
BARRA RESOURCES LIMITED
ABN 76 093 396 859

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

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DIRECTORS' REPORT
30 JUNE 2006

The Directors present their report together with the financial report on Barra Resources Limited ("Barra" or "the Company") for the year ended 30 June 2006. In order to comply with the provision of the Corporations Act 2001, the directors report as follows:

DETAILS OF DIRECTORS

The names and particulars of the directors of the Company holding office during the financial year and at the date of this report are:

GARY JOHN BERRELL BEc (Hons)

Non Executive Chairman

Appointed 22 March 2005

Mr Berrell has a background in banking and finance specialising in structured finance, corporate activity, treasury advisory, and has worked for Macquarie Bank and Westpac. He has over 20 years experience trading a broad range of financial products including shares, bonds, futures and foreign exchange and has been a board member of the Fremantle (Dockers) Football Club since 2002, sitting on their Audit and Governance sub-committee. He is currently a consultant to Western Australian investment banking and corporate advisory firm Argonaut Capital Limited.

DEAN BARRY GOODWIN

B(App) Sc., MAIG

Managing Director

Appointed 24 September 2004

Mr Goodwin graduated from Curtin University in 1986 with a Bachelor of Applied Science (Geology). He spent 6 years with Western Mining Corporation Ltd in the capacity of exploration geologist. He was involved in the discovery of the Intrepid, Redoubtable and Santa Anna gold deposits under Lake Lefroy and worked closely with the nickel exploration team. He later joined Resolute Ltd in 1994 as Senior Exploration Geologist spending 5 years in Kalgoorlie managing exploration for Chalice, Higginsville, Bullabulling and Bulong projects.

In 1999, Mr Goodwin was appointed Senior Exploration Geologist with LionOre Limited at the Bounty Gold Mine operations where he was responsible for the discovery of several small gold deposits. He has since worked as an independent contract geologist exploring for nickel sulphides throughout Western Australia.

ROBERT GEORGE COLVILLE

ARMIT (Geology), MAusIMM

Non--Executive Director

Appointed 16 October 2000

Mr Colville has over 32 years exploration experience, holding senior and executive positions with Geopeko Limited, Newmont Holdings Pty Ltd, Jones Mining NL, Julia Mines NL, Normandy Mining Limited and Barminco Limited.

He was privileged to be part of successful exploration teams at Ranger in the Northern Territory and at Davyhurst, Goongarrie and Two Boys within the Eastern Goldfields. Whilst with Newmont, Mr Colville was credited with the discovery of the New Celebration Gold Mine.

Mr Colville is an executive director of Barminco Limited and brings to the Board extensive exploration and mine development experience within the Eastern Goldfields.

DIRECTORS' REPORT
30 JUNE 2006

GRANT JONATHAN MOONEY

Non-Executive Director and Company Secretary

Appointed 29 November 2002

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners, specialising in corporate compliance administration to public companies.

Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions. Mr Mooney is a member of the Institute of Chartered Accountants in Australia.

DIRECTORSHIP OF OTHER LISTED COMPANIES

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

Directors name	Company	Period of directorship
Grant Jonathan Mooney	NiQuest Ltd	May 2003 to November 2005

DIRECTORS' SHARE AND OPTION HOLDINGS

At the date of this report, the direct and indirect interest of the Directors in the shares and options of the Company were:

	Ordinary Shares	Options (Unlisted)
Gary Berrell	500,000	500,000
Dean Goodwin	-	4,500,000
Robert George Colville*	21,709,921	850,000
Grant Jonathan Mooney	904,000	500,000

* Mr R G Colville is a Director of Barmenco Limited ("Barmenco") and therefore is deemed to have an interest in 20,025,921 shares held by Barmenco.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was exploration for gold and nickel in Western Australia.

Barra undertook various exploration programs during the year in conjunction with its Joint Venture partners and on its own at the Burbanks and Phillips Find projects.

The Company completed a capital raising during the year, being the completion of a placement of shares in December 2005 raising \$1,836,000 as well as the issue of Converting Notes in June 2006 to raise \$3,000,000.

DIRECTORS' REPORT
30 JUNE 2006

OPERATING RESULTS

The loss from ordinary activities after income tax of the Company for the year ended 30 June 2006 was \$967,954 (2005: \$464,949 loss).

REVIEW OF OPERATIONS

The following activities were undertaken by the Company during the financial year ended 30 June 2006:

- (a) Joint venture exploration drilling at Riverina Project in Eastern Goldfields, Western Australia.
- (b) Exploration drilling at Quin Hills Project in Eastern Goldfields, Western Australia.
- (c) Exploration drilling at Phillips Find Project in Eastern Goldfields, Western Australia.
- (d) Exploration drilling and mine development at Burbank's Project in Eastern Goldfields, Western Australia.
- (e) Upgrade of the gold resource at the Burbank Project to 74,000 ounces.
- (f) On 22 December 2005 the Company issued 18,360,000 fully paid shares at 10 cents per share to raise gross proceeds of \$1,836,000.
- (g) On 14 June 2006 the Company issued 12,000,000 Converting Notes at conversion price of 25 cents per share to raise gross proceeds of \$3,000,000.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company commenced underground development of the Burbank's Gold project which is expected to move into production in the quarter ending 30 September 2006.

SIGNIFICANT EVENTS SUBSEQUENT TO END OF YEAR

On 20 July 2006 the shareholders at a General Meeting passed a resolution to issue 12,000,000 fully paid shares on conversion of the 12,000,000 converting notes issued on 6 June 2006.

On 2 August 2006 the Company announced the commencement of production at its Burbanks Gold Project which currently has a resource at 517,000 tonnes grading 4.5 grams per tonne gold for a JORC compliant total of 74,000 ounces of gold.

On 18 August 2006 the Company announced that milling of its first parcel of high grade ore from the Burbanks Gold project had commenced and its first gold bars were produced on 24 August 2006.

Since the end of the financial year the Company has raised \$4,642,805 in gross proceeds from the issue of 23,214,028 fully paid shares at 20 cents per share being the exercise of the listed options which expired on 31 August 2006.

LIKELY DEVELOPMENTS

Information as to the likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the Company.

DIRECTORS' REPORT
30 JUNE 2006

ENVIRONMENTAL REGULATION

The Company is required to carry out its activities in accordance with the Mining Laws and regulations in the areas in which it undertakes its exploration activities. The Company is not aware of any matter which requires disclosure with respect to any significant environmental regulation in respect of its operating activities.

SHARE OPTIONS

During the financial year and to the date of this report a total of 500,000 options were issued to directors and executives as follows:

- 500,000 unlisted options were issued to Mr Gary Berrell on 6 December 2006 following the approval from shareholders at the Annual General Meeting on 24 November 2005.

At the date of this report, the following options are outstanding in respect of unissued ordinary shares in Barra Resources Limited:

Number of Shares Under Options	Exercise Price	Expiry Date
1,350,000	20 cents	1 December 2006
1,500,000	10 cents	30 November 2007
1,500,000	15 cents	30 November 2007
1,500,000	20 cents	30 November 2007
500,000	20 cents	6 December 2008

23,714,028 shares were issued as a result of the exercise of options during the financial year and up to the date of this report.

INDEMNIFYING OFFICER OR AUDITOR

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary and all executive officers of the company and related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not indemnified or agreed to indemnify the auditor of the company or of any related body corporate against a liability incurred as the auditor.

DIVIDENDS

No dividends have been paid or declared since the start of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year.

DIRECTORS' MEETINGS

There were 5 Directors' meetings held during the financial year ended 30 June 2006. The names of directors who held office during the financial year and their attendance at Board meetings is detailed below:

DIRECTORS' REPORT
30 JUNE 2006

Director	Number Attended	Number Eligible to Attend
Gary Berrell	5	5
Dean Goodwin	5	5
Robert George Colville	5	5
Grant Jonathan Mooney	5	5

There were also 2 circular resolutions passed by the Board of Directors during the financial year.

As at the date of this report an Audit Committee of the Board of Directors did not exist due to the Directors of the Board having a close involvement in the operations of the Company. There are no other sub-committee of the Board.

REMUNERATION REPORT

This report details the amount and nature of remuneration of each director of the Company. Other than directors, there were no executive officers of the Company during the year.

Remuneration Policy

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the company and the activities which it undertakes and is appropriate in aligning director objectives with shareholder and business objectives. At this point in the Company's development the board does not believe it is appropriate to link director and executive officers remuneration with company performance.

The remuneration policy in regards to settling terms and conditions for the executive directors has been developed by the board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the non-executive directors and reviews their remuneration annually, based on market practices, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

Details of remuneration provided to Directors and specified executives during the financial year are as follows:

DIRECTORS' REPORT
30 JUNE 2006

		Short-term employee benefits	Post-employment Benefits	Share-based payments	Total
		Salary & Fees	Superannuation	Options	
		\$	\$	\$	\$
Directors					
Gary Berrell (appointed 22 March 2005)	2006	40,000	3,600	31,150	74,750
	2005	11,096	999	-	12,095
Dean Goodwin (appointed 24 November 2004)	2006	201,388	17,225	35,469	254,082
	2005	139,005	6,774	187,393	333,172
Robert George Colville	2006	19,000	18,070	-	37,070
	2005	45,719	30,198	-	75,917
Grant Jonathan Mooney (Secretarial & Directors' Fees)	2006	84,500	-	-	84,500
	2005	66,000	-	-	66,000
TOTAL	2006	344,888	38,895	66,619	450,402
TOTAL	2005	261,820	37,971	187,393	487,184

(1) Consulting services includes fees paid to related parties of the directors.

During the year a total of 500,000 options were issued to a Director, Mr Gary Berrell, in accordance with the Notice of Annual General Meeting dated 24 November 2005. An estimated average value of \$54,125 was calculated at the date granted using a Black-Scholes Options price model with the following assumptions:

- Interest rate 6%;
- Dividend yield of nil;
- Current underlying Share price of \$0.14 cents; and
- Volatility rate of 300%.

During the year ending 30 June 2005 a total of 4,500,000 were issued to a Director, Mr Dean Goodwin, in accordance with the Notice of Annual General Meeting dated 24 November 2004. An estimated average value of \$289,000 was calculated at the date granted using a Black-Scholes Options price model with the following assumptions:

- Interest rate 5%;
- Dividend yield of nil;
- Current underlying Share price of \$0.06 cents; and
- Volatility rate of 300%.

The 4,500,000 options issued during the prior year have the following vesting dates:

Options	Vesting dates	Expiry Date
1,500,000	24 November 2004	30 November 2007
1,500,000	1 December 2005	30 November 2007
1,500,000	1 December 2006	30 November 2007

Only the options with a vesting date during the year ending 30 June 2006 have had the full amount of the fair value included in the above table for 2006. The remainder is spread over the balance of the vesting period.

There are no contracts to which a Director is a party or under which the Director is entitled to a benefit other than as disclosed in the financial report.

DIRECTORS' REPORT
30 JUNE 2006

Value of options issued to directors

The following table discloses the value of option granted, exercised or lapsed during the year:

	Options Granted Valued at Grant Date	Options Exercised Valued at exercise date	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	\$	\$	\$	\$	\$	%
G Berrell	54,125	-	-	54,125	54,125	72.41
D. Goodwin	289,000	-	-	289,000	83,942	33.03

NON AUDIT SERVICES

The directors are satisfied that the provision of non audit services, during the year, by the auditor Deloitte Touche Tohmatsu, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed on 27 September 2006 in accordance with a resolution of the Board, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the Directors:



GARY BERRELL
Director



DEAN GOODWIN
Director

The Board of Directors
Barra Resources Ltd
Level 3, 33 Richardson St
WEST PERTH WA 6005

27 September 2006

Dear Board Members

Barra Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Barra Resources Limited.

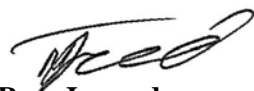
As lead audit partner for the audit of the financial statements of Barra Resources Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants

BARRA RESOURCES LIMITED
ABN 76 093 396 850

BALANCE SHEET
AS AT 30 JUNE 2006

	Note	30 June 2006 \$	30 June 2005 \$
CURRENT ASSETS			
Cash and cash equivalents	8	2,928,503	1,137,748
Trade and other receivables	9	183,681	86,406
Other	10	9,433	10,333
TOTAL CURRENT ASSETS		<u>3,121,617</u>	<u>1,234,487</u>
NON CURRENT ASSETS			
Financial assets	11	255,092	255,092
Property, plant and equipment	12	85,202	25,517
Exploration, evaluation and development expenditure	13	10,367,137	7,349,890
TOTAL NON CURRENT ASSETS		<u>10,707,431</u>	<u>7,630,499</u>
TOTAL ASSETS		<u>13,829,048</u>	<u>8,864,986</u>
CURRENT LIABILITIES			
Trade and other payables	14	1,271,571	175,822
Provisions	15	128,540	113,480
TOTAL CURRENT LIABILITIES		<u>1,400,111</u>	<u>289,302</u>
NON CURRENT LIABILITIES			
Deferred tax liabilities	16	-	-
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>1,400,111</u>	<u>289,302</u>
NET ASSETS		<u>12,428,937</u>	<u>8,575,684</u>
EQUITY			
Issued Capital	17	17,783,176	15,949,836
Converting notes	18	2,850,000	-
Reserves	19	221,760	83,893
Accumulated losses	20	(8,425,999)	(7,458,045)
TOTAL EQUITY		<u>12,428,937</u>	<u>8,575,684</u>

The accompanying notes form part of these financial statements.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	30 June 2006 \$	30 June 2005 \$
Interest revenue	3	60,834	43,900
Other income	3	-	7,260
Employee benefits expense		(557,642)	(326,937)
Depreciation and amortisation expense	4	(11,159)	(9,487)
Consulting expenses		(172,430)	(174,610)
Rental expenses	4	(49,875)	(38,662)
Administration expense		(190,968)	(56,303)
Other expenses from ordinary activities		(35,666)	(43,189)
Loss before income tax expense		(967,954)	(598,028)
Income tax expense	5	-	133,079
Loss after related income tax expense		(967,954)	(464,949)
Basic loss per share (cents per share)	25	0.72 cents	0.44 cents
Diluted loss per share (cents per share)	25	0.72 cents	0.44 cents

The accompanying notes form part of these financial statements.

BARRA RESOURCES LIMITED
ABN 76 093 396 850

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Note	30 June 2006 \$	30 June 2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		60,834	43,900
Payments to trade creditors, other creditors and employees		(827,322)	(473,186)
NET CASH FLOWS USED IN OPERATING ACTIVITIES			
	21	(766,488)	(429,286)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(70,844)	(26,043)
Payments for exploration, evaluation and development expenditure		(2,055,253)	(1,388,395)
Payments for bonds		-	(255,092)
NET CASH FLOWS USED IN INVESTING ACTIVITIES			
		(2,126,097)	(1,669,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,936,000	2,053,500
Proceeds from converting notes		3,000,000	-
Capital raising costs		(252,660)	(83,425)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES			
		4,683,340	1,970,075
NET INCREASE/(DECREASE) IN CASH HELD			
		1,790,755	(128,741)
CASH AT THE BEGINNING OF THE YEAR			
		1,137,748	1,266,489
CASH AT THE END OF THE YEAR			
	8	2,928,503	1,137,748

The accompanying notes form part of these financial statements.

BARRA RESOURCES LIMITED
ABN 76 093 396 850

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Ordinary Shares	Converting Notes	Employee Equity- settle benefits reserve	Retained Earnings	Total attributable to equity holders of the entity
Balance as at 1 July 2004	13,979,761	-		(6,993,096)	6,986,665
Issue 12,600,000 shares at 5 cents	630,000	-	-	-	630,000
Issue 14,235,000 shares at 10 cents	1,423,500	-	-	-	1,423,500
Share issue costs	(83,425)	-	-	-	(83,425)
	1,970,075	-	-	-	1,970,075
Loss for the year	-	-		(464,949)	(464,949)
Total recognised income and expense for the year	-	-	-	(464,949)	1,505,126
Recognition of share-based payments	-	-	83,893	-	83,893
Balance as at 1 July 2005	15,949,836	-	83,893	(7,458,045)	8,575,684
Issue of 18,360,000 shares at 10 cents	1,836,000	-	-	-	1,836,000
Cost issues of shares	(102,660)	-	-	-	(102,660)
Issue of 500,000 shares at 20 cents	100,000	-	-	-	100,000
Issue of 12,000,000 converting notes	-	3,000,000	-	-	3,000,000
Cost of issue of converting notes	-	(150,000)	-	-	(150,000)
	-	-	-	-	4,683,340
Loss for the year	-	-	-	(967,954)	(967,954)
Total recognised income and expense for the year	-	-	-	(967,954)	(967,954)
Recognition of share-based payments	-	-	137,867	-	137,867
Balance as at 30 June 2006	17,783,176	2,850,000	221,760	(8,425,999)	12,428,937

The accompanying notes form part of these financial statements

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. CORPORATE INFORMATION

The financial report of Barra Resources Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 27 September 2006.

Barra Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operation and principal activities of the Group are described in note 22.

2. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity.

(b) Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the financial position, financial performance and cash flows is discussed in Note 30.

(c) Going Concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

The Company's operations may require it to raise capital on an ongoing basis to fund its planned exploration program and to commercialise its tenement assets. If the Company does not raise further capital in the short term, it can continue as a going concern by reducing planned, but not committed exploration expenditure until funding is available and/or entering into joint venture arrangements.

The Directors believe the going concern basis of accounting is appropriate as the Company has a successful track record in raising capital and believe they will be able to obtain further funding to commercialise the tenement assets in the form currently envisaged.

The Directors also believe that as the Company has now begun production from its Burbanks Gold project and believes that this project will generate sufficient positive cash flow to be able to fund its planned exploration programs and therefore reduce the need to raise capital.

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contribution to defined contribution superannuation plans are expensed when incurred.

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Payables

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Property, plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements 3 years
- Plant and equipment 3 - 10 years

(j) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

(k) Revenue recognition

Interest revenue

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

(l) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest.

(m) Exploration and evaluation

Exploration and evaluation expenditure costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

These assets are considered for impairment on a six monthly basis, depending on the existence of impairment indicators including:

- the period for which the company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(n) Development Costs

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

(o) Jointly controlled assets or operations

The Company's interest in its jointly controlled assets and operation are accounted for by recognising the Company's assets and liabilities from the joint ventures, as well as expenses incurred in relation to the joint ventures in their respective classification categories.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

(p) Financial instruments

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

Transaction costs on the issue of equity instruments

Transactions costs arising on the issue of equity instruments are recognised directly in equity as reduction of the proceeds of the equity instruments to which the costs relate. Transactions costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(q) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms requires of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs

Other financial assets are classified into the following specific categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets held for trading purpose are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables

Trade receivables, loan and other receivables are recorded at amortised cost less impairment.

(r) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in income statement immediately

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

(s) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

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

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

(t) Comparative information - financial instruments

The Company has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 'Financial Instruments: Recognition and Measurement', as permitted on the first-time adoption of A-IFRS.

The accounting policy applied to accounting for financial instruments in the current financial year are detailed in notes 2(a) to (r). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Account payable

Trade payable and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Receivables

Trade receivables and other receivables are record at amounts due less any allowance for doubtful debt.

The effect of changing the accounting policy for financial instrument had no impact as at 1 July 2005.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

(u) Australian Accounting Standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

Affected Standards	Nature of change to accounting policy	Application date of standard*	Application date
AASB139: Financial instruments: Recognition and Measurement AASB 1: First time adoption of AIFRS AASB139: Financial instruments: Recognition and Measurement	A project team has been formed to assess the impact of these new standards. A final assessment has not been made on the expected impact of these standards, however, it is expected that that there will be no significant changes in the Group's accounting policies.	1 January 2006	1 July 2006
AASB 132: Financial Instruments: Disclosure and Presentation AASB101: Presentation of Financial Statements AASB117: Leases AASB133: Earnings per Share AASB139: Financial instruments: Recognition and Measurement UIG 4 Determining whether an Arrangement contains a lease UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds UIG 8 Scope of AASB 2 AASB7 Financial Instruments: Disclosures Interpretation 10: Interim Financial Reporting and Impairment		1 January 2007	1 July 2007

* - reporting period commences on or after.

The following amendments are not applicable to the Group and therefore have no impact:

Affected Standards	Comment
AASB 3: Business Combinations AASB114: Segment reporting AASB1023: General Insurance Contracts AASB1038: Life Insurance Contracts AASB4: Insurance Contracts UIG 7 Applying the Restatement Approach under AASB129 Financial Reporting in Hyperinflationary Economies Interpretation 9: Reassessment of Embedded Derivatives	These standards are not applicable to the Consolidated Entity.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 3. Revenue from Ordinary Activities	30 June 2006	30 June 2005
	\$	\$
Operating Activities:		
• Interest received, other persons	60,834	43,900
• Other income	-	7,260
Total Income	60,834	51,160

Note 4. Loss from Ordinary Activities

Loss from ordinary activities before income tax has been determined after:

Expenses		
<i>Depreciation / amortisation of non-current assets</i>		
• Office furniture and equipment	11,159	9,487
<i>Rental expense on operating leases</i>		
• Lease payments	49,875	38,662
Annual leave charge	16,076	14,384
Costs of assets written off	-	6,468

Note 5. Income Tax

(a) Income tax expense

The prima facie income tax expense / (revenue) on pre-tax accounting profit from operations reconciles to the income tax expense as follows:

Loss from continuing operations	(967,954)	(514,135)
Income tax expense/(revenue) calculated at 30% (2005: 30%)	(290,386)	(154,241)
Permanent differences:		
Non deductible expenses	1,361	87
Deductible expenditure	(33,714)	(18,555)
Over/(Under) provision of income tax in previous year	(5,331)	(12,940)
Unused tax losses not recognised as deferred tax asset	328,070	52,569
Total tax expense/(benefit)	-	-

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 5. Income Tax (continued)	30 June 2006	30 June 2005
	\$	\$
(b) Deferred Tax liability		
Exploration interests at balance sheet	1,676,941	1,112,349
Less: Deferred tax assets recognised (tax losses)	<u>(1,676,941)</u>	<u>(1,112,349)</u>
	<u>-</u>	<u>-</u>
(c) Deferred tax assets		
Timing differences	38,562	42,427
Tax losses – revenue	2,010,676	1,122,582
Less: Deferred tax assets recognised	<u>(1,676,941)</u>	<u>(1,112,349)</u>
	<u>372,297</u>	<u>52,569</u>
Not recognised:		
Tax losses - capital	<u>1,565,814</u>	<u>1,565,814</u>

The deferred tax asset arising from the tax losses has not been recognised as an asset in the balance sheet because recovery is not probable.

The taxation benefit of tax losses not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 6. Remuneration Benefits

- (a) The following were key management personnel of the Company during the financial year:
- Gary Berrell (*Non-Executive Chairman*)
 - Dean Goodwin (*Managing Director*)
 - Robert George Colville (*Non-Executive Director*)
 - Grant Jonathan Mooney (*Non-Executive Director and Company Secretary*)
- (b) The board reviews the remuneration packages of all key management personnel on an annual basis. The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is \$120,000 per annum. The apportionment of non-executive Director Remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. Remuneration is not linked to specific performance criteria.
- (c) The Board policy is to remunerate executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payment to the executive directors and reviews their remuneration on a individual basis, based on market practices, duties and accountability. Independent external advice is sought when required. Remuneration is not linked to specific performance criteria.

		Short-term employee benefits	Post-employment Benefits	Share-based payments	Total
		Salary & Fees	Superannuation	Options	
		\$	\$	\$	\$
Directors Gary Berrell (appointed 22 March 2005)	2006	40,000	3,600	31,150	74,750
	2005	11,096	999	-	12,095
Dean Goodwin (appointed 24 November 2004)	2006	201,388	17,225	35,469	254,082
	2005	139,005	6,774	187,393	333,172
Robert George Colville	2006	19,000	18,070	-	37,070
	2005	45,719	30,198	-	75,917
Grant Jonathan Mooney (Secretarial & Directors' Fees)	2006	84,500	-	-	84,500
	2005	66,000	-	-	66,000
TOTAL	2006	344,888	38,895	66,619	450,402
TOTAL	2005	261,820	37,971	187,393	487,184

**NOTES TO AND FORMING PART OF THE
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2006**

Note 6. Remuneration Benefits (continued)

(i) Gary Berrell has received as part of his remuneration for the year ended 30 June 2006 55.39% of his total package in the form of incentive options.

During the year a total of 500,000 options as part of the remuneration package were issued to a Director, Mr Gary Berrell, in accordance with the Notice of Annual General Meeting dated 24 November 2005. The options are exercisable at 20 cents and expiry 6 December 2008. An estimated average value of \$54,125 was calculated at the date granted using a Black-Scholes Options price model with the following assumptions:

- Interest rate 6%;
- Dividend yield of nil;
- Current underlying Share price of \$0.14 cents; and
- Volatility rate of 300%.

(ii) Dean Goodwin has received as part of his remuneration for the year ended 30 June 2006 27.74% of his total package in the form of incentive options.

During the year ending 30 June 2005 4,500,000 options as part of the remuneration package were issued to a Director, Mr Dean Goodwin, in accordance with the Notice of Annual General Meeting dated 24 November 2004. The options are exercisable at 10 cents, 15 cents, 20 cents and expiry 30 November 2007. An estimated average value of \$289,000 was calculated at the date granted using a Black-Scholes Options price model and are expensed over the vesting periods with the following assumptions:

- Interest rate 5%;
- Dividend yield of nil;
- Current underlying Share price of \$0.06 cents; and
- Volatility rate of 300%.

Services Agreements

Mr Dean Goodwin the Managing Director has a contract of employment with the Company dated 13 September 2004. The contract specifies the duties and obligations to be fulfilled by the Managing Director. The employment contract terminates after 3 years from the commencement date of 1 October 2004. At any time this contract can be terminated by either party by giving three months notice.

Mr Grant Mooney, Company Secretary has a services agreement with the Company. This agreement is for an unspecified term.

No key personnel management are entitled to any termination payment apart from remuneration payable up to and including the termination date and any amounts payable due upon accrued leave.

	30 June 2006	30 June 2005
	\$	\$
Note 7. Auditors' Remuneration		
Amounts received, or due and receivable by the auditors for audit or review of the financial report	33,875	21,609
• Taxation services	6,000	11,660
	39,875	33,269

The auditor of the Barra Resources Limited is Deloitte Touche Tohmatsu.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 8. Cash and Cash Equivalents

Cash at bank	2,928,503	137,748
Deposits at Call	-	1,000,000
	<u>2,928,503</u>	<u>1,137,748</u>

Note 9. Trade and Other Receivables

	30 June 2006	30 June 2005
	\$	\$
Current		
Trade debtors	10,745	13,955
Other debtors	172,936	72,451
	<u>183,681</u>	<u>86,406</u>

Note 10. Other - Current Assets

Prepayments	<u>9,433</u>	<u>10,333</u>
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Note 11. Financial Assets

Non-current		
Other mining bonds	<u>255,092</u>	<u>255,092</u>

Note 12. Property, Plant & Equipment

Motor Vehicles – at cost	22,727	-
less accumulated depreciation	(631)	-
	<u>22,096</u>	<u>-</u>

Office furniture and equipment - at cost	126,208	78,091
less accumulated depreciation	(63,102)	(52,574)
	<u>63,106</u>	<u>25,517</u>

Total Property, Plant and Equipment	<u>85,202</u>	<u>25,517</u>
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Movements in carrying amounts

Balance at beginning of the year	25,517	15,429
Additions	70,844	26,043
Disposals	-	(18,703)
Depreciation on disposals	-	12,235
Depreciation expense	(11,159)	(9,487)
	<u>85,202</u>	<u>25,517</u>

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 13. Exploration, Evaluation and Development Expenditure	30 June 2006	30 June 2005
	\$	\$
Mineral exploration and evaluation expenditure costs carried forward		
Balance at beginning of financial year	7,349,890	5,961,495
Exploration, evaluation and development expenditure	1,881,673	1,388,395
Transfer to development expenditure	(1,423,917)	-
Total Exploration, evaluation and development expenditure	<u>7,807,646</u>	<u>7,349,890</u>
Development expenditure costs carried forward		
Balance at beginning of financial year	-	-
Transfer from exploration and evaluation expenditure	1,423,917	-
Development expenditure	1,135,574	-
Total Development expenditure	<u>2,559,491</u>	<u>-</u>
Balance at end of financial year	<u>10,367,137</u>	<u>7,349,890</u>

The recovery of the costs of expenditure carried forward is dependent upon the discovery of commercially viable mineral and other natural resource deposits and their development and exploration or alternatively their sale.

The Company's title to certain mining tenements is subject to Ministerial approval and may be subject to successful outcomes of native title issues (Refer Note 27).

Note 14. Trade and Other Payables

Trade payables	1,244,698	18,880
Audit fees	20,000	15,000
Insurance	6,873	11,606
Other	-	130,336
	<u>1,271,571</u>	<u>175,822</u>

Note 15. Provisions

Rehabilitation costs	71,415	71,415
Employee entitlements	57,125	42,065
	<u>128,540</u>	<u>113,480</u>

Total number of employees at the end of the financial year	<u>5</u>	<u>2</u>
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Note 16. Deferred Tax Liabilities

Deferred income tax	<u>-</u>	<u>-</u>
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The provision for deferred income tax has been reduced by future income tax benefits attributed to timing difference and tax losses by the amount of	<u>-</u>	<u>429,767</u>
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**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 17. Contributed Equity	30 June 2006	30 June 2005
	\$	\$
(a) Issued and Paid up Capital		
144,089,001 ordinary shares, fully paid (2005: 125,229,001 shares)	17,833,176	15,949,836
Movement:		
▪ Opening Balance	15,949,836	13,979,761
▪ Issue of 12,600,000 shares at 5 cents per share on 13 December 2004	-	630,000
▪ Issue of 14,235,000 shares at 10 cents per share on 20 May 2005	-	1,423,500
▪ Issue of 18,360,000 shares at 10 cents per share on 1 December 2005	1,836,000	-
▪ Issue of 500,000 shares following conversion of options at 20 cents per share on 24 April 2006	100,000	-
	17,885,836	16,033,261
Less:		
Costs of issue of shares	(102,660)	(83,425)
Closing balance	17,783,176	15,949,836

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

(b) Options on issue	Expiry Date					
	31 August 2006	1 December 2006	30 November 2007	30 November 2007	30 November 2007	6 December 2008
	Exercise Price					
	\$0.20 (Listed)	\$0.20 (Directors)	\$0.10 (Directors)	\$0.15 (Directors)	\$0.20 (Directors)	\$0.20 (Directors)
On issue at the beginning of the year	23,980,000	1,850,000	-	-	-	-
Issued during the financial year	-	-	1,500,000	1,500,000	1,500,000	500,000
Expired, Exercised or Cancelled during the year	-	(500,000)	-	-	-	-
Outstanding at balance date	23,980,000	1,350,000	1,500,000	1,500,000	1,500,000	500,000

Current terms and conditions: Options are exercisable at 10 cents, 15 cents, 20 cents each, by the expiry dates noted above. These options have been issued following approval by shareholders in General Meeting. An Employee Option Scheme has been established. However, no options have yet been issued pursuant to this Scheme.

There are no rights to dividends or voting on the above options.

**NOTES TO AND FORMING PART OF THE
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2006**

Note 18. Converting Notes

	30 June 2006	30 June 2005
	\$	\$
Opening Balance	-	-
Issue of 12,000,000 converting notes @ 25 cents each on 6 June 2006	3,000,000	-
Less:		
Costs of issue of Converting notes	(150,000)	-
	2,850,000	-
Closing balance	2,850,000	-

The Company issued 12,000,000 converting notes on the 14 June 2006 to clients of stockbrokers Paterson Securities Limited ("Patersons") with a conversion price of 25 cents per share to raise \$3,000,000. Patersons received a fee of \$150,000.

The converting notes were, subject to shareholder approval, to be converted automatically to shares at the conversion price. A General Meeting was held on 20 July 2006 where shareholders approved the conversion of the notes to 12,000,000 fully paid shares.

Note 19. Share Option Reserve

	30 June 2006	30 June 2005
	\$	\$
Opening Balance	83,893	-
Issue of Director Options expensed during the year	137,867	83,893
	221,760	83,893

The share option reserve arises on the grant of share options to directors. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Note 20. Accumulated Losses

Balance at the beginning of the financial year	(7,458,045)	(6,993,096)
Net loss	(967,954)	(464,949)
Balance at the end of the financial year	(8,425,999)	(7,458,045)

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 21. Notes to the Statement of Cash Flows	30 June 2006	30 June 2005
	\$	\$
Reconciliation of Net Cash Flows from Operating Activities to Operating Loss		
Loss from ordinary activities after income tax	(967,954)	(464,949)
Non-cash flows included in loss from ordinary activities		
- depreciation expense	11,159	9,487
- (decrease)/increase in current tax liability	-	(133,079)
- loss on sale of assets	-	6,468
- share option expense	137,867	83,893
-		
Changes in assets and liabilities		
- (increase)/decrease in other debtors	(97,275)	(52,771)
- increase in other provisions	15,060	10,205
- increase/(decrease) in trade creditors	133,754	116,128
- (increase)/ decrease in prepayments	901	(4,668)
	(766,488)	(429,286)

Note 22. Statement of Operations by Segment

The Company operates solely in the natural resources exploration industry in Western Australia. The Company is involved in gold and nickel exploration in the areas of Riverina, Phillips Find, Quinn Hills and Burbanks.

Following the end of the financial year, the Company commenced mining activities at the Burbanks Gold Project.

Note 23. Related Party Transactions

- (a) **Key management personnel compensation**
Details of key management personnel compensation are disclosed in Note 6 to the financial statements.
- (b) **Key management personnel equity holdings**

Full Paid ordinary shares issued by Barra Resources Limited

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2006					
Directors	Balance as at 1 July 2005	Granted as Remuneration	Received on exercise of options	Purchased	Balance as at 30 June 2006
Gary Berrell	500,000	-	-	-	500,000
Dean Goodwin	-	-	-	-	-
Robert Colville (i)	21,746,303	-	-	-	21,746,303
Grant Mooney	874,000	-	-	-	874,000

BARRA RESOURCES LIMITED
ABN 76 093 396 850

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
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Note 23. Related Party Transactions (continued)

2005

Directors	Balance as at 1 July 2004	Granted as Remuneration	Received on exercise of options	Purchased	Balance as at 30 June 2005
Gary Berrell	-	-	-	500,000	500,000
Dean Goodwin	-	-	-	-	-
Robert Colville (i)	21,746,303	-	-	-	21,746,303
Grant Mooney	874,000	-	-	-	874,000

Robert George Colville is a director of Barmenco Limited ("Barmenco") and therefore has an indirect interest in its share and option holding. At the end of the financial year, Barmenco held 20,562,030 shares and no options.

Executive unlisted share options issued by Barra Resources Limited

The movement during the reporting period in the number of unlisted options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2006								
Directors	Balance as at 1 July 05	Granted as Remuneration	Received on exercise of options	Purchased	Balance as at 30 June 06	Vested but not exerci- sable	Vested and exerci- sable	Options vested during the yes
Dean Goodwin	4,500,000	-	-	-	4,500,000	-	3,000,000	1,500,000
Gary Berrell	-	500,000	-	-	500,000	-	500,000	500,000
Robert Colville	850,000	-	-	-	850,000	-	850,000	-
Grant Mooney	500,000	-	-	-	500,000	-	500,000	-

2005								
Directors	Balance as at 1 July 04	Granted as Remuneration	Received on exercise of options	Purchased	Balance as at 30 June 05	Vested but not exerci- sable	Vested and exerci- sable	Options vested during the yes
Dean Goodwin	-	4,500,000	-	-	4,500,000	-	1,500,000	1,500,000
Gary Berrell	-	-	-	-	-	-	-	-
Robert Colville	850,000	-	-	-	850,000	-	850,000	-
Grant Mooney	500,000	-	-	-	500,000	-	500,000	-

Further details of the options granted during the year are contained in Note 17(b) to the financial statements.

**NOTES TO AND FORMING PART OF THE
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FOR THE YEAR ENDED 30 JUNE 2006**

Note 23. Related Party Transactions (continued)

Executive share listed options issued by Barra Resources Limited

The movement during the reporting period in the number of listed options over ordinary shares in the Company held, directly, indirectly or beneficially, by each specified director is as follows:

2006						
Specified directors	Balance as at 1 July 2005	Granted as Remuneration	Exercised	Purchased	Lapsed	Balance as at 30 June 2006
Robert Colville	300,000	-	-	-	-	300,000

2005						
Specified directors	Balance as at 1 July 2004	Granted as Remuneration	Exercised	Purchased	Lapsed	Balance as at 30 June 2005
Robert Colville	300,000	-	-	-	-	300,000

As at the date of this report all options issued to directors have been authorised at Annual General Meeting.

(e) Transactions with director related entities

Grant Mooney (Mooney and Partners Pty Ltd) was paid \$84,500 (2005: \$66,000) for company secretarial and directors fees for the financial year ending 30 June 2006.

Barmenco Pty Ltd, a company of which Bob Colville is a director was paid \$1,709,692 (2005: nil) for the supply of mining contractor services for the financial year ending 30 June 2006.

**NOTES TO AND FORMING PART OF THE
 FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2006**

Note 24. Financial Instruments

(a) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective average interest rates in classes of financial assets and liabilities is as follows:

	Average Effective Interest Rate %	Fixed Interest Rate \$	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
30 June 2006					
Financial assets:					
Cash	4.06	-	2,928,503	-	2,928,503
Term deposits	5.55	-	255,092	-	255,092
Receivables		-	-	183,681	183,681
		-	3,183,595	183,681	3,367,276
Financial liabilities:					
Accounts payable	-	-	-	1,271,571	1,271,571
Employee entitlements	-	-	-	57,125	57,125
		-	-	1,328,696	1,328,696
30 June 2005					
Financial assets:					
Cash	1.88	-	137,748	-	137,748
Term deposits	5.22	-	1,255,092	-	1,255,092
Receivables	-	-	-	86,406	86,406
		-	1,392,840	86,406	1,479,246
Financial liabilities:					
Accounts payable	-	-	-	18,880	18,880
Employee entitlements	-	-	-	42,065	42,065
		-	-	60,945	60,945

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any allowances for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Fair value

The net fair value of financial assets and financial liabilities approximate their carrying value. Net fair value and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

(d) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash at bank, finance leases and hire purchase contracts.

There is no significant liquidity risk with the Company .

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 25. Earnings per Share	2006	2005
Basic earnings/(loss) per share (cents per share)	(0.72)	(0.44)
Diluted earnings/(loss) per share (cents per share)	(0.72)	(0.44)
Basic Earnings per Share	2006	2005
	\$	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(967,954)	(464,949)
	2006	2005
	No.	No.
Weighted average number of ordinary shares	134,878,042	106,862,590
The options issued during the year are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.		
Diluted Earnings per Share	2006	2005
	\$	\$
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:		
Loss	(967,954)	(464,949)
Weighted average number of ordinary shares and potential ordinary shares	165,595,201	135,328,656
Reconciliation of Weight Average of Ordinary Shares		
Weighted average number of ordinary shares	134,878,042	106,862,590
Listed options	23,935,738	23,935,738
Director options	6,781,421	4,530,328
Weighted average number of ordinary shares used in the calculation of diluted EPS	165,595,201	135,328,656
The weight average of ordinary shares has no dilutive effect to the diluted earning per share.		

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 26. Significant Events Subsequent to Year End

On 20 July the shareholders at a General Meeting passed a resolution to issue 12,000,000 fully paid shares on conversion of 12,000,000 converting notes issued on 6 June 2006.

On 2 August 2006 the Company announced the commencement of production at its Burbanks Gold Project which currently has a resource at 517,000 tonnes grading 4.5 grams per tonne gold for a JORC compliant total of 74,000 ounces of gold.

On 18 August 2006 the Company announced that milling of its first parcel of high grade ore from the Burbanks Gold project had commenced and its first gold bars were produced on 24 August 2006.

Since the end of the financial year the Company has raised \$4,642,805 in gross proceeds from the issue of 23,214,028 fully paid shares at 20 cents per share being the exercise of the listed options which expired on 31 August 2006.

Note 27. Contingent Liabilities

- (a) In June 1992 the High Court of Australia held in the Mabo case that the common law of Australia recognises a form of native title. The full impact that the Mabo decision may have on tenements held by the Company is not yet known. The Company is aware of native title claims that have been lodged with the National Native Title Tribunal ("the Tribunal") over several areas in Western Australia in which the Company holds interests. The native title claims have been accepted by the Tribunal for determination under section 63(1) of the Native Title Act 1993 (Commonwealth).

Note 28. Commitments for Expenditure

These amounts are payable, if required, over various times over the next five years. In addition, royalty payments may be payable if certain conditions are met in the future. At this time, the directors do not consider the payments to be probable.

	2006	2005
	\$	\$
1. Operating Lease Commitment as follows:		
Office Rental		
The Company rents an office which has a lease term of 3 years from 15 December 2004, with an option to extend for a further 2 years. The lease contract contains a market review clause in the event that the company exercises its option.		
Due within 1 year	34,000	34,000
Due within 2 to 5 years	17,000	51,000
2. Exploration Expenditure Commitments		

The Company has minimum statutory commitments as conditions of tenure of certain mining tenements. Whilst these obligations may vary, a reasonable estimate of the minimum commitment projected to 30 June 2007 if it is to retain all of its present interests in mining and exploration properties is \$591,295.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Note 29. Jointly controlled assets

Name of Entity	Principal activity	Output interest	
		2006 %	2005 %
Riverina Resources Pty Ltd	Exploration Riverina tenements	70	70

The Company's interested in assets employed in the above joint venture is detailed below. The amounts are included in the financials statements under their respective assets categories:

Non-current assets	2006	2005
	\$	\$
Total Exploration, evaluation expenditure	3,848,871	3,305,588

Note 30. Impact of adoption of Australian equivalents to International Financial Reporting Standards

The impact of adopting A-IFRS on the total equity and profit after tax as reported under Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

Reconciliation of total equity as presented under AGAAP to that under A-IFRS

		As at 30-Jun-05 \$	As at 1-Jul-04 \$
Total Equity under AGAAP		8,575,684	6,986,665
Adjustment to equity:			
Accumulated losses	A	(83,893)	-
Share option reserve	A	83,893	-
Total Equity under A-IFRS		8,575,684	6,986,665

A) Share based payments are charged to the income statement under AASB 2 "Share-based Payment", but not under AGAAP. This adjustment has been reflected as an increase in the accumulated losses and a corresponding increase in reserves and employee benefits expense. The value of the share option was calculated using a Black-Scholes Option pricing model with the following assumptions:

- Interest rate 5%;
- Dividend yield of nil;
- Current underlying share price of \$0.06 cents; and
- Volatility rate of 300%

No adjustments related to share based payments have been recorded on transition, or in the period ended 30 June 2004 due to the timing of the issue of share options and the associated vesting periods, as the Company has elected to apply the exemption available in AASB 1, which does not require AASB 2 to be applied to options issued prior to 7 November 2002 or options issued after that date that vested prior to 1 January 2005.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

**Note 30. Impact of adoption of Australian equivalents to International
Financial Reporting Standard** (continued)

Reconciliation of loss after tax under AGAAP to that under A-IFRS

		Year Ended
	Note	30-Jun-05 \$
Loss after tax as previously Reported		(381,056)
Employee benefits expense	A	(83,893)
Total Loss after tax under A-IFRS		(464,949)

iii) Explanation of material adjustment to the cash flow statements

There are no material difference between the cash flow statements presented under A-IFRS and those presented under AGAAP.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- (a) in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (c) The directors have been given the declarations required by s295A of the Corporations Act 2001

Signed in accordance with a resolution of the Directors made pursuant to Section 295(5) of the Corporations Act 2001.

On behalf of the Directors:



GARY BERRELL
Director



DEAN GOODWIN
Director

Dated this 27 day of September 2006

Independent audit report to the members of Barra Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Barra Resources Limited, for the financial year ended 30 June 2006 as set out on pages 9 to 36.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and 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.

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

Deloitte.

Audit Opinion

In our opinion, the financial report of Barra Resources Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
- (b) complying with Accounting Standards in Australia and the Corporations Regulations 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

R Jerrard

Ross Jerrard

Partner

Chartered Accountants

Perth, 27 September 2006

ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 25th September 2006

Spread of Holdings	Ordinary Shares
1 - 1,000	10
1,001 - 5,000	221
5,001 - 10,000	317
10,001 - 100,000	986
100,001 - and over	244

Number of Holders 1,778

Number of shareholders holding less than a marketable parcel: 65

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares
Barmingo Pty Ltd	27,642,132
Abbotsleigh Pty Ltd	13,584,000

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction. Options for ordinary shares do not carry any voting rights.

STATEMENT OF QUOTED SECURITIES

Listed on the Australian Stock Exchange are 179,303,029 fully paid shares.

COMPANY SECRETARY

The name of the Company Secretary is Grant Jonathan Mooney.

Mr Mooney is the principal of Perth-based corporate advisory firm Mooney & Partners Pty Ltd, specialising in corporate compliance administration to public companies. Currently, Mr Mooney acts as Company Secretary to several ASX listed companies across a variety of industries including technology, resources and energy and has obtained a depth of experience through his involvement in a diversity of corporate transactions.

He is a member of the Institute of Chartered Accountants in Australia.

REGISTERED OFFICE

The registered office is at Level 3, 33 Richardson Street, West Perth, Western Australia 6005
The telephone number is (08) 9481 3911

BARRA RESOURCES LIMITED
ABN 76 093 396 850

ADDITIONAL INFORMATION

TWENTY LARGEST HOLDERS OF EACH CLASS OF QUOTED EQUITY SECURITIES

ORDINARY FULLY PAID SHARES

Shareholder Name	Number of Shares	Percentage of Capital
Barmingo Investments Pty Ltd	20,562,030	11.47
Abbotsleigh Pty Ltd	13,584,000	7.58
ANZ Nominees Limited <Cash Income A/c>	4,022,600	2.24
Jeffrey Charles Hogan	3,061,470	1.71
David Davidson <Black Prince Super Fund A/c>	3,050,000	1.70
Green Drilling	2,970,550	1.66
Bell Potter Nominees Ltd <BB Nominees A/c>	2,550,000	1.42
Bremerton Pty Ltd <The Bartlett Family Fund A/c>	2,051,500	1.14
Allan Stanley & Daphne Hazel Hahn	2,011,752	1.12
Bruce Allan Morris	1,668,465	0.93
Jonathan Alister Young	1,616,500	0.90
Troyward Pty Ltd	1,534,000	0.86
Citicorp Nominees Pty Limited	1,518,000	0.85
Samrae Pty Ltd	1,461,500	0.82
Robert George & Marilyn Joy Colville <RG & MJ Super A/c>	1,384,000	0.77
Sherrifmuir Holdings Pty Ltd	1,279,300	0.71
Ragged Holdings Pty Ltd <Jon Young Family Fund A/c>	1,151,601	0.64
Glenn William & Modonna Kelly <The Kelesque Family A/c>	1,146,024	0.64
Darryl Hicks White	1,123,500	0.63
Francis James Robinson	1,100,924	0.61
	68,847,716	38.40

HOLDERS OF SECURITIES IN AN UNQUOTED CLASS

OPTIONS

Option Holder Name	No. of Options		
	Directors Options 1 December 2006	Directors Options 27 November 2007	Directors Options 6 December 2008
Dean Barry Goodwin	-	4,500,000	-
Robert George Colville	850,000	-	-
Grant Jonathan Mooney	500,000	-	-
Gary John Berrell	-	-	500,000
	1,850,000	4,500,000	500,000

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE

(a) The Board of Directors

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"). The Board has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. Other information about the Company's corporate governance practices were adopted by the board on 16 August 2004 and are set out on the Company's website at www.barraresources.com.au.

- Statement of Board and Management Functions;
- policy and procedure for selection and appointment of new directors;
- summary of code of conduct for directors and key executives;
- summary of policy on securities trading;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual directors and key executives; and
- Corporate Code of Conduct.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company commits to the following principles:

- the Board is to comprise of Directors with a blend of skills, experience and attributes appropriate for the Company and its business;
- the principal criterion for the appointment of new and maintenance of existing Directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisers, has been committed to by the Board.

The Board of Directors recognise the need for independence at Board level and have considered the recommendations as set out in the ASX Principle of Good Corporate Governance and Best Practices Recommendations. As such, it is the intention of the Directors to address the matter of independence at Board level during the current financial year.

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE (Continued)

(c) Independent Professional Advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(d) Remuneration Arrangements

The remuneration of an executive director will be decided by the Board, without the affected executive director participating in that decision making process.

The maximum remuneration of non-executive Directors is to be determined by Shareholders in general meeting in accordance with the Constitution, the Corporations Law and the ASX Listing Rules, as applicable. At present the maximum aggregate remuneration of non-executive Directors is \$120,000 per annum. The apportionment of non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

(e) External Audit and Audit Committee

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

The Company has appointed, with their consent, Deloitte Touche Tohmatsu as its auditors.

(f) Committees of the Board

The Company is not of a relevant size to consider formation of committees to deal with subjects which the Board of Directors currently presides over.

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE (Continued)

(g) Ethical Standards

Barra is committed to the highest standards of ethical business conduct. As part of that commitment, Barra established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that Barra's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- acting with honesty and integrity;
- abiding by laws and regulations;
- respecting confidentiality and handling information in a proper manner;
- maintaining the highest standards of professional behaviour;
- avoiding conflicts of interest;
- striving to be a good corporate citizen and to achieve community respect.

Barra also has a number of specific policies that underpin the Code of Conduct and elaborate on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within Barra, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management and legal compliance.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

(h) Explanations for Departure From Best Practice Recommendations

During the reporting period from 1 July 2005 to 30 June 2006 the Company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified below.

ADDITIONAL INFORMATION

CORPORATE GOVERNANCE (Continued)

(h) Explanations for Departure From Best Practice Recommendations (Continued)

Principle No	Best Practice Recommendation	Compliance	Reason for Non-compliance
2.4	The board should establish a nomination committee	The board does not have a nomination committee.	The Board members have concluded that no efficiencies would be achieved by establishing a separate nomination committee. The functions of any nomination committee are normally undertaken by the full board.
4.2, 4.3	The board should establish an audit committee	The Company does not have a formally constituted Audit Committee.	Given the size and scope of the company's operations, the size of the board and regular consultation with its external auditors it is not considered that an audit committee is necessary. Accordingly the company does not have an audit committee.
8.1	Disclose the process for performance evaluation of the board and individual directors	The Board and individual directors are constantly aware of the Company's share price, market capitalisation and its financial performance. An informal assessment process exists, facilitated by the Chairman in consultation with the Company's professional advisors. Regular contact is maintained with financial advisors and stockbrokers seeking third party feedback on the Company's performance in order to continue to seek improvement in this area.	In a competitive environment such as the sector in which Barra operates, market forces will ensure that the board and individual directors are judged based upon the performance of the company both relative to the market and relative to its particular circumstances.
9.2	The board should establish a remuneration committee	A remuneration committee has not been established.	Given the size and scope of the company's operations, and the size of the board it is not considered that a remuneration committee is necessary. Accordingly the company does not have a remuneration committee.