DV01 MECHELLE PTY LTD

ABN 95 061 343 959

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

CONTENTS

CORPORATE DIRECTORY

Directors	Gregory R Madden Craig E Hughes
Secretary	Dean W Calder
Registered Office	c/- Calder Roth & Co Level 2, 10 Outram Street West Perth WA 6005 Australia Telephone: + 61 8 9321 7277 Facsimile: + 61 8 9321 7278 E-mail: reception@calderroth.com.au
Business Address	Ground Floor, 89 St Georges Terrace Perth WA 6000 Australia Telephone : + 61 8 9483 5200 Facsimile : + 61 8 9483 5222 E-mail: greg.madden@dvo1.com
Auditors	KPMG 152-158 St Georges Terrace PERTH WA 6000

REVIEW OF OPERATIONS

The course of 2007 saw the company evolve from a private family business, owned solely by Greg and Sonja Madden, to a larger investment company with ambitions to convert to an investment vehicle for wholesale and sophisticated investors.

In August 2006, pursuant to an information memorandum, the company was recapitalised with $4 million from equity raising to predominantly family and friends, combined with a debt for equity swap by Greg and Sonja Madden.

In December 2006, a 40% owned associate of the Company (DV01 Funds Management Pty Ltd and "DV01 FM") and Greg Madden, lodged an application for an Australian Financial Services License with the ASIC. The AFS License (AFSL No. 308697) was granted in April 2007.

At a subsequent General Meeting on 4 May 2007 Shareholders resolved:

1. to change the name of the Company from Mechelle Securities Pty Ltd to DV01 Mechelle Pty Ltd, reflecting the role of DV01 FM as the Manager of the Company's portfolio;
2. to change the Company's Constitution to reflect its role as an investment company; and
3. to approve an equal access Redemption Facility inclusive of a Gate equal to 12.50% of the issued capital of the Company at the end of each quarter.

On the 15th June 2007 the Directors signed a Management Agreement with DV01 Funds Management Pty Ltd to manage the Company's investments. Going forward Investors in the company will benefit from the proposed future demerger of DV01 FM and will be the direct beneficiaries of any later fund businesses created.

The Investment climate is buoyant and metal and energy prices are at historic nominal highs, driven by successive years of growth in international trade, and emerging economies such the BRICS (Brazil, Russia, India and China) The Company has benefited from a number of early investments (often pre feasibility and pre IPO) in various mining start-ups. In addition, Western Australia has boomed with annual GDP growth of 6.3%, a result of our states close proximity to China and the producer of over 50% of Australia's mineral and energy exports.

Within every boom there is the inevitable bust and the Directors believe that the Company's hedged approach (of shorting commodities related to its investees production) is one that will weather a storm better than 'long only' funds with significant exposure to Western Australia.

DIRECTORS' REPORT

The directors present their report together with the financial report of DV01 Mechelle Pty Ltd, for the year ended 30 June 2007 and the auditor's report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Gregory R Madden

Craig E Hughes (appointed 14 May 2007)

Sonja M Madden (Resigned 14 May 2007)

Frederick R Madden (Resigned 14 May 2007)

INFORMATION ON CURRENT DIRECTORS

Greg Madden

Mr Greg Madden has 18 years of international investment banking experience and has worked for extended periods in the global money centres of New York and London.

Mr Madden has a Bachelor of Economics Degree from the University of Western Australia, a Graduate Diploma from the Securities Institute of Australia, and a Masters in Applied Finance from the Macquarie University in Sydney.

Craig Hughes

Craig Hughes currently manages the foreign exchange and jet fuel exposures for an ASX 200 listed company and has been extensively involved in cash flow forecasting, debt and liquidity management. Prior to this he worked for Oakvale Capital, a financial risk management consulting and treasury outsourcing firm, and also as a foreign exchange dealer for the National Australia Bank.

Mr Hughes holds a Masters Degree in Applied Finance from Macquarie University.

COMPANY SECRETARY

Dean W Calder was appointed to the position of company secretary on 17 May 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were investing in securities.

There were no significant changes in the nature of those activities during the 2007 financial year.

OPERATING RESULTS

During the financial year the Company had an operating profit after income tax of $122,349 (2006: $183,678).

DIVIDENDS

Fully franked dividends of $100,000 were paid to shareholders during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, no significant event has occurred.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Directors propose to raise $5 million through offering 3,448,300 shares at an issue price of $1.45. The $5 million raised will be invested in a portfolio (comprising of shares, futures, commodities and options) managed to meet a return objective of 15% p.a. measured over a rolling three year period, regardless of traditional investment benchmarks.

REVIEW OF OPERATIONS

Please refer to page 2 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year, except as stated elsewhere in this report.

MEETINGS OF DIRECTORS

During the year 2 meetings of directors were held. Attendances were as follows

	Number eligible to attend	Number Attended
Greg Madden	3	3
Fred Madden	3	3
Sonja Madden	3	3

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties, where the auditor's expertise and experience with the Company are important. There were no non-audit service engagements carried out during the year ended 30 June 2007.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings.

The Company was not party to any such proceedings during the year.

ENVIRONMENTAL REGULATION

The Company's operations are not regulated by any significant environmental regulation under the law of the commonwealth or the state.

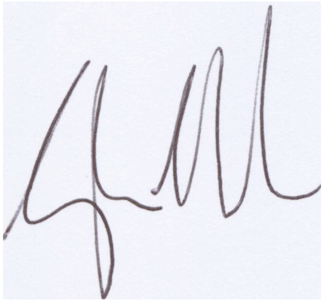
AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

INSURANCE OF DIRECTORS

The company did not have any insurance policies on the directors during the year.

Signed 12 December 2007 for and on behalf of the board in accordance with a resolution of the directors.



Gregory R Madden

Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of DV01 Mechelle Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG
KPMG

JG Robinson
Partner

Perth
12 December 2007

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 $	2006 $
Finance income	4	549,704	441,310
Other income	4	-	2,553
Total Revenue		549,704	443,863
Accounting and legal expenses		(34,305)	(3,277)
Audit fees		(22,500)	-
Financing expenses	5	(43,882)	(68,867)
Depreciation expense		(86)	(860)
Employee expenses	5	(73,302)	(79,988)
Fund management expenses	5	(246,512)	-
Rental expense		(34)	(15,733)
Travel expenses		(2,204)	(8,148)
Other expenses		(12,024)	(24,066)
Results from operating activities		**114,855**	**242,924**
Share of profit / (loss) of equity accounted investees	11(b)	18,348	-
Profit before income tax		133,203	242,924
Income tax expense	6(a)	(10,854)	(59,246)
Profit after income tax expense attributable to members of the Company		122,349	183,678

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE 2007

	Notes	2007 $	2006 $
CURRENT ASSETS			
Cash and cash equivalents	7	40,965	14,390
Trade and other receivables	8	18,370	41,644
TOTAL CURRENT ASSETS		59,335	56,034
NON-CURRENT ASSETS			
Available-for-sale investments	9	5,946,157	3,415,195
Other financial assets	10	177,189	129,085
Investments in equity accounted investees	11	338,348	-
Deferred tax assets	6(b)	9,755	9
Plant and equipment	12	-	1,290
TOTAL NON-CURRENT ASSETS		6,471,449	3,545,579
TOTAL ASSETS		6,530,784	3,601,613
CURRENT LIABILITIES			
Trade and other payables	13	301,722	33,114
Current tax payable	6(c)	17,548	-
TOTAL CURRENT LIABILITIES		319,270	33,114
NON-CURRENT LIABILITIES			
Loans and borrowings	14	213,083	2,142,001
Deferred tax liabilities	6(b)	870,861	350,803
TOTAL NON-CURRENT LIABILITIES		1,083,944	2,492,804
TOTAL LIABILITIES		1,403,214	2,525,918
NET ASSETS		5,127,570	1,075,695
EQUITY			
Issued capital	15	2,823,184	4
Reserves	16	1,995,653	789,307
Retained profits	17	308,733	286,384
TOTAL EQUITY		5,127,570	1,075,695

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2007

	Share Capital	Retained Earnings	Reserves	Total
Balance at 1 July 2005	4	102,706	-	102,710
Profit for the year attributable to members	-	183,678	-	183,678
Changes in fair value of available for sale financial assets net of tax	-	-	789,307	789,307
Gain on sale of available for sale financial assets transferred to profit or loss net of tax	-	-	-	-
Total income and expenses recognised directly In equity	-	183,678	789,307	972,985
Balance at 30 June 2006	**4**	**286,384**	**789,307**	**1,075,695**
Balance at 1 July 2006	4	286,384	789,307	1,075,695
Profit for the year attributable to members	-	122,349	-	122,349
Changes in fair value of available for sale financial assets net of tax	-	-	1,330,176	1,330,176
Gain on sale of available for sale financial assets transferred to profit or loss net of tax			(123,830)	(123,830)
Total income and expenses recognised directly In equity	-	122,349	1,206,346	1,328,695
Issue of shares	2,823,180	-	-	2,823,180
Transaction costs	-	-	-	-
Dividends to shareholders	-	(100,000)	-	(100,000)
Balance at 30 June 2007	**2,823,184**	**308,733**	**1,995,653**	**5,127,570**

The amounts recognised in equity are disclosed net of tax.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Parent Entity 2007 $	Parent Entity 2006 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends and distributions received		128,845	72,055
Interest received		10,746	339
Other income		-	2,553
Borrowing costs		(32,709)	(81,746)
Payments to suppliers and employees		(119,878)	(121,185)
Income taxes paid		(2,828)	(44,871)
NET CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES	21(b)	(15,824)	(172,855)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales from investment portfolio		1,498,479	782,997
Purchase of investment portfolio		(1,920,098)	(1,888,509)
Purchase of investments in associates		(320,000)	-
Proceeds from sale of property, plant and equipment		1,204	-
Purchase of property, plant and equipment		-	(2,150)
NET CASH USED IN INVESTING ACTIVITIES		(740,415)	(1,107,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,187,450	-
Proceeds from borrowings		-	1,218,432
Repayment of borrowings		(1,304,636)	-
Dividends paid		(100,000)	(6,348)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		782,814	1,212,084
Net increase/(decrease) in cash and cash equivalents held		26,575	(68,433)
Cash and cash equivalents at the beginning of the financial year		14,390	82,823
Cash and cash equivalents at the end of the financial year	21(a)	40,965	14,390

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1 CORPORATE INFORMATION

DV01 Mechelle Pty Ltd is a proprietary company, incorporated and domiciled in Australia. The address of the registered office is, Level 2, 10 Outram Street West Perth.

The Company's principal activity is the purchase of listed securities for investment purposes.

2 BASIS OF PREPARATION

Statement of compliance
The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001. The financial report complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 12 December 2007.

Basis of measurement
The financial statements have been prepared on the historical cost basis except for the following:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit and loss are measured at fair value;
- Available for sale financial assets are measured at fair value.

The methods used to measure the fair values are discussed further in note 3.

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

Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
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 and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Investment in Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The financial statements include the Company's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(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 tax rates that have been enacted or are substantively enacted by the balance sheet date.

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

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

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

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 tax legislation and the anticipation that the economic 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(c) **Property, Plant & Equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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.

Depreciation

The depreciable amount of all fixed assets is based on the diminishing value method over their useful lives to the Company commencing from the time the assets are held ready for use. The depreciation rates used for plant and equipment vary between 2.5% and 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 value 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.

(d) **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include shares and units in listed entities, and any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value, where revaluation is possible. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(d) Financial Instruments (continued)

Derivative financial instruments

The Group holds derivative financial instruments to hedge its investment exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

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

(e) Impairment of Assets

(i) **Financial Assets**
At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement and any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit or loss. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(ii) Non Financial Assets
At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(f) **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of the company is measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(f) **Foreign Currency Transactions and Balances (continued)**

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 costs 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.

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 differences 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.

(g) **Finance Income and Expenses**

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on that date that the company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when received. Revenue from the sale of assets is recognised at the date that the contract is entered into, and is measured at the fair value of the consideration received, or receivable.

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

Financial expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit loss using the effective interest method.

(h) **Provisions**

Provisions are recognised when the group has a legal or constructive obligation, as a result of a past event, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) **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. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(j) **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation 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.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(k) **Trade and other receivables**

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists and in any event when the debt is more than 60 days overdue.

(l) **Trade and other creditors**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) **Operating Leases**

Operating lease payments are charged to the Income Statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(n) **Comparative Figures**

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

(o) **Share Capital**

Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any related income tax benefit.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

(p) **New Standards and Interpretations Not Yet Adopted**

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007 but have not been applied in preparing this financial report.

- AASB 7 *Financial Instruments: Disclosures (August 2005)* replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the company's financial instruments and share capital.

- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments*: *Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting* , AASB 117 *Leases,* AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expect to only impact disclosures contained within the company's financial report.

4. REVENUE

	2007 $	2006 $
Net Finance Income		
Gain/(loss) realised on investments	516,555	281,958
Gain/(loss) realised on futures	(104,135)	62,979
Gain/(loss) on foreign exchange	5,327	
Unrealised gains on derivatives	16,346	
Dividends and trust distributions	104,866	96,034
Interest	10,745	339
Net Financing Income	549,704	441,310
Other income		
Underwriting fees	-	2,553
Total Revenue	549,704	443,863

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 $	2006 $
5. OPERATING PROFIT		
Net Expenses		
The profit before income tax includes the following specific expenses:		
(i) Expenses:		
Investment administration expenses	246,512	-
Financing expense	43,882	68,867
Contributions to defined contribution plans	73,302	79,988
6. INCOME TAX		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from ordinary activities before income tax expense	133,203	242,924
Prima facie tax payable on profit from ordinary activities at 30% (2006: 30%)	39,961	72,878
Tax effect of amounts which are not deductible (assessable) in calculating taxable income		
Trust distributions	3,819	(9,656)
Imputation gross-up of dividends received	11,420	7,101
Franking credits on dividends received	(38,066)	(23,669)
Foreign taxation gross-up	714	13
Foreign taxation credit	-	(43)
Deferred tax assets not previously brought to account	-	(41)
Black hole expenditure	(5)	-
Share of profits from associates	(5,504)	-
Non-deductible expenses	363	323
Unrealised gains on futures	(4,904)	-
Accrued expenditure	9,750	-
	17,548	46,906
Prior year tax losses not recognised now recouped	-	(4,087)
Current income tax expense	17,548	42,819
Deferred tax expense	(6,694)	12,530
Under/(over) provision of prior year	-	3,897
Income tax expense	10,854	59,246

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 $	2006 $
6. INCOME TAX (CONTINUED)		
(b) Recognised temporary differences		
Deferred Tax Assets (30%)		
Black hole expenditure	5	9
Accrued expenses	9,750	-
	9,755	9
Deferred Tax Liabilities (30%)		
Tax deferred trust distributions	5,173	12,530
Revaluation of available-for-sale investments	855,280	338,273
Share of profits from equity accounted investees	5,504	-
Revaluation of futures	4,904	-
	870,861	350,803
Income Tax Recognised Directly in Equity		
Available-for-sale financial assets	517,007	338,723
(c) Current tax liabilities		
Provision for income tax	17,548	-
(d) Dividend franking account		
30% franking credits available to shareholders of the Company for subsequent financial years	110,087	107,468

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

7. CASH AND CASH EQUIVALENTS

	2007 $	2006 $
Cash at bank and cash in hand	40,965	14,390

The effective interest rate on short-term bank deposits was 3.04% (2006: 2.25%); these deposits are at call.

8. TRADE AND OTHER RECEIVABLES

Trust distributions receivable	-	23,980
Income tax refunds receivable	-	14,774
GST refunds receivable	18,370	2,890
	18,370	41,644

9. AVAILABLE-FOR-SALE INVESTMENTS

Shares in listed entities	5,946,157	3,415,195

2007

Opening Balance	Additions	Disposals	Changes in Fair Value	Closing Balance
3,415,195	1,230,849	(423,240)	1,723,353	5,946,157

2006

Opening Balance	Additions	Disposals	Changes in Fair Value	Closing Balance
961,277	1,888,509	(562,171)	1,127,580	3,415,195

10. OTHER FINANCIAL ASSETS

Derivatives	177,189	129,085

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

11. EQUITY ACCOUNTED INVESTEES

(a) Carrying amounts

Name of company	Principal activity	Ownership interest 2007 %	Ownership interest 2006 %	2007 $	2006 $
DV01 Funds Management Pty Ltd	Funds management	40%	-	338,348	-

The above associate is incorporated in Australia. On 15 October 2006 the company acquired 40% of the share capital of DV01 Funds Management Pty Ltd ("DVFM"). DVFM provide fund administration services to the company as set out in Note 20.

(b) Movement in carrying amounts

	2007 $	2006 $
Carrying amount at the beginning of the financial year	-	-
Acquisition of investment	320,000	-
Share of profits after income tax	18,348	-
Carrying amount at the end of the financial year	338,348	-

12. PLANT AND EQUIPMENT

	2007 $	2006 $
Office equipment, at cost	-	2,150
Less: accumulated depreciation	-	(860)
Total plant and equipment	-	1,290

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

12. PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current financial year are set out below.

	Office Equipment	Total
	$	$
Carrying amount at 1 July 2005	-	-
Additions	2,150	2,150
Depreciation	(860)	(860)
Carrying amount at 30 June 2006	1,290	1,290
Depreciation	(86)	(86)
Disposals	(1,204)	(1,204)
Carrying amount at 30 June 2007	-	-

		2007	2006
		$	$
13. TRADE AND OTHER PAYABLES			
Trade creditors		269,222	33,114
Accrued expenses		32,500	-
		301,722	33,114
14. LOANS AND BORROWINGS	**Note**		
UNSECURED			
Westpac		-	760,000
BT Margin Lending		213,083	728,063
Madden – SM & GR	20	-	653,938
		213,083	2,142,001

The BT Margin Lending facility has an approved facility limit of $1,839,652, with an average interest rate of 8.55%. Interest of $13,384.41 was charged during the year (2006: $27,012.). BT Margin Lending has a charge over shares in listed companies with a value of $3,785,030 to secure the portfolio.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 $	2006 $
15. ISSUED CAPITAL		
Issued capital		
Fully paid shares		
4,000,000 (2006: 4)	2,823,184	4

Movements in ordinary share capital of the company during the past 2 years were as follows

		Number of shares	$
01/07/05	Opening balance	4	4
31/08/06	Share Split – every two old shares held 588,410 new shares were issued for $2	588,410	2
		588,410	2
	Company converted a shareholder loan from debt to equity. The loan was converted at a rate of $1 per ordinary share	635,730	635,730
	G&S Madden subscribed for a further 137,450 shares @ $1 each	137,450	137,450
	Further shares subscribed at $1 each	2,050,000	2,050,000
		4,000,000	2,823,184

15. ISSUED CAPITAL (CONT)

(i) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(ii) Options

At 30 June 2007, the Company had no options to purchase shares in the Company on issue.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 $	2006 $

16. RESERVES

	2007 $	2006 $
Fair Value Reserve		
Balance at the beginning of the financial year	789,307	-
Revaluation of available-for-sale investments	1,723,353	1,127,580
Deferred tax liability on revaluation	(517,007)	(338,273)
Balance at the end of the financial year	1,995,653	789,307

Fair Value Reserve

The fair value reserve comprises of the cumulative net changes in fair value of available-for-sale financial assets until the investment is derecognised.

17. RETAINED PROFITS

	2007 $	2006 $
Balance at the beginning of the financial year	286,384	102,706
Net profit after tax attributable to members	122,349	183,678
Dividends paid/provided for	(100,000)	-
Balance at the end of the financial year	308,733	286,384

18. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Names and Positions held of the Company's key management personnel in office at any time during the financial year are:

Key Management Personnel	Position
Mr Gregory Robert Madden	Executive Director
Mrs Sonja Madden	Executive Director (resigned 14 May 2007)

There are no executives (other than directors) with authority for strategic decision and management.

(b) Compensation Practices
The full board carries out the functions of a remuneration committee in accordance with the remuneration committee charter.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Mr Craig Evan Hughes is a non-executive director and received no remuneration from the company.

Executive and non executive directors receive consultancy fees for their services to the Company, which is paid by DV01 Funds Management Pty Ltd. The company does not have in place any bonus or incentive option schemes for the directors. There is in place an Employee Share/Option Scheme, in which the directors can participate.

The Company does not have any terms or schemes relating to retirement benefits for non-executive directors.

The directors resolved that no further remuneration be paid to the directors of DV01 Mechelle Pty Ltd effective 14 May 2007. A management agreement between DV01 Mechelle Pty Ltd and DV01 Funds Management Pty Ltd was executed on 15 June 2007, stating that DV01 Funds Management Pty Ltd will pay DV01 Mechelle's director's remuneration. Therefore in the 2008 year there will be no director's remuneration.

(c) Key Management Personnel Compensation
Details of the remuneration of each director of DV01 Mechelle Pty Ltd, including their personally related entities are set out below:

2007	Short Term		Post Employment		Share-Based	% of Remuneration as Options	
Name	Cash Salary & Fees	Non-Monetary Benefits	Super-annuation	Retirement Benefits	Shares & Options		Total
G R Madden	-	-	33,385	-	-	-	73,302
S Madden			39,917				
Total	**-**	**-**	**73,302**	**-**	**-**	**-**	**73,302**

2006	Short Term		Post Employment		Share-Based	% of Remuneration as Options	
Name	Cash Salary & Fees	Non-Monetary Benefits	Super-annuation	Retirement Benefits	Shares & Options		Total
G R Madden	-	-	40,560	-	-	-	79,988
S Madden			39,428				
Total	**-**	**-**	**79,988**	**-**	**-**	**-**	**79,988**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

18. KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

(d) Shareholdings

The number of shares in the company held by each director of DV01 Mechelle Pty Ltd, including their personally-related entities, are set out below:

Name	Balance at start of the year	Purchase/issue of shares	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
G R Madden	4	1,949,996	-	-	1,950,000
C E Hughes	-	50,000	-	-	50,000

(e) Other transactions with directors

All transactions between related parties are on normal commercial terms and conditions and are conducted on an arms' length basis.

Key Management Personnel Loans

		Balance at Beginning of year $	Balance at End of Year $	Interest Charged $	Interest not Charged $	Provision for Impairment $	Number of Individuals
Key Management Personnel							
2007	SM & GR Madden	653,939	-	11,174	-	-	2
2006	SM & GR Madden	119,571	653,939	-	-	-	2

The above loan represented funds loaned from SM & GR Madden, and entities related to SM & GR Madden, being the Madden Family Trust. The balance of the loan was converted to equity on 30 August 2006. Interest of $11,174 has been charged on the loan during the period (2006: nil).

	2007 $	2006 $
19. REMUNERATION OF AUDITORS		
KPMG		
Remuneration for audit or review of the financial reports of the Company:	22,500	-

20. RELATED PARTIES

Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 18.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20. RELATED PARTIES (continued)

Related party transactions

The Company has a management agreement with DV01 Funds Management Pty Ltd, a related party, to provide it with fund administration and management services.

Fund management fees paid to related parties for the year ended 30 June 2007 were $240,500 (2006: nil).

Aggregate amounts payable to related parties at balance date were as follows:

	2007	2006
	$	$
Trade payables – DV01 Funds Management Pty Ltd	264,550	-
	264,550	-

Issue of Shares to Greg and Sonja Madden

On the 18th August the company issued an information memorandum to recapitalise the company with the issue of 4 million shares and provide working capital for the conversion of the company to an investment vehicle for wholesale and sophisticated investors.

As of August 31st 2006 the company's Net Tangible Assets (after provision for tax) were valued as $1,176,820. The Directors (and sole shareholders) shares in the Company were split at a rate of 588,410 New ordinary shares for every 2 Old Shares held and a total of 1,176,820 New ordinary shares were issued to Directors in exchange for the Old Shares.

Also as of August 31st, 2006 the Company owed the Directors $635,730 in an at call interest bearing shareholders loan. This loan was converted to equity at the rate of $1 per ordinary share and 635,730 new shares issued to Gregory and Sonja Madden (and and their directly controlled entities).

Gregory and Sonja Madden (and their associated entities) then subscribed to a further 137,450 shares at $1 per share in new ordinary shares. The total shares held by Gregory and Sonja Madden (and their directly controlled entities) following the completion of these transactions were 1,950,000.

Management Agreement

On the 15th June 2007 the company entered into a Management Agreement with its 40% associate, DV01 Funds Management Pty Ltd ("DV01 FM" or the "Manager",AFSL 308697) to manage the companies investments. The Directors of the Company are also common and the only Directors of the Manager, and offer their services without compensation other than under the terms of the Management Agreement.

Term

The Management Agreement is for a period of 25 years. On each anniversary of the commencement date the (25 June 2007), the term automatically extends for 1 year unless either the Company or the Manager provides written notice prior to the contrary.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20. RELATED PARTIES (continued)

Powers of Manager

Subject to the further terms set out in the Management Agreement, the Manager may manage the Portfolio in its absolute discretion and do all things considered necessary or desirable in relation to the management of the Portfolio, including, without limitation: investigation of, negotiation for, acquisition of, or disposal of any investment or proposed investment; to buy, sell, realise or deal with all or any investments or to vary, convert, exchange or add other investments in lieu of those investments; if any investment is redeemed or the capital paid on it is wholly or partly repaid by the entity by which that investment was created or issued, to convert that investment into some other investment or accept repayment of the capital paid or advanced on the investment and any other monies payable in connection with that redemption or repayment and to invest any of those monies; retain or sell any securities or other property received on behalf of the Company by way of bonus, or in lieu of, or in satisfaction of, a dividend in respect of any investments or from the amalgamation or reconstruction of any company; to sell all or some of the rights to subscribe for new securities in an investment, to use all or part of the proceeds of sale of such rights for the subscription for securities or to subscribe for securities pursuant to those rights; and to make or redeem any mortgage, loan or other security.

Permitted Investments as defined by the Mandate

The permitted investment transactions are: securities, derivatives and foreign exchange; rights to subscribe for or convert to securities, derivatives and foreign exchange (whether or not such rights are tradeable on a securities exchange); securities, derivatives and foreign exchange for the purpose of short selling; warrants or options to purchase any investment and warrants or options to sell any investment; discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by any corporation;
deposits with any bank or corporation declared to be an authorised dealer in the short-term money market; and units or other interest in cash management trusts.

Risk Control

Performance of the Portfolio will be generated from investment in suitable stocks. However, diversification of holdings will be used to limit the risk where the actual performance of individual stocks does not meet expectations. Risk control features of the Portfolio will include:

- no one investment transaction will represent more than 20% of the total Portfolio value at the time of acquisition;
- no investment will represent more than a 20% stake in the issued securities of a company;
- total unlisted investment transactions cannot exceed 50% of the Portfolio value as measured by cost / Portfolio value;
- it is anticipated that the Portfolio will consist of between 20 and 70 investments, although more or less may be held depending on the number of securities identified that are expected to meet the performance expectations;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

20. RELATED PARTIES (continued)

Risk Control

- where suitable investments can not be identified, the Portfolio may be invested in cash. Whilst unlikely over the medium term, the Portfolio may consist from time to time of significant cash deposits;
- there are no limitations on short positions; and
- gearing may be employed in the Portfolio, but total exposure will not exceed 75% as measured by debt/(debt + Portfolio value).

Any breach of these risk control measures will be reported to the Company by the Manager and the Company will determine the appropriate action to remedy the breach.

Fees

The Manager will charge two quarterly fees:

1. A flat 1% p.a. fee on total pre tax funds in the company (0.25% per quarter).
2. A performance fee of 20% of the pre-tax total returns and subject to the exceeding of a previous high water mark per share.

The high water mark is calculated based on pre-tax cash-flows inclusive of franking credits and by subtracting any dividends and franking credits (i.e. gross dividends) paid by the Company.

Termination

The Company may terminate the Management Agreement at any time if:

- the Manager or any of its directors or servants are found guilty of grave misconduct in relation to the affairs of the Company;
- the Manager's Australian financial services (AFS) License is suspended or cancelled at any time for any reason;
- the Manager commits a fundamental default or breach of its obligations under the Management Agreement or is in breach of any conditions of its AFS License and such default or breach is not remedied within thirty (30) days after the Company has notified the Manager in writing to remedy that default or breach;
- the Manager enters into liquidation (except voluntary liquidation for the purpose of reconstruction);
- a receiver or receiver and manager is appointed to the whole or part of the undertaking of the Manager;
- the Manager is guilty of any gross default, breach, non-observance or non-performance of any of the terms and conditions contained in the Management Agreement; or
- the Manager is not lawfully able to continue to provide services to the Company pursuant to the terms of the Management Agreement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

20. RELATED PARTIES (continued)

The Manager may terminate the Management Agreement at any time if:

- the Company fails to make payment of any fees due under the Management Agreement and the failure continues for twenty one (21) days from the delivery of a written notice by the Manager to the Company requesting payment;
- the Company enters into liquidation (except voluntary liquidation for the purpose of reconstruction);
- the Company is guilty of any gross default, breach, non-observance or non-performance of any of the terms and conditions contained in the Management Agreement;
- a receiver or receiver and manager is appointed to the whole or part of the undertakings of the Company; or
- the Manager has given three (3) months written notice to the Company of its intention to terminate, such notice not being given within three (3) years of the commencement date of the Management Agreement.

Termination by Notice and Termination Fee

The Company may terminate the Management Agreement by giving three (3) months written notice to the Manager if at any time during the term the shareholders of the Company pass a special resolution approving the termination of the Management Agreement at a general meeting. If the Company terminates the Management Agreement, the Company must pay the Manager a Termination Fee equal to the aggregate Performance Fees and Management Fees for the three years immediately prior to Termination.

Company Indemnity

The Company must indemnify the Manager against any losses or liabilities reasonably incurred by the Manager arising out of, or in connection with, and any costs, charges and expenses incurred in connection with the Manager or any of its officers, employees or agents acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, default, fraud or dishonesty of the Manager or its officers or employees.

Manager Indemnity

The Manager must indemnify the Company against any losses or liabilities reasonably incurred by the Company arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, any negligence, default, fraud or dishonesty of the Manager or its officers or supervised agents.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows cash and cash equivalents includes cash on hand and at call deposits with banks, and investments in money market instruments net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

	2007 $	2006 $
Reconciliation of cash and cash equivalents		
Cash at bank	40,965	14,390

(b) Reconciliation of loss after income tax to net cash flow from operating activities

	2007 $	2006 $
Operating profit after income tax	122,349	183,678
Non Cash Items		
Depreciation	86	860
Profit on sale of investments	(412,420)	(344,937)
Share of (profit) / loss from associates	(18,348)	-
Interest expense capitalised	11,174	-
Unrealised gain on futures	(16,346)	-
Foreign exchange gain	(5,327)	-
Change in operating assets and liabilities		
Decrease/(increase) in receivables	8,500	(24,780)
(Decrease)/increase in trade creditors	236,381	10,829
(Decrease)/increase in tax obligations	25,627	14,374
(Decrease)/increase in interest obligations	-	(12,879)
(Decrease)/increase in accruals	32,500	-
Net cash outflow from operating activities	(15,824)	(172,855)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

23. FINANCIAL INSTRUMENTS

Net Fair Value of Financial Assets and Liabilities
The net fair value of financial assets and financial liabilities of the company approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to and forming part of these financial statements.

Effective Interest Rates
In respect of financial assets and financial liabilities, the following table indicates their effective interest rate at their reporting date.

	Effective Interest Rate		Floating Interest Rate		Non-interest Bearing		Total	
	2007	2006	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $
Financial Assets								
Cash and cash equivalents	3.04%	2.25.%	40,965	14,390	-	-	40,965	14,390
Trade and other receivables			-	-	18,370	41,644	18,370	41,644
Other financial assets			-	-	6,461,694	3,544,281	6,461,694	3,544,281
Total Financial Assets			40,965	14,390	6,480,064	3,585,925	6,521,029	3,600,315
Financial Liabilities								
Trade and other payables			-	-	319,270	33,114	319,270	33,114
Interest bearing liabilities	7.64%	6.64%	213,083	2,142,001	-	-	213,083	2,142,001
Total Financial Liabilities			213,083	2,142,001	319,270	33,114	532,353	2,175,115

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 of those assets, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to and forming part of the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered by the economic entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

23. FINANCIAL INSTRUMENTS (CONTINUED)

Determination of Fair Values

(i) Investments in equity and debt security

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

(ii) Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residential maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair Values

		2007		2006	
	Note	Carrying amount	Fair Value	Carrying Amount	Fair Value
Available for sale financial assets	9	5,946,157	5,946,157	3,415,195	3,415,195
Trade and other receivables	8	18,370	18,370	41,644	41,644
Cash and cash equivalents	7	40,965	40,965	14,390	14,390
Unsecured bank facilities	14	213,083	213,083	2,142,001	2,142,001
Trade and other payables	13	301,722	301,722	33,114	33,114

Interest Rate Risk
The economic entity’s exposure to interest rate risk, is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and liabilities. The group does not have a major exposure in this area as the interest rate earned on deposited funds does not vary greatly from month to month.

Foreign Currency Risk
The Company is exposed to fluctuations in foreign currencies arising from its activities. The group does not hedge to reduce the foreign exchange risk as the directors believe the risk is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

24. EVENTS OCCURRING AFTER BALANCE DATE

Since the end of the financial year, no significant events have occurred which would have a material effect on the financial report.

DIRECTORS' DECLARATION

The directors declare that:

1. The financial statements and notes set out on pages 5 to 31:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the company's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations and its cashflows, for the financial year ended on that date.

2. The Chief Executive Officer and Company Secretary have each declared that:

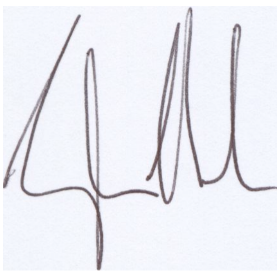
   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable. However attention is drawn to the matters disclosed in note 1 (a).

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



Gregory R. Madden
Director

12 December 2007
Perth

Independent audit report to the members of DVO1 Mechelle Pty Ltd

Report on the financial report

We have audited the accompanying financial report of DVO1 Mechelle Pty Ltd, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration set out on pages 8 to 36.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the entity's financial position, and of its performance and cash flows.

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

Auditor's opinion

In our opinion:

(a) the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the financial position of DVO1 Mechelle Pty Ltd as of 30 June 2007 and of its financial performance and its cash flows for the year then ended; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

J.G. Robinson

J.G. Robinson
Partner

Perth
12 December 2007