CI RESOURCES LIMITED

AND CONTROLLED ENTITIES

ABN: 70 006 788 754

FINANCIAL REPORT
2006

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

Mr Mark Victor Caruso
Mr Oh Kim Sun
Dato' Lim Say Chong
Mr Peter Patrick Torre
Dr Mohamad Hashim Bin Ahmad Tajudin

COMPANY SECRETARY

Mr Peter Patrick Torre

REGISTERED OFFICE

C/o Prospera Corporate
Unit B9 431 Roberts Road
Subiaco WA 6008

Postal: As above

Telephone: (08) 9287 4600
Facsimile: (08) 9287 4655

AUDITORS

BDO Chartered Accountants
Level 8
256 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Computershare Limited
Level 2
45 St George's Terrace
Perth WA 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

Perth, Western Australia

OTHER INFORMATION

CI Resources Limited, incorporated in Australia and domiciled in Western Australia, is a publicly listed company, limited by shares.

ASX CODE

CII

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of CI Resources Limited is responsible for the corporate governance of the Company. The board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company's corporate governance practices were in place throughout the financial year ended 31 December 2006 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below. Due to the relatively small size of the Company and its activities, the size of the Board has been restricted to five directors for most of the year. Consequently the Board as a whole is involved in matters where larger Boards would ordinarily operate through sub-committees. For these reasons too, some of the best practices recommended by CGC are not cost effective for adoption in a small company environment

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

Composition of the Board

At the date of this report the Board comprises five directors. The names, qualifications and relative experience of each director are included in this Financial Report. The maximum number of directors must not exceed 10 without the approval of shareholders at a meeting of shareholders.

Directors appointed by the Board hold office until the next General Meeting and are eligible for re-election. One third of the directors must retire by rotation at each Annual General Meeting, however, they are eligible for re-election. The directors are not required to hold any qualifying shares.

Directors of the Company may be proposed by shareholders at the Annual General Meeting in accordance with the Constitution of the Company. However, in most cases, the Board of Directors nominates and appoints new directors with due regard to the Company's needs and skills and the contribution which a proposed director can bring to the Company.

The Board has established a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Nomination Committee.

CORPORATE GOVERNANCE STATEMENT – continued

The terms and conditions of the appointment and retirement of directors are not formally set out in a letter of appointment. However matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all directors, who are experienced public company directors.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgement. None of the present directors can be considered independent according to the definition criteria adopted by the Corporate Governance Council. However it is the Board's intention to appoint suitably qualified and independent directors in the near future.

The term in office of each director in office at the date of this report is as follows:

Name	*Term in Office*
Mark Caruso	3 years 4 months
Oh Kim Sun	2 year and 3 months
Dato' Lim Say Chong	1 year and 11 months
Peter Torre	1 year and 11 months
Dato' Dr Mohamad Hashim Bin Ahmad Tajudin	6 months

Board Responsibilities

The Board of Directors is responsible for;

- reviewing and adopting strategic plans and goals
- reviewing and approving operational and development plans
- monitoring operational and financial performance
- identifying and managing business risk
- monitoring compliance with laws and regulations
- reviewing the performance of external auditors

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Audit Committee

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of an Audit Committee for focusing the Company on particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of an Audit Committee and all matters that would be addressed by committees are usually dealt with by the full board of Directors

Remuneration

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Remuneration Committee for focusing the Company on appropriate remuneration policies which are designed to meet the needs of the Company and to enhance corporate and individual performance. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

CORPORATE GOVERNANCE STATEMENT – continued

The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Remuneration Committee and all matters that would be addressed by committees are usually dealt with by the full board of Directors. Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives is provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of the Company and the performance of the individual during the period. There were no loans made to directors during the period and there are no amounts owing by directors at the year end.

Directors' fees are subject to prior shareholder approval. The remuneration for director's services paid to each Director takes into account time spent on the Company's matters, the performance of the Company and relevant comparative information. The directors are also renumerated for any additional services they render the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors with no interest in the engagement of such services.

Ethical Standards

The Board seeks to ensure that the Directors of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. Directors must comply with the law, act in the best interest of the Company, be responsible and accountable for their actions and operate ethically at all times, which will include disclosure of potential conflicts of interest.

In addition, whilst the Constitution permits directors to acquire shares in the Company, it is Company policy to prohibit directors from dealing in Company securities whilst in possession of price sensitive information not yet disclosed to the market. It is Company policy that directors must advise fellow directors prior to entering into any transactions in the Company's securities and in accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, directors must advise the Stock Exchange of any transactions conducted by them in securities in the Company.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Board is required, which must not be unreasonably withheld.

Communications to Shareholders

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company. The Company complies with the continuous disclosure rules of the ASX and information is communicated to the shareholders through the annual financial report which is distributed to all shareholders, the half yearly financial report lodged with the ASX and the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

Continuous Disclosure

The Company is a 'Disclosing Entity' within the meaning of section 111 AC of the Corporations Act 2001. As such, regular reporting and disclosure obligations will require the Company to disclose to the ASX information which it is, or becomes, aware that concerns the Company which a reasonable person would expect to have a material effect on the price or value of the Company unless certain exceptions from the obligation to disclose apply.

Financial reporting

The Chairman and the Company Secretary have declared to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2006.

Directors

The names of directors in office at any time during or since the end of the financial year are:

Mr Mark Victor Caruso
Mr Kim Sun Oh
Dato Lim Say Chong
Mr Peter Patrick Torre
Dato' Dr Mohamad Hashim Bin Ahmad Tajudin (appointed 6 November 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated

Principal Activities

The principal activities of the Company during the year were investment type activities. The major investment is held in Phosphate Resources Limited whose principal activity is mining, processing and sale of phosphate rock and phosphate dust and the providing of earthmoving, fuel and stevedoring services to other Christmas Island organisations.

Operating Result

The loss after income tax for the year ended 31 December 2006 for the consolidated entity was $517,206 (2005: $528,412).

Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation is made as to dividends.

Review of Operations

Phosphate Resources Limited

The Board of CI Resources worked towards implementing a strategy which will see the company maximise its value from this investment. CI Resources Limited is still the largest shareholder in Phosphate Resources Limited with its 39.06% shareholding.

In August 2006, The Board of CI Resources wrote to Phosphate Resources Limited (PRL) requesting two of its directors, Mr Mark Caruso and Mr Oh Kim Sun, be appointed to the board of PRL. The Board of PRL subsequently appointed both Mr Caruso and Mr Oh, however the same support was not offered at PRL's AGM where the resolution to re-elected Mr Caruso was not carried. Mr Oh was re-elected and remains the Chairman of PRL.

PRL reported a profit for the year ended 30 June 2006 of $1.4 million. It has also reported an interim profit for the six months ended 31 December 2006 of $2.04 million and has declared an interim dividend of $0.15.

PRL has recently been unsuccessful in its attempt to acquire additional mining leases on Christmas Island. It will now further its exploration programs on the Island to uncover additional resources which in turn will extend its mine life and ability to provide returns to shareholders particularly in the current market where demand for phosphate is strong.

DIRECTORS' REPORT – continued

Xi Feng International Pte Ltd

On 14 October 2005, CI Resources Limited acquired a 51% interest in Xi Feng International Pte Ltd (Xi Feng). Xi Feng had entered into an agreement with Guizhou Tianfeng Chemical Company Limited (GTCC) a Chinese State Owned Enterprise, along with an independent party, to form Guizhou Chitianhua Group Tianfeng Chemical Industrial Co., Ltd (GCGTC).

Xi Feng acquired 32% of GCGTC, with 52% acquired by GTCC and the remaining 16% being taken up by an independent party.

Xi Feng International Pte Ltd (Xi Feng) has maintained its 32% in GCGTC. GCGTC has reported a full year loss of AUD$1.3 Million. This is mainly due to the increased Phosphate and other raw material prices. To try and overcome the increased cost pressure, GCGTC acquired a phosphate mine in China which should provide the majority of product required in its manufacturing process.

CI Resources Limited share of this loss prior to taking into account any outside equity interests is AUD$439,840. GCGTC has incurred a cumulative loss for the periods subsequent to 31 December 2006. The initial audited financial report provided by GCGTC contained numerous qualifications which in the opinion of the Board of CI Resources Limited rendered the financial information unreliable. A separate internationally compliant audit was also undertaken, the results of which clarified the discrepancies in the previous reports. This process delayed the reporting process of CI Resources Limited, however, the Directors thought it prudent to report information which was accurate and reliable rather than provide a Financial Report which was qualified by its auditors.

The Directors of XI Feng International Pte Ltd have determined that there is no permanent impairment to the investment in China, however the Company's share of the net asset value of Xi Feng International Pte Ltd is less than the carrying value of its investment. For this reason, the Directors have impaired the value of this investment by $468,000.

XI Feng International Pte Ltd's financial information has been compiled using Australian Equivalent to International Financial Reporting Standards.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 31 October 2006 the company placed 12,000,000 shares at an issue price of $0.23 to raise $2,760,000.

Significant Events After Year-End

Phosphate Resources Limited has declared an interim dividend of $0.15 per share. CI Resources Limited will therefore receive $199,060.

No other matters or circumstances have arisen since 31 December 2006 that will significantly affect, or may significantly affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

DIRECTORS' REPORT – continued

Future Developments, Prospects and Business Strategies

It is the intention of the CII Board, to seek, investigate and acquire other businesses to expand the new group's operations. Initially these acquisitions will be in the resources sector from which existing links throughout the South-East Asian region can be leveraged.

Acquisitions in related businesses will also be considered. Rigorous due diligence procedures will be undertaken on each intended acquisition to ensure informed and strategic acquisitions are made with the ultimate aim of providing returns to shareholders and increasing shareholder wealth.

It is CII's intention that PRL will continue its exploration program to locate further resources within its current mining lease. Marketing of its lower grades of phosphate will also be pushed.

The Directors have resolved to seek to divest its interest in GCGTC.

Information on Directors

Director	Qualifications and Experience
Mr Mark Caruso (Aged 45)	Mr Caruso is a Director of Zurich Bay Holdings Pty Ltd and Simto Australia Pty Ltd, both which are involved in mining, earthmoving and civil engineering construction earthworks. He is also a Director of Mineral Commodities Limited and Executive Chairman of Allied Gold Limited. Former directorships of public listed companies in the last 3 years are Fortescue Metals Group Limited (June 2002 until November 2003) and ORT Limited (August 2003 until August 2005).
Mr Kim Sun Oh (Aged 59)	Mr Oh, a Malaysian resident and an accountant by profession, is a businessman who has been a Board member of a number of listed companies overseas. He worked with the ICI Group of companies from 1983 to 1994 and eventually led a successful management buyout of ICI's Malaysian operations. He was Group Executive Director of these operations until April 2003. Currently Mr Oh is a director of UEM World Bhd, and Nikko Electronics Bhd, Pharmaniaga Bhd all of which are listed on the KLSE. Mr Oh is also on the board of Impax Laboratories Inc a company listed on NASDAQ.

DIRECTORS' REPORT – continued

Director / Company Secretary	Qualifications and Experience
Dato' Lim Say Chong (Aged 66) (appointed 20 April 2005)	Dato' Lim Say Chong, aged 64, obtained a Bachelor of Arts with Honours from the University of Malaya and a Masters in Business Administration from the University of British Columbia, Canada. He also attended an Advanced Management Programme at the Harvard Business School, Boston. Dato' Lim worked with the Imperial Chemical Industries (ICI) Plc's Group of Companies in Malaysia and abroad for 30 years, during which time he sat on the boards of several companies within the Group. He later became the Managing Director of the ICI (Malaysia) Group for 5 years. Dato' Lim was the Group Managing Director of Chemical Company of Malaysia Bhd from 1989 to September 2004. Presently, Dato' Lim is a director of Standard Chartered Bank Malaysia Bhd, Kinta Kellas Public Limited Company and Rohas Euco Industries Bhd. Dato' Lim also served in various associations, including as President of the Malaysian International Chamber of Commerce & Industry (MICCI), Vice President of the National Chamber of Commerce & Industry of Malaysia (NICCIM) and Vice Chairman of the British Malaysian Industry & Trade Association. He was also a member of the National Human Resource Development Council, Malaysian Industrial Development Authority (MIDA), Board of Trustees of the Aged European Fund, council member of the Federation of Malaysian Manufacturers (FMM) and Board of ASEAN Chamber of Commerce & Industry (ACCI). Dato' Lim is currently a trustee of the Ti-Ratana Welfare Society.
Mr Peter Torre (Aged 34) (appointed Company Secretary 10 January 2005)	Mr Torre is the principal of the corporate advisory firm, Prospera Corporate. Prior to establishing Prospera Corporate, Mr Torre was a partner of an internationally affiliated firm of chartered accountants, working within its corporate services division for over 9 years where he also held the position of Chairman of the National Corporate Services Committee. Mr Torre has been the company secretary of CII since 10 January 2005. Mr Torre holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and a member of the Australian Institute of Company Directors. Mr Torre is also a Director of Carbine Resources Limited

DIRECTORS' REPORT - continued

Dato' Dr Mohamad Hashim Bin Ahmad Tajudin (Aged 53) (appointed 6 November 2006)	Dr Mohamad Hashim Bin Ahmad Tajudin holds a PhD in Soil Fertility and Management from Universiti Putra Malaysia and has also attended the Advanced Management Programme at INSEAD, France and the Harvard Premier Business Management Programme. Dr Mohd Hashim is currently the Group Managing Director of Chemical Company of Malaysia Berhad (CCM). Prior to joining CCM, he was a Senior Director in the Oils and Fats Division of Golden Hope Plantations Berhad. He held several other positions during his 26 year career stint in Golden Hope. He was a Director in the Research and Development Division from 1998 to 2003 and Executive Director of Golden Hope Research Sdn Bhd and Golden Hope Agrotech Consultancy Sdn Bhd. Dr Mohd Hashim is a member of several professional bodies and societies and is also involved in the Professional and Technical bodies of several Malaysian organisations and government committees.

Directors' Interests

The relevant interests of directors either directly or through entities controlled by the directors in the share capital of the Company as at the date of this report are:

Director	Ordinary Shares
Mr Mark Caruso	50,000
Mr Kim Sun Oh	-
Dato' Lim Say Chong	-
Mr Peter Torre	-
Dato' Dr Mohamad Hashim Bin Ahmad Tajudin	-

Meetings of Directors

During the year, 7 meetings of directors were held. Attendances were:

Name	Number Eligible to Attend	Number Attended
Mr Mark Caruso	7	7
Mr Kim Sun Oh	7	5
Dato' Lim Say Chong	7	4
Mr Peter Torre	7	7
Dato' Dr Mohamad Hashim Bin Ahmad Tajudin	0	0

However, matters of board business have been resolved by circular resolutions of directors, which are a record of decisions made at a number of informal meetings of the directors held to control, implement and monitor the Company's activities throughout the year.

DIRECTORS' REPORT - continued

Remuneration Report (Audited)

The information provided below includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures.* These disclosures have been transferred from the financial report and have been audited.

In order to maintain and attract directors to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration of directors on an annual basis and makes recommendations. The Company does not have a remuneration committee.

The boards policy is to remunerate non-executive directors at market rates for comparable companies for time commitment and responsibilities. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

No component of directors and executives remuneration is dependant on company performance.

Remuneration packages may contain the following key elements:

a) Directors Fees
b) Salary and Consultancy
c) Benefits – including provision of motor vehicle, superannuation.

The directors are also renumerated for any additional services they render the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors with no interest in the engagement of such services.

Remuneration paid to directors and key management personnel in office at any time during the financial period was as follows. There was no share based compensation in the period.

2006	Short-term benefits		Post-employment benefits	Share based payments	
Name	Cash Salary and Fees	Consulting Fees	Super-annuation	Equity Shares/ Options	Total
Executive Directors					
Oh Kim Sun	60,000	-	5,400	-	65,400
Non-Executive Directors					
Mark Caruso	5,000	27,250	450	-	32,700
Dato Lim Say Chong	30,000	-	2,700	-	32,700
Peter Torre	30,000	-	2,700	-	32,700
Dato' Dr Mohamad Hashim Bin Ahmad Tajudin	4,500	-	405	-	4,905
Total	129,500	27,250	11,655	-	168,405

Other than the directors listed above there were no key management personnel. Key management personnel for the Company are the same for the Group.

DIRECTORS' REPORT - continued

2005	Short –term benefits		Post-employment benefits	Share based payments	
Name	Cash Salary and Fees	Consulting Fees	Super-annuation	Equity Shares/ Options	Total
Executive Directors					
Oh Kim Sun	35,000	-	3,150	-	38,150
Non-Executive Directors					
Mark Caruso	30,000	-	2,700	-	32,700
Dato Lim Say Chong	20,833	-	1,875	-	22,708
Peter Torre	20,833	-	1,875	-	22,708
David Lymburn	9,167	-	825	-	9,992
Total	115,833	-	10,425	-	126,258

Other than the directors listed above there were no key management personnel. Key management personnel for the Company are the same for the Group.

Contracts for services

Remuneration and other terms of employment for the directors are not formalised in service agreements. The payments relating to remuneration are set out below.

Mark Caruso
Director's fee of $32,700 per annum paid to Cancello Plant Hire.

Kim Sun Oh
Director's fee of $60,000 per annum paid personally. (Mr Oh Kim Sun's directors fees were increased in October 2005 by resolution of the Board to take into account the additional work he undertakes as the Executive Director of the company).

Peter Torre
Director's fee of $30,000 per annum paid personally. In addition, Prospera Corporate, a firm which Mr Torre is the Principal receives a fee of $78,000 per annum for secretarial and administration services.

Dato' Lim Say Chong
Director's fee of $30,000 per annum paid personally

Dato' Dr Mohamad Hashim Bin Ahmad Tajudin
Director's fee of $30,000 per annum.

Options

No options were issued during or have been issued since the end of the financial year.

Audit Committee

The Company does not have an audit committee, as, in the opinion of the directors, the scope and size of the Company's operations do not warrant it.

DIRECTORS' REPORT - continued

Directors' Benefits

Other than as disclosed in Note 20 (Related Party Disclosures) during or since the financial year, no Director of the Company has received or become entitled to receive a benefit because of a contract that the Director or a firm of which the Director is a member or an entity in which the Director has a substantial financial interest made with the Company or a body corporate that was related to the Company, when the contract was made or when the Director received, or became entitled to receive, the benefit other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in Note 16 to the financial statements.

Indemnification of Officers and Auditors

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or the auditor of the Company or of a related body corporate indemnified or made any relative agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in defending legal proceedings

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $36,769 in total which equates to $7,354 per director:

- Mr Mark Caruso
- Mr Oh Kim Sun
- Dato' Lim Say Chong
- Mr Peter Torre
- Dr Mohamad Hashim Bin Ahmad Tajudin

Non-audit Services

The board of directors, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The Company's current auditors are BDO Chartered Accountants. Fees paid for audit and assurance services for the year totalled $17,189. There were no fees for non-audit services paid to the external auditors during the year ended 31 December 2006.

Proceedings On Behalf of 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 any part of those proceedings.

The company was not a party to any such proceedings during year.

DIRECTORS' REPORT - continued

Environmental Regulation

The Company's operations are not subject to any particular Environmental Regulations.

This report is signed in accordance with a resolution of the Board of Directors.

Auditors Independence Declaration

The Auditors Independence Declaration on page 42 forms part of the Directors Report for the year ended 31 December 2006.

Oh Kim Sun
Director

16 May 2007
Perth, Western Australia

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

		Economic Entity		Parent Entity	
	Note	2006 $	2005 $	2006 $	2005 $
Revenues from ordinary activities	2	**545,166**	175,759	**136,085**	175,759
Purchase of finished goods		**(390,650)**	-	**-**	-
Directors Remuneration and Employee expenses		**(226,827)**	(137,624)	**(168,861)**	(126,390)
Accounting, audit, legal and other professional services		**(140,187)**	(238,495)	**(119,662)**	(216,755)
Administration, corporate and travel expenses	3	**(123,242)**	(291,203)	**(95,662)**	(173,622)
Share of net losses of associates		**(439,840)**	(181,542)	**-**	-
Impairment of Investment		**-**	-	**(468,000)**	-
Loss before income tax expense		**(775,580)**	(673,105)	**(716,100)**	(341,008)
Income tax expense	4	**-**	-	**-**	-
Loss after income tax		**(775,580)**	(673,105)	**(716,100)**	(341,008)
Loss attributable to minority equity interests		**258,374**	144,693	**-**	-
Loss attributable to members of the parent entity		**(517,206)**	(528,412)	**(716,100)**	(341,008)
Basic loss per share (cents)	5	**(0.82)**	(0.9)	**-**	-
Diluted loss per share (cents)	5	**N/A**	N/A	**-**	-

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	Economic Entity		Parent Entity	
		2006	**2005**	**2006**	**2005**
		$	**$**	**$**	**$**
Current Assets					
Cash and cash equivalents	6	**4,921,536**	2,471,013	**4,883,479**	2,461,662
Trade and other receivables	7	**7,408**	68,966	**103,244**	70,887
Other current assets	8	**16,874**	15,661	**15,210**	14,014
Total Current Assets		**4,945,818**	2,555,640	**5,001,933**	2,546,563
Non Current Assets					
Property, plant and equipment	9	**1,607**	2,696	**-**	-
Investments Accounted for using the equity method	10	**2,511,859**	2,986,487	**-**	-
Other financial assets	11	**5,034,393**	5,034,393	**6,222,870**	6,690,870
Total Non Current Assets		**7,547,859**	8,023,576	**6,222,870**	6,690,870
Total Assets		**12,493,677**	10,579,216	**11,224,803**	9,237,433
Current Liabilities					
Trade and other payables	13	**169,383**	216,954	**40,642**	97,172
Total Current Liabilities		**169,383**	216,954	**40,642**	97,172
Total Liabilities		**169,383**	216,954	**40,642**	97,172
Net Assets		**12,324,294**	10,362,262	**11,184,161**	9,140,261
Equity					
Issued Capital	14	**17,970,336**	15,210,336	**17,970,336**	15,210,336
Accumulated losses	15	**(6,774,685)**	(6,257,479)	**(6,786,175)**	(6,070,075)
Reserves		**(12,475)**	(1,055)	**-**	-
Parent Interest		**11,183,176**	8,951,802	**11,184,161**	9,140,261
Minority Equity Interest		**1,141,118**	1,410,460	**-**	-
Total Equity		**12,324,294**	10,362,262	**11,184,161**	9,140,261

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

Economic Entity

	Issued capital $	Retained earnings $	Foreign Currency Translation Reserve	Minority Interests	Total Equity $
At 1 January 2005	**14,710,336**	**(5,729,067)**	**-**	**-**	**8,981,269**
Issue of Capital	500,000	-	-	-	500,000
Initial minority interest share of equity	-	-	-	1,556,297	1,556,297
Translation of foreign controlled entities	-	-	(1,055)	(1,144)	(2,199)
Net Income recognised directly in Equity	-	-	(1,055)	(1,144)	(2,199)
Loss for the period	-	(528,412)	-	(144,693)	(673,105)
Total recognised Income and expense during the year	-	(528,412)	(1,055)	(145,837)	(675,304)
At 31 December 2005	**15,210,336**	**(6,257,479)**	**(1,055)**	**1,410,460**	**10,362,262**
Issue of Capital	2,760,000	-	-	-	2,760,000
Translation of foreign controlled entities and associates	-	-	(11,420)	(10,969)	(22,389)
Net Income recognised directly in Equity			(11,420)	(10,969)	(22,389)
Loss for the period	-	(517,206)	-	(258,374)	(775,580)
Total recognised Income and expense during the year	-	(517,206)	(11,420)	(269,343)	(797,969)
At 31 December 2006	**17,970,336**	**(6,774,685)**	**(12,475)**	**(1,141,118)**	**12,324,294**

Parent Entity

	Issued capital $	Retained earnings $	Total Equity $
At 1 January 2005	**14,710,336**	**(5,729,067)**	**8,981,269**
Issue of Capital	500,000	-	500,000
Loss for the period	-	(341,008)	(341,008)
Total recognised Income and expense during the year	-	(341,008)	(341,008)
At 31 December 2005	**15,210,336**	**(6,070,075)**	**9,140,261**
Issue of capital	2,760,000	-	2,760,000
Loss for the period	-	(716,100)	(716,100)
Total recognised Income and expense during the year	-	(716,100)	(716,100)
At 31 December 2006	**17,970,336**	**(6,786,175)**	**11,184,161**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Economic Entity		Parent Entity	
		2006 $	**2005 $**	**2006 $**	**2005 $**
Cash Flows from Operating Activities					
Receipts from Customers		**409,082**	-	**-**	-
Payments to suppliers and employees		**(838,320)**	(646,354)	**(375,496)**	(555,617)
Interest received		**136,085**	176,834	**136,085**	176,834
Net Operating Cash Flows	19(a)	**(293,153)**	(469,520)	**(239,411)**	(378,783)
Cash Flows from Investing Activities					
Payments for equity investments		**-**	(3,166,806)	**-**	-
Loan repaid by other entities		**-**	50,000	**-**	50,000
Refund of Investment costs		**13,887**	-	**-**	-
Payment for subsidiary net of cash acquired	19(b)	**-**	1,519,613	**-**	(1,656,477)
Payments for property, plant and equipment		**-**	(3,595)	**-**	-
Net Investing Cash Flows		**13,887**	(1,600,788)	**-**	(1,606,477)
Cash Flows from Financing Activities					
Loans to Subsidiary		**-**	-	**(98,772)**	-
Loans to Related Parties		**(2,957)**	-	**-**	-
Proceeds from borrowings		**57,826**	97,177	**-**	-
Repayment of Borrowings		**(84,862)**	-	**-**	-
Proceeds from issue of shares		**2,760,000**	500,000	**2,760,000**	500,000
Net Financing Cash Flows		**2,730,007**	597,177	**2,661,228**	500,000
Net increase in Cash Held		**2,450,640**	(1,473,131)	**2,421,817**	(1,485,260)
Cash at the beginning of the Year		**2,471,014**	3,946,922	**2,461,662**	3,946,922
Effect of exchange rates on cash holdings in foreign currencies		**(118)**	(2,777)	**-**	-
Cash at the end of the Year	6	**4,921,536**	2,471,014	**4,883,479**	2,461,662

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with requirements of the Corporations Act 2001 including applicable Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. CI Resources Limited is a public listed company, incorporated and domiciled in Australia.

The financial report covers the consolidated entity of CI Resources Limited and controlled entities, and CI Resources Limited as an individual parent entity. The financial report has also been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The financial report of CI Resources Limited and controlled entities, and CI Resources Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) and IFRS in their entirety. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

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

(a) Principles of Consolidation

A controlled entity is any entity CI Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. CI Resources has one controlled entity, Xi Feng International Pte Ltd which also has a December year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included / excluded from the date of control was obtained or until the date of control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxation profit or loss.

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

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the 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.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(c) Cash and cash equivalents

For the purpose of the statements of cash flows, cash includes deposits which are readily convertible into cash on hand and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Held-to-maturity investments

These investments have fixed maturities, and it is the groups intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available for sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value except investments in unlisted companies which are held at cost. Unrealised gains and losses arising from the changes in fair value are taken directly to equity.

Financial Liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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 arms length transactions, reference to similar instruments and option pricing models.

Impairment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Intangibles - Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on the acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post acquisition reserves of associates.

(g) Property Plant and Equipment

Each class of property , plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the costs basis less 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 the recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the costs of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on the revaluation of land and buildings are credited to a revaluation reserve in shareholders equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for plant and equipment rage from 5% to 33%. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset transferred to retained earnings.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian Dollars which is the parent entity's functional and presentation currency.

Transaction and balances

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

Exchange differences arising on the translation of non-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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

Group companies

The financial results and position of foreign operations whose functional currency is different from the groups presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expense are translated at average exchange rates for the period; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the groups foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Comparative Figures

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

(k) Revenue

Revenue from the sale of goods and services is recognised upon the delivery of goods or services to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(l) Earnings per share

Basic earnings per share is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Impairment of Assets

At each reporting date, the group 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 assets fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Where it is not probable to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The total impairment loss recognised in the income statement during the period amounted to $468,000 for the Parent Entity. This asset impaired was the investment in its subsidiary XI Feng International Pte Ltd. The value represents the excess of the carrying value over the value of the company's share of the net assets of Xi Feng.

The impairment of the asset is due to the poor performance of the Groups Associate Company Guizhou Chitianhua Group Tianfeng Chemical Industrial Co., Ltd (GCGTC) which has had a negative effect on the net assets of Xi Feng.

(n) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained externally and within the group.

Key estimates – impairment.

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

	Economic Entity		Parent	
	2006 $	2005 $	2006 $	2005 $
2. REVENUE				
Operating activities:				
Sales Revenue	**409,081**	**-**	-	-
Interest received – other persons	**136,085**	175,759	**136,085**	175,759
Total revenue	**545,166**	175,759	**136,085**	175,759
3. EXPENSES				
Cost of Sales	**390,650**	**-**	-	-
Administration, corporate and travel expenses include				
Travel and Accommodation	**34,348**	53,827	**26,430**	26,219
ASIC and ASX Fees	**25,433**	13,552	**25,433**	13,552
Rental Expense	**823**	7,584	-	-
Impairment of goodwill	**-**	63,535	-	-
4. INCOME TAX				
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie income tax benefit on loss at 30% for the year	**(232,674)**	(201,932)	**(214,830)**	(102,302)
Add/(Less) tax effect of:				
Other non-deductible items	**7,227**	78,065	**7,227**	59,317
Other deductible items	**(35,795)**	-	**(35,795)**	-
Share of associates net losses	**(131,952)**	54,462	**-**	-
Impairment of Investment	**-**	-	**140,400**	-
	(393,194)	(69,405)	**(102,998)**	(42,985)
Deferred tax asset not brought to account	**(393,194)**	(69,405)	**(102,998)**	(42,985)
Income tax expense attributable to parent entity	**-**	-	**-**	-
The applicable weighted average effective tax rates are as follows	**N/A**	N/A	**N/A**	N/A
(b) The Components of tax expense comprise:				
Current tax	**(393,194)**	69,405	**(102,998)**	42,985
Deferred tax not brought to account	**393,194**	(69,405)	**102,998**	(42,985)
	-	-	**-**	-
(b) The estimated potential deferred tax benefits not brought to account at 30%:				
Revenue losses	**1,557,000**	**1,163,806**	**1,240,384**	**1,137,386**
Capital losses	**528,218**	**528,218**	**528,218**	**528,218**
	2,085,218	**1,692,024**	**1,768,602**	**1,665,604**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

The potential future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the Company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Company in realising the benefit.

	Economic Entity	
	2006	2005
	$	**$**

5. EARNINGS PER SHARE

Earnings used in calculating basic and diluted earnings per share	**(517,206)**	(528,412)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	**62,879,581**	58,387,795

	Economic Entity		Parent	
	2006	**2005**	**2006**	2005
	$	**$**	**$**	$

6. CASH ASSETS

Cash at bank	**3,160,418**	810,003	**3,122,361**	800,652
Deposits at call	**1,761,118**	1,661,010	**1,761,118**	1,661,010
	4,921,536	2,471,013	**4,883,479**	2,461,662

The effective interest rate on short-term bank deposits was 6.2% (2005: 5.5%); these deposits have an average maturity of 30 days.

7. RECEIVABLES

Current				
Amounts receivable from other related parties	**2,936**	58,686	**-**	-
Amounts receivable from Subsidiary	**-**	-	**98,772**	60,607
	2,936	58,686	**-**	60,607
Other debtors	**4,472**	10,280	**4,472**	10,280
	7,408	68,966	**103,244**	70,877

8. OTHER CURRENT ASSETS

Rental Deposits	**1,060**	1,050	**-**	**-**
Prepayments	**15,814**	14,611	**15,210**	14,014
	16,874	15,661	**15,210**	14,014

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 - continued

	Economic Entity		Parent	
	2006 **$**	**2005** **$**	**2006** **$**	2005 $
9. PROPERTY, PLANT AND EQUIPMENT				
Office Equipment	**3,160**	3,595	-	-
Accumulated Depreciation	**(1,553)**	(899)	-	-
	1,607	2,696	-	-
(a) Movements in carrying amounts				
Office Equipment				
Balance at the beginning of the year	**2,696**	-	-	-
Acquisitions through the year		3,595	-	-
Depreciation Expense	**(665)**	(899)	-	-
Other	**(424)**	-	-	-
Carrying amount at the end of the year	**1,607**	2,696	-	-
10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Associated companies (a)	**2,511,859**	2,986,487	-	-

The economic entity has a 32% interest in the ordinary shares of Guizhou Chitianhua Group Tianfeng Chemical Industrial Co., Ltd which was incorporated in China. Its principal activity is the manufacture of compound fertilizers.

	Economic Entity 2006 $	Economic Entity 2005 $	Parent 2006 $	Parent 2005 $
(a) Movements during the year in Equity Accounted investments in Associated Companies				
Balance at the beginning of the financial year	**2,986,487**	-	-	-
- New investments during the year	**-**	3,168,029	-	-
- Share of associated company's loss	**(439,840)**	(181,542)	-	-
Foreign Currency Adjustments	**(34,788)**	-	-	-
Impairment Loss	**-**	-	-	-
Balance at the end of the financial year	**2,511,859**	2,986,487	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

	Economic Entity		Parent	
	2006 $	2005 $	2006 $	2005 $
(b) Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates				
Current Assets	**13,124,164**	6,254,405	-	-
Non-Current Assets	**12,402,274**	10,005,633	-	-
Total Assets	**25,526,438**	16,260,038	-	-
Current Liabilities	**17,687,614**	6,713,653	-	-
Non-Current Liabilities			-	-
Total Liabilities	**17,687,614**	6,713,653	-	-
Net Assets	**7,838,824**	9,546,385	-	-
Revenues	**34,293,101**	6,177,347	-	-
Loss after tax of associates	**(1,354,377)**	(570,005)	-	-

11. OTHER FINANCIAL ASSETS

Non-Current

Available for sale financial assets				
Shares in unlisted companies- at cost	**5,034,393**	5,034,393	**5,034,393**	5,034,393
Shares in Controlled Entities – at cost	**-**	-	**1,656,477**	1,656,477
Provision for Impairment	**-**	-	**(468,000)**	-
Total available for sale financial assets	**5,034,393**	5,034,393	**6,222,870**	6,690,870

Available for sale financial assets comprise investments in the ordinary share capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available for sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Management has determined that the estimate of total consolidated fair values for unlisted investments would range in values exceeding the cost of the total investment. Unlisted available for sale financial assets exist within markets which would permit the assets to be disposed of if required

12. CONTROLLED ENTITIES

CI Resources Limited owns 51% of XI Feng International Pte Ltd which is incorporated in Singapore. The voting power in respect to XI Feng International Pte Ltd is in proportion to ownership.

XI Feng International Pte Ltd was acquired on 14 October 2005 for a purchase consideration of $1,609,994

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

	Economic Entity		Parent	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
13. PAYABLES				
Current				
Trade creditors	**13,392**	4,322	**13,392**	4,322
Other creditors and accruals	**127,791**	153,946	**27,250**	32,243
Amounts payable to other related parties	**28,200**	58,686	**-**	60,607
	169,383	216,954	**40,642**	97,172

14. CONTRIBUTED EQUITY

Issued and paid-up share capital				
72,874,102 (2005: 60,874,102) ordinary shares, fully paid	**17,970,336**	**15,210,336**	**17,970,336**	15,210,336

Movements in share capital in 2006		**No. of shares**	**$**
01/01/2005	Opening balance	**60,874,102**	**15,210,336**
31/10/2006	Share placement at 23 Cents	**12,000,000**	**2,760,000**
31/12/2006	Closing balance	**72,874,102**	**17,970,336**

Movements in share capital in 2005		**No. of shares**	**$**
01/01/2005	Opening balance	**58,374,102**	**14,710,336**
29/12/2005	Share placement at 20 cents per share	**2,500,000**	**500,000**
31/12/2005	Closing balance	**60,874,102**	**15,210,336**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	Economic Entity		Parent	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
15. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	**6,257,479**	5,729,067	**6,070,075**	5,729,067
Net loss attributable to members of parent entity	**517,206**	528,412	**716,100**	341,008
Accumulated losses at the end of the year	**6,774,685**	6,257,479	**6,786,175**	6,070,075

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

16. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors

Non-Executive Chairman

Mr Mark Victor Caruso (appointed 3 October 2003)

Executive Director

Mr Kim Sun Oh (appointed 6 December 2004)

Non-executive directors

Dato Lim Say Chong (appointed 20 April 2005)
Dr Mohamad Hashim Bin Ahmad Tajudin (appointed 6 November 2006)
Mr Peter Torre (appointed 20 April 2005)

Other than the directors of the Company disclosed above, there were no other key management personnel.

(b) Compensation of Key Management Personnel

Total, all specified directors	Short-Term Employment Benefits	Post Employment Benefits	Total
2005	115,833	10,425	126,258
2006	**156,750**	**11,655**	**168,405**

The Company has transferred the detailed remuneration disclosures to the directors report in accordance with the Corporations Amendment Regulations 2006 (No.4). The disclosures are set out under the heading "Remuneration Report" contained within the directors report.

Option Holdings of Key Management Personnel

There were no options issued to the key management personnel for the financial year ending 31 December 2006 or 31 December 2005.

Shareholdings of Key Management Personnel

The numbers of shares in the Company held during the financial year by directors, including shares held by entities they control, are set out below.

	Balance at 1 January 2006	Received as Remuneration	Options Exercised	Other Movements	Balance at 31 December 2006
Parent entity directors					
Mark Caruso	50,000	-	-	-	50,000
Kim Sun Oh	11,616,000	-	-	-	11,616,000
Mohamad Hashim Bin Ahmad Tajudin	-	-	-	-	-
Dato' Lim Say Chong	-	-	-	-	-
Peter Torre	-	-	-	-	-

Other transactions with Key Management Personnel

No key management personnel has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

	Economic Entity		Parent Entity	
	2006	2005	2006	2005
	$	$	$	$
17. REMUNERATION OF AUDITORS				
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	**17,189**	18,559	**17,189**	18,559
- Due diligence services	**-**	34,000	**-**	34,000
- taxation services	**-**	2,900	**-**	2,900
Total	**17,189**	55,459	**17,189**	55,459
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial reports of subsidiaries	**4,998**	1,500	**-**	-

18. SEGMENT REPORTING

	Australia 2006 $	Singapore 2006 $	Eliminations 2006 $	Consolidated 2006 $
Primary Reporting – Geographical Segments				
REVENUE				
External interest revenue	136,085	-	-	136,085
Sales	-	409,081	-	409,081
Total revenue from ordinary activities	**136,085**	**409,081**	**-**	**545,166**
RESULT				
Segment Result	(716,100)	(87,640)	468,000	(335,740)
Share of net losses of equity accounted associates	-	(439,840)	-	(439,840)
Unallocated Expenses	-	-	-	-
Profit/(Loss) before income tax				(775,580)
Income tax expense				-
Profit/(Loss) after income tax				**(775,580)**
ASSETS				
Segment Assets	11,692,804	2,556,122	1,755,249	12,493,677
Total Assets				**12,493,677**
LIABILITIES				
Segment Liabilities	**40,642**	**227,513**	(98,772)	**169,383**
Total Liabilities				**169,383**
OTHER				
Acquisitions of non-current segment assets	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

18. SEGMENT REPORTING Cont..

	Australia 2005 $	Singapore 2005 $	Eliminations 2005 $	Consolidated 2005 $
Primary Reporting – Geographical Segments				
REVENUE				
External interest revenue	175,759	-	-	175,759
Total revenue from ordinary activities	**175,759**	**-**	**-**	**175,759**
RESULT				
Segment Result	(341,008)	(113,709)	26,591	(428,126)
Share of net losses of equity accounted associates	-	(181,542)	-	(181,542)
Unallocated Expenses	-	-	-	(63,437)
Profit/(Loss) before income tax				(673,105)
Income tax expense				-
Profit/(Loss) after income tax				**(673,105)**
ASSETS				
Segment Assets	9,237,433	3,119,474	(1,777,691)	10,579,216
Total Assets				**10,579,216**
LIABILITIES				
Segment Liabilities	97,172	240,996	(121,214)	216,954
Total Liabilities				**216,954**
OTHER				
Acquisitions of non-current segment assets	1,656,477	3,151,621	(1,656,477)	3,151,621

Business Segments

The economic entities business segments operate predominately in the investment industry.

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist primarily of cash, receivables and investments net of allowances. Segment liabilities consist principally of payables and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

19. CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

	Economic Entity 2006 $	Economic Entity 2005 $	Parent 2006 $	Parent 2005 $
Loss from ordinary activities after income tax	**(775,580)**	(673,105)	**(716,100)**	(341,008)
Add/(less) non-cash items:				
Share of associates net losses	**439,840**	181,542	**-**	-
Elimination of Pre-acquisition profits of subsidiary	**-**	(26,588)	**-**	-
Write off of goodwill	**-**	63,435	**-**	-
Depreciation	**665**	868	**-**	-
Other	**2,355**	2,090	**-**	-
Impairment of Investment	**-**	-	**468,000**	-
Changes in working capital:				
(Increase)/decrease in receivables	**5,808**	(368)	**5,808**	(368)
(Increase)/decrease in other assets	**(1,197)**	(15,661)	**(1,197)**	(14,014)
(Decrease)/increase in accounts payable	**34,956**	(1,733)	**4,078**	(23,393)
Net cash used in operating activities	**(293,153)**	(469,520)	**(239,411)**	(378,783)

(b) Acquisition or Entities

During the year 51% of the controlled entity XI Feng International Pte Ltd was acquired. Details of this transaction are:

	Economic Entity 2006 $	Economic Entity 2005 $
Purchase Consideration	-	1,609,994
Acquisition costs	-	46,483
Cash Consideration	-	1,656,477
Cash Consideration	-	1,609,994
Acquisition Costs	-	46,483
Less Cash Acquired	-	(3,176,090)
Net Cash Inflow on acquisition	-	1,519,613
Assets and Liabilities held at acquisition date:		
Other assets	-	1,084
Cash	-	3,176,090
Investments	-	-
Payables	-	(53,560)
	-	3,123,614
Minority Equity interests in acquisition	-	(1,530,571)
Goodwill on consolidation written off	-	63,259
Foreign Currency Translation reserve on acquisition	-	175
	-	1,656,477

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

The company has no credit standby arrangements with banks and there were no non-cash financing and investing activities during the year

20. RELATED PARTIES

(a) Key Management Personnel

Disclosures relating to directors are set out in Note 16

	2006 $	2005 $
Office management services, which includes administration support, office facilities, accounting and company secretarial services and due diligence procedures on acquisitions were provided during the year by Prospera Corporate, an entity of which Mr Peter Torre is the Principal.	**78,000**	128,000
(a) Associate Companies		
Finished goods purchased from Associate Company at arms length	**390,650**	-
(b) Balances due to Directors and Director Related Entities at year end		
Included in other creditors and accruals	**-**	-

21. FINANCIAL INSTRUMENT DISCLOSURES

Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable, and loans to and from subsidiaries. The main risks the group is exposed to through its financial instruments are interest rate risk, Liquidity risk and credit risk

For further details on Interest rate risk and credit risk, please refer to notes (a) and (b) below.

The Group manages liquidity risk by monitoring forecast cash flows and undertakes equity raisings where required.

Foreign Currency Risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and receivables from subsidiaries.

(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 weighted average interest rates on those financial assets and financial liabilities, is as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

21. FINANCIAL INSTRUMENT DISCLOSURES – continued

Consolidated Entity 2005	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 year	Over 1 year	Non-interest Bearing	Total
Financial Assets		$	$	$	$	$
Cash	5.2%	810,003	1,661,010	-	-	2,471,013
Receivables	-	-	-	-	68,966	68,966
Investments Accounted for using the equity method	-	-	-	-	**2,986,487**	**2,986,487**
Other financial assets	-	-	-	-	**5,034,393**	**5,034,393**
		810,003	1,661,010	-	8,089,846	10,560,859
Financial Liabilities						
Payables	-	-	-	-	216,954	216,954
		-	-	-	216,954	216,954

Consolidated Entity 2006	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing Within 1 year	Over 1 year	Non-interest Bearing	Total
Financial Assets		$	$	$	$	$
Cash	6.2%	3,160,418	1,761,118	-	-	4,921,536
Receivables	-	-	-	-	7,408	7,408
Investments Accounted for using the equity method	-	-	-	-	2,511,859	2,511,859
Other financial assets	-	-	-	-	**5,034,393**	**5,034,393**
		3,160,418	1,761,118	-	7,553,660	12,475,196
Financial Liabilities						
Payables	-	-	-	-	169,383	169,383
		-	-	-	169,383	169,383

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, to recognised financial assets is the carrying amount as disclosed in the Balance Sheet and Notes to the financial statements.

(c) Net Fair Values

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities;

Cash - the carrying amount approximates fair value because of their short term to maturity.

Receivables - the carrying amount is the original amount receivable less any provision for doubtful debts. The carrying amount approximates fair value.

Non current investments - listed shares included in 'Investments accounted for using the equity method' and 'Other financial assets' are carried at the lower of cost or recoverable amount. For financial assets traded on organised markets, fair value is the current quoted market bid price for an asset, adjusted for transaction costs necessary to realise the asset. Unlisted shares in other corporations are carried at the lower of cost or recoverable amount as determined by reference to the underlying net assets of the respective company.

Liabilities - are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

The net fair value of the monetary financial assets and monetary financial liabilities approximates their carrying value and are disclosed in the financial statements.

22. RESERVES

Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled entity.

23. CONTINGENT LIABILITIES

There were no contingent liabilities of the Company, not provided for in the financial statements, at 31 December 2006**.**

24. SIGNIFICANT EVENTS AFTER YEAR-END

Phosphate Resources Limited has declared an interim dividend of $0.15 per share. CI Resoures Limited will therefore receive $199,060.

Other than the matters referred to in the Directors' Report or elsewhere in this financial report, no matters or circumstances have arisen since 31 December 2006 that will significantly affect, or may significantly affect:

(a) the Company's operations in future financial years; or

(b) the results of those operations in future financial years; or

(c) the Company's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

25. CHANGE IN ACCOUNTING POLICY

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the parent and economic entity have not been adopted for the annual reporting period ended 31 December 2006.

(a) Statement of compliance

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
2005 – 9	AASB 139 *Financial Instruments – Recognition and Measurement* and AASB 132 *Financial Instruments – Disclosure and Presentation*	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jan 07
New standard	AASB 7 “Financial Instruments: Disclosures”	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jan 07
2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	No change to accounting policy required. Therefore no impact.	1 Jan 2009	1 Jan 2009
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	No change to accounting policy required. Therefore no impact.	1 Jan 2008	1 Jan 2008
2005 – 10	AASB 132 “Financial Instruments: Disclosure and Presentation” AASB 101 “Presentation of Financial Statements” AASB114 “Segment Reporting” AASB 117 “Leases” AASB 133 “Earnings Per Share” AASB 139 “Financial Instruments: Recognition and Measurement” AASB 1”First Time Adoption of AIFRS” AASB 4 “Insurance Contracts” AASB 1023 “General Insurance Contracts” AASB 1038 “Life Insurance Contracts”	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jan 07

Application date is for the annual reporting periods beginning on or after the date shown in the above table.

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

AASB Amendment	Affected Standard(s)
New Standard	AASB 119 *Employee Benefits* (Revised Dec 04) – Accounting policy options contained within the revised standard affect accounting for defined benefit schemes only. As the Group does not have or do not contribute to a defined benefit scheme, there is no impact of this change.
2005 – 12	AASB 1038 *Life Insurance Contracts* and AASB 1023 *General Insurance Contracts*
2006 – 1	AASB 121 *The Effects of Changes in Foreign Exchange Rates*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 – continued

26. DIFFERENCES FROM PRELIMINARY FINAL REPORT

In accordance with ASX Listing Rule 4.5A, set out below are certain differences between information contained in the Appendix 4E lodged with the ASX and this financial report.

At the time of the lodging the Preliminary Final Report, information had only just been received from the Companies Associate GCGTC. Once equity accounted and other adjustments taking into account, the following differences between the preliminary final report and this Financial Report have arisen.

The Loss after Income Tax has increased from $285,807 to $517,206. This is due to accounting for the Companies share of the associates loss of $439,840.

Loss per share has increased from 0.45 cents to 0.82 cents.

Total Assets has decreased from $12,968,305 to $12,493,677. This is a result of the accounting for the share of the associates loss and impairment losses as noted above.

Net Assets has decreased from $12,798,922 to $12,324,294.

DIRECTORS' DECLARATION

The directors of CI Resources Limited declare that:

1. The financial statements comprising the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and accompanying notes are in accordance with the Corporations Act 2001, and:

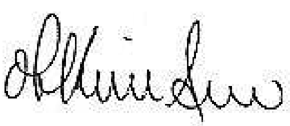
   (a) give a true and fair view of the financial position as at 31 December 2006 and of the performance for the year ended on that date of the Company and the Consolidated Entity; and

   (b) comply with Accounting Standards and the Corporations Regulations 2001

2. In the directors opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the executive director and chief executive officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Oh Kim Sun
Director

16 May 2007
Perth, Western Australia

Chartered Accountants
& Advisers

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CI RESOURCES LIMITED

Scope

1.*The Financial Report and Directors' Responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both CI Resources Limited (the company) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration Report" in pages 10 - 11 of the directors' report and not in the financial report.

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

2.*Audit Approach*

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

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

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

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

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

Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion:

(1) the financial report of CI Resources Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia; and

(2) the compensation disclosures that are contained in pages 10 - 11 of the directors' report comply with Accounting Standard AASB 124.

BDO

BDO
Chartered Accountants

B. McVeigh

BG McVeigh
Partner

Perth, Western Australia
Dated this 16th day of May 2007

Chartered Accountants
& Advisers

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16 May 2007

The Directors
CI Resources Limited
C/- Prospero Corporate Tempo Office
Unit B9, 431 Roberts Road
SUBIACO WA 6008

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO CHARTERED ACCOUNTANTS TO THE DIRECTORS OF CI RESOURCES LIMITED

To the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of this Act in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to this audit.

Yours faithfully
BDO
Chartered Accountants

BG McVeigh
Partner

SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 14 May 2007.

A. 20 Largest Shareholders

The names of the 20 largest shareholders of ordinary shares are listed below:

Name	Number	Issued Shares Held %
CCM International Sdn Bhd	12,000,000	16.47
Prosper Trading SDN BHD	11,616,000	15.94
Mrs Janti Susanto & Mr Paul Sugandi	2,500,000	3.43
Kirke Securities Limited	1,900,000	2.61
First Distribution Services Limited	1,714,286	2.35
The Old Brewery Company Pty Ltd	1,600,000	2.20
Mr Xu Yi Hao	1,590,909	2.18
Ronay Investments Pty Ltd	1,512,500	2.08
UOB Kay Hian Private Limited <Clients A/C>	1,188,300	1.63
Mr Po Suwandi	1,161,788	1.59
Kluang Pty Ltd	1,050,000	1.44
Mr Willy See Khiang Teo	1,049,761	1.44
Mr Anthony James Lloyd	1,035,777	1.42
DBS Vickers Securities Pte Ltd	945,560	1.30
Ronay Investments Pty Ltd	854,699	1.17
Mr Ross Bentley-Taylor + Mrs Katherine Bentley-Taylor <RKT Superannuation Fund A/C>	824,000	1.13
Mr See Khiang Willy Teo	731,429	1.00
Mr Po Suwandi	713,772	0.98
Rivertree Pty Ltd	711,293	0.98
Mr Khye Meng Chan	681,818	0.94
	45,385,892	**62.98**

SHAREHOLDER INFORMATION

B. Distribution of Securities

(a) Analysis of numbers of shareholders of ordinary shares by size and holding:

Category (size of holding)			Share Holders
1	-	1,000	49
1,001	-	5,000	50
5,001	-	10,000	346
10,001	-	100,000	122
100,001 and over			86
			653

(b) The numbers of shareholders holding less than a marketable parcel of shares are:

Number of holders	73
Number of shares	63,703

C. Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are;

CCM International Sdn Bhd	12,000,000 shares
Prosper Trading Sdn Bhd	11,616,000 shares

D. Voting Rights

Ordinary Shares:

On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

E. Restricted Securities

The company does not have any restricted securities.

F. Share buy backs

There is no current on market share buy back

G. Stock Exchanges

The Company's securities are quoted on the Australian Stock Exchange.