents per share on or before 31 March 2008. Mr Findlay exercised 5,714,285 options at a cost of \$285,714 on 30 November 2005.
- (iii) During the year, the Company paid \$50,000 (2005: \$40,000) in consulting fees to Goldtrek Pty Limited, a company associated with Mr I Cornelius.
- (iv) During the year, the Company paid fees totalling \$232,245 to Mr G Zytkow and fees totalling \$27,402 to Mrs B Zytkow. The company issued 1,735,939 shares and 3,471,878 options to Mr Zytkow in settlement of a \$60,758 loan advanced in a prior year. The options were granted on the basis of 1,735,939 options exercisable at 5 cents per share on or before 1 December 2005 and 1,735,939 options exercisable at 10 cents per share on or before 31 March 2008. Mr Zytkow exercised 1,735,939 options at a cost of \$86,797 on 30 November 2005.
- (v) During the year, the company paid financial service fees totalling \$207,398 to All Balanced Pty Limited, a company associated with Mr M Pignatiello. Mr Pignatiello advanced \$53,236 to Nova Mining during the year for working capital requirements. Interest of \$7,938 was paid on this advance. As at 30 June 2006, \$53,425 was owed to All Balanced Pty Limited by the Company.
- (vi) During the year, the Company paid secretarial service fees totalling \$500 to DAS Australia Pty Limited, a company associated with Mr D McArthur.

The above information disclosed is shown as follows:

Transaction Type	Director Concerned	Consolidated		The Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
Corporate advisory and company secretarial services	D Riekie	39,250	105,500	39,250	105,500
Hire of metallurgical and power test equipment and other services	L J Findlay	257,580	122,000	257,580	-
Interest on loan to Company	L J Findlay	18,039	-	18,039	-
Loan funding	L J Findlay	166,056	200,000	166,056	200,000
Consulting Services	G Zytkow	232,245	180,758	232,245	-
Various services by B Zytkow	G Zytkow	27,402	-	27,402	-
Consulting Services	I Cornelius	50,000	40,000	50,000	40,000
Financial services fees	M Pignatiello	207,398	-	207,398	-
Loan funding	M Pignatiello	53,236	-	53,236	-
Interest on loan	M Pignatiello	7,938	-	7,938	-
Secretarial service fees	D McArthur	500	-	500	-

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

29 CONTINGENT LIABILITIES

There were no contingent liabilities not provided for in the financial statements of the Company and the consolidated entity as at 30 June 2006 other than:

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
(a) Bonds				
The consolidated entity has entered into bonds for the rehabilitation of exploration tenements	27,000	27,000	-	-

(b) Native Title and Aboriginal Heritage

There is the risk that native title, as established by the High Court of Australia's decision in the Mabo case, exists over the land over which the Company and the consolidated entity hold tenements in Western Australia. It is impossible at this stage to quantify the impact (if any), which native title may have on the operations of the Company.

A controlled entity, Savanna Mineral Resources Pty Limited also holds tenements and has joint venture agreements for tenements in the Northern Territory. These tenements lie predominantly on private freehold land, which the Directors consider is not subject to native title. However it is impossible at this stage to quantify the impact (if any), which native title (on other than freehold land) or aboriginal heritage issues may have on the operations of this controlled entity.

(c) Legal Claims

Claims and counter claims have been lodged by and against customers of Smelting Technologies Pty Limited for damages. The Company is defending the claims. The Directors are unable to estimate the probable loss in the unlikely event of a claim being successful and as such these have not been quantified. The company has not provided for such claims on the basis that legal advice maintains that the company has strong grounds for defence.

(d) International Engineers Sdn Bhd– Mr Laurie Findlay

The Company has been advised by International Engineers Sdn Bhd, an entity associated with Mr Laurie Findlay (MANAGING DIRECTOR), of a potential claim for services rendered from October 2003 to 1 May 2005, totalling \$200,000. During this time, Mr Findlay provided technical consulting services (prior to his appointment as MANAGING DIRECTOR).

The Company has agreed to pay or settle this amount to International Engineers Sdn Bhd, subject to the Company receiving the first US\$1m under the IDC loan facility (refer to Note 24 (d)) and/or adequate cash flows emerging from the Nova Mining operations is determined by the board.

30 SUBSEQUENT EVENTS

On 9 August 2006, the Company issued 1,994,760 shares at a price of 5 cents each in satisfaction of outstanding debt. Other than this, no events of a material nature have occurred subsequent to year end.

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

31 **IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)**

The impact of adoption of AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 July 2005 ('AGAAP') are illustrated below.

(a) **Reconciliation of total equity under AGAAP to that under AIFRS**

Consolidated Entity

1 July 2004	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$	\$	\$
Balance under AGAAP	27,462,376	-	(24,484,629)
- Adjustments	-	-	-
Balance under AIFRS	<u>27,462,376</u>	<u>-</u>	<u>(24,484,629)</u>

30 June 2005	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$	\$	\$
Balance under AGAAP	29,430,096	-	(26,483,978)
- Adjustments	-	-	-
Balance under AIFRS	<u>29,430,096</u>	<u>-</u>	<u>(26,483,978)</u>

Parent Entity

1 July 2004	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$	\$	\$
Balance under AGAAP	27,462,376	-	(24,408,902)
- Adjustments	-	-	-
Balance under AIFRS	<u>27,462,376</u>	<u>-</u>	<u>(24,408,902)</u>

30 June 2005	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings
	\$	\$	\$
Balance under AGAAP	29,430,096	-	(26,483,978)
- Adjustments	-	-	-
Balance under AIFRS	<u>29,430,096</u>	<u>-</u>	<u>(26,483,978)</u>

NEW WORLD ALLOYS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(b) **Reconciliation of loss after tax under AGAAP to that under AIFRS**

	Consolidated Entity \$	Parent Entity \$
Year ended 30 June 2005		
Loss under AGAAP	(1,999,349)	(2,075,076)
Adjustments	-	-
Loss under AIFRS	<u>(1,999,349)</u>	<u>(2,075,076)</u>

(c) **Explanation of material adjustments to the cash flow statements**

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

**INDEPENDENT AUDIT REPORT
THE MEMBERS OF NEW WORLD ALLOYS LIMITED**

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
NEW WORLD ALLOYS LIMITED**

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for both New World Alloys Limited (the company) and New World Alloys Limited and its controlled entities (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by Accounting Standard AASB 124 Related Party Disclosures (AASB 124), under the heading "remuneration report" on pages 14 to 15 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

**INDEPENDENT AUDIT REPORT
THE MEMBERS OF NEW WORLD ALLOYS LIMITED**

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion,

- (a) the financial report of New World Alloys Limited:
- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the company and the consolidated entity as at 30 June 2006 and of their performance for the year ended on that date; and
 - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained on pages 14 to 15 of the directors' report comply with AASB 124 and the Corporations Regulations 2001.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 28 September 2006

NEW WORLD ALLOYS LIMITED

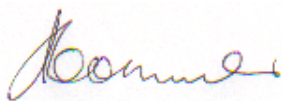
DIRECTORS' DECLARATION

In the opinion of the Directors of New World Alloys Limited:

- (a) the financial statements and notes, set out on pages 26 to 53, are in accordance with the Corporations Act 2001 and:
 - (i) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) comply with Accounting Standards and the Corporations Regulations 2001.
- (b) the Chief Executive Officer and the equivalent to the Chief Financial Officer have each declared that:
 - (i) the financial records of the consolidated entity for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
 - (ii) the financial statements and notes for the financial year comply with accounting standards;
 - (iii) the financial statements and notes for the financial year give a true and fair view; and
 - (iv) any other matters that are prescribed by regulations for the purposes of Section 295A(2) of the Corporations Act 2001, in relation to the financial statements and notes for the financial year are satisfied.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) the directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Company's equivalent to a Chief Financial Officer for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the Directors:

On behalf of the Board



Ian Cornelius

Non-Executive Director

Perth WA,

Dated this 29th September 2006

NEW WORLD ALLOYS LIMITED

DIRECTORS' DECLARATION

NEW WORLD ALLOYS LIMITED

ABN 36 060 774 227

AUSTRALIAN STOCK EXCHANGE INFORMATION

Additional information included in accordance with the Listing Rules of the Australian Stock Exchange Limited.

1. SHAREHOLDER INFORMATION

(a) Distribution of holders at 29 September 2006

	Fully paid ordinary shares
Number of Holders	1,133
Distribution is:	
1 - 1,000	52
1,001 - 5,000	155
5,001 - 10,000	182
10,001 - 100,000	515
100,001 and Over	229
	1,133
Holding less than a marketable parcel	405

(b) Voting rights

There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

(c) Substantial shareholders

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
ANZ Nominees Limited	47,087,015
Clan Enterprises Pty Ltd	19,945,870

(d) Shareholders

The twenty largest shareholders hold 58.02% of the total issued ordinary shares in the Company as at 29 September 2006.

NEW WORLD ALLOYS LIMITED

DIRECTORS' DECLARATION

(e) Unlisted 30 June 2007 Options

There are 1,000,000 options held by 1 holder on issue and are exercisable at 10 cents on or before 30 June 2007. The option holders do not have any voting rights.

(f) Unlisted 1 March 2008 Options

There are 23,656,598 options held by 13 holders on issue and are exercisable at 10 cents on or before 1 March 2008. The option holders do not have any voting rights.

2. QUOTATION

Listed securities in New World Alloys Limited are quoted on all Australian Stock Exchanges.

3. AUDIT COMMITTEE

As at the date of the Directors' Report, the Company did not have an audit committee of the board of directors. The Company is not of a size, nor are the affairs of a complexity, sufficient to warrant the existence of a separate audit committee. All matters which could be delegated to such a committee are dealt with by the full Board.

NEW WORLD ALLOYS LIMITED

DIRECTORS' DECLARATION

NEW WORLD ALLOYS LIMITED

ABN 36 060 774 227

Top Twenty Shareholders at 29 September 2006

Name	Number of Shares	% of Issued Shares
1. ANZ Nominees Limited	47,087,015	18.41
2. Clan Enterprises Pty Ltd	19,945,870	7.80
3. Ivory Associates Limited	11,428,572	4.47
4. National Nominees Limited	7,187,499	2.81
5. Citicorp Nominees Pty Limited	7,076,472	2.77
6. Chasni Pty Ltd	7,000,000	2.74
7. Southam Investments 2003 Pty Ltd	5,672,740	2.22
8. Plan B Trustees Limited	5,207,216	2.04
9. Yandal Investments Pty Ltd	4,625,000	1.81
10. Jennifer May Edward	3,587,175	1.40
11. Mr Gerard Zytkow	3,471,878	1.36
12. Ordville Nominees Pty Ltd	3,394,612	1.33
13. Mr Robert John Madejski	3,330,144	1.30
14. Treecity Pty Ltd	3,200,000	1.25
15. Mr Robert Francis Panton	3,051,750	1.19
16. TV Games Pty Ltd	2,901,528	1.14
17. HSBC Custody Nominees (Australia) Limited	2,879,900	1.13
18. Aquatic Resources Limited	2,740,000	1.07
19. Mr Andrew Lynton Hurwitz	2,560,000	1.00
20. Seiwan Properties Limited	2,000,000	0.78
	<u>148,347,371</u>	<u>58.02</u>