GALLERY GOLD LIMITED
ASX PRELIMINARY REPORT
30 JUNE 2005

Lodged with the ASX under Listing Rule 4.3A

Contents

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from ordinary activities *(Appendix 4E item 2.1)*	up	2679%	to	32,565
Loss from ordinary activities after tax attributable to members *(Appendix 4E item 2.2)*	down	29%	to	3,792
Loss for the period attributable to members *(Appendix 4E item 2.3)*	down	29%	to	3,792

Dividends/distribution *(Appendix 4E item 2.4)*	N/A	N/A	N/A	N/A
Final dividend	N/A	N/A	N/A	N/A
Interim dividend	N/A	N/A	N/A	N/A

Record date for determining entitlements to the dividend *(Appendix 4E item 2.5)*: N/A

Brief Explanation of Revenue, Net Profit and Dividends
(Appendix 4E item 2.6)

Refer Review of Operations in Commentary on Results.

ASX PRELIMINARY REPORT

Contents

GALLERY GOLD LIMITED
ACN 009 125 197

GALLERY GOLD LIMITED

COMMENTARY ON RESULTS

Review of Operations

Company Financial Performance

The directors of Gallery Gold Limited are pleased to report the maiden annual operating result for the company, having commenced gold production at the Mupane project in Botswana in November 2004. A consolidated net operating loss after tax of $3.8 million is attributable to members for the year ended 30 June 2005 (2004: $5.3 million. This represents a loss per share of 0.81 cents (2004: 1.65 cents).

Included in the reported result is a gross profit of $4.4 million for the 7-month period of Mupane production from 1 December 2004 to 30 June 2005. Gold production was 58,476 ounces at a cash cost of USD 237/oz. This was achieved from 614,447 processed tonnes of ore at an average head grade of 3.2 g/t for a recovery of 93%.

The average price received for gold sold during the period was USD 410/oz.

Income tax expense of $1.0 million is included in the period loss, arising from recognition of a deferred tax liability.

Mine Development & Operations

Construction of the Mupane Gold Project was completed during the year. Ore processing began in October 2004 and first gold was produced on 12 November 2004. Pre-production mining expenditure was capitalised to a final commissioning date of 30 November 2004. The total capitalised value of plant and pre-production expenditure, including capitalised interest, was USD 33.9 million.

Average plant availability for the review period was 79%. However, the plant availability factor achieved for the half year ended 30 June 2005 was 92%, following commissioning of the ball mill in early January 2005. Mill throughput increased progressively up to 150 tonnes per hour in June, calculating to an annualised rate of 1.3 million tonnes per annum which is in excess of design capacity.

Grade control drilling has confirmed a consistent reconciliation between actual production and the original resource model.

Exploration

During the year under review, Gallery Gold continued exploration activities in pursuit of its three key exploration objectives:

- Major programs in the Buckreef-Busolwa project area in Tanzania aimed at providing study data sufficient to proceed with a feasibility study for a potential new gold project;
- continued exploration of the Mupane project area to establish satellite mining operations and increase the life and value of the operation; and,
- advance the exploration status of existing project areas in Tanzania and Botswana.

Exploration expenditure incurred during the year was $10.6 million.

Financial Position and Cashflows

The group had net cash balances and equivalents on hand of $12.7 million at 30 June, comprised of $10.5 million cash and bullion on hand at value of $2.2 million.

Net assets of the company were $88.8 million at the balance date (2004: $67.6 million).

In November 2004 the company completed a placement of 64.5 million shares at 42.5 cents each to raise $27.4 million. In addition, during the year a total of 483,334 employee share options were exercised contributing $145,000.

During the year USD 9.2 million (A$12.2 million) was drawn to complete final drawdown of the USD 26.5 million Mupane project loan facility for funding of the plant capital. The balance of the loan outstanding at year end USD was 24.1 million (A$31.6 million), comprising the major portion of interest bearing liabilities disclosed in the statement of financial position.

In addition to the project loan funds, Gallery Gold Limited contributed funding for the Mupane project of $16.4 million during the period. Approximately $11.9 million of this amount was incurred for the financing of pre-production mining expenses required for pre-stripping and to provide sufficient material for commissioning and construction of the ROM pad. At the commissioning date of 30 November 2004 the ore stockpile measured at 517,273 tonnes. This reduced to a stockpile of 468,685 tonnes at 30 June 2005 grading 1.43 g/t for contained gold of 20,602 ounces. In the statement of financial position the value of the ore stockpile and gold in circuit reflects as an inventory asset of $7.2 million, which will be progressively realised through lower cash operating costs as the ore stockpile is depleted.

Cashflows from operating activities were applied principally in meeting scheduled debt repayment and interest payment obligations.

Hedging

As at 30 June 2005, a balance of 325,854 gold ounces were committed to hedging contracts, equating to 56% of the Mupane reserves remaining at that date.

Delivery commitments for 311,104 of the hedged ounces are structured in a flat-forward arrangement consisting of sixteen installments of 19,444 ounces per quarter at an average forward price of USD 402/oz. The balance of 14,750 ounces relates to a sold call option which expires in December 2007.

Dividends

No dividends have been paid or declared since the end of the previous financial year.

Outlook

Mupane

The company has advised that production at the Mupane Gold Project was disrupted due to an electrical failure of the SAG mill motor on 11 August 2005. Production was resumed on 17 August 2005 utilising a conveyor and screening plant to bypass the SAG mill to provide feed to the existing ball mill and regrind circuit while an alternative motor was sourced and installation completed on 31 August.

The disruption is expected to have a negative impact on production in the first quarter of the 2005/2006 financial year of approximately 5,500 ounces. The company is confident that it can achieve full year production of approximately 110,000 ounces, given the throughput rates achieved prior to this incident and as a result of process improvements that were able to be completed during the downtime period.

Buckreef-Busolwa

Subsequent to year end, the company announced a 36% increase in the Buckreef-Busolwa Project resource in Tanzania to 1.91 million ounces. Planned activity for 2005/2006 is to progress a feasibility study and complete a further drilling programme planned to delineate the extent of the mineralised systems.

Exploration

With the ongoing success of exploration, particularly at the Buckreef Project in Tanzania, a significant exploration programme has been planned which will concentrate on resource development and target generation in the Rwamagaza Belt in Tanzania and the Tati Greenstone Belt close to the existing Mupane operation in Botswana.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2005

		Consolidated Entity	
		2005	2004
	Note	**AUD**	AUD
Sale of gold and silver		**31,818,931**	-
Premium received on sale of gold call option		**-**	865,500
Other revenue from ordinary activities		**746,438**	306,310
Revenue from ordinary activities	3	**32,565,369**	1,171,810
Cost of sales		**(27,452,956)**	-
Borrowing costs		**(1,078,619)**	(906)
Exploration expenditure written off		**(216,773)**	-
Provision for diminution in value of listed investments		**(482,395)**	(2,012,734)
Change in net market value of derivative		**(446,871)**	(1,608,765)
Unrealised loss on forward gold sales contract		**(1,227,027)**	-
Loss on disposal of assets		**-**	(4,271)
Net exchange differences on translation of financial report of foreign controlled subsidiaries		**199,952**	16,711
Administration expenses		**(4,622,097)**	(2,893,369)
Loss from ordinary activities before income tax expense		**(2,761,417)**	(5,331,524)
Income tax expense	21	**(1,030,965)**	-
Net loss attributable to members of Gallery Gold Limited	19	**(3,792,382)**	(5,331,524)
Net exchange differences on translation of financial report of foreign controlled entity recognised directly in equity	18	**(1,009,428)**	11,949
Total revenues and expenses attributable to members of Gallery Gold Limited recognised directly in equity		**(1,009,428)**	11,949
Total changes in equity other than those resulting from transactions with owners as owners		**(4,801,810)**	(5,319,575)
Basic and diluted loss per share (cents)		**(0.81)**	(1.65)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2005

	Note	2005 AUD	2004 AUD
Current assets			
Cash	4	**10,512,742**	18,221,134
Receivables	5	**5,147,790**	857,756
Prepayments	6	**1,913,951**	98,309
Inventories	7	**9,156,216**	16,845
Deferred hedge loss	8	**4,269,637**	478,192
Total current assets		**31,000,336**	19,672,236
Non-current assets			
Other financial assets	9	**834,928**	1,326,718
Property, plant and equipment	10	**28,832,841**	1,330,324
Exploration and evaluation	11	**42,695,650**	32,276,348
Development properties	12	**789,068**	48,469,040
Mine properties	13	**39,611,582**	-
Deferred hedge loss	8	**20,053,190**	12,353,817
Total non-current assets		**132,817,259**	95,756,247
Total assets		**163,817,595**	115,428,483
Current liabilities			
Payables	14	**8,646,914**	5,272,619
Interest bearing liabilities	15	**12,235,724**	3,846,451
Provisions	16	**466,168**	119,094
Deferred hedge liability	8	**5,464,969**	478,192
Total current liabilities		**26,813,775**	9,716,356
Non-current liabilities			
Interest bearing liabilities	15	**20,418,958**	22,934,377
Provisions	16	**4,812,878**	1,251,004
Deferred hedge liability	8	**20,053,190**	12,353,817
Gold call option	8	**1,891,008**	1,608,765
Deferred income tax liability		**1,030,965**	-
Total non-current liabilities		**48,206,999**	38,147,963
Total liabilities		**75,020,774**	47,864,319
NET ASSETS		**88,796,821**	67,564,164
Equity			
Contributed equity	17	**119,256,817**	93,222,350
Foreign currency translation reserve	18	**(997,479)**	11,949
Accumulated losses	19	**(29,462,517)**	(25,670,135)
TOTAL EQUITY		**88,796,821**	67,564,164

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2005

		Consolidated Entity	
		2005	2004
	Note	**AUD**	AUD
Cash flows from operating activities			
Sales of gold and silver		**28,047,685**	-
Payments to suppliers and employees (inclusive of GST)		**(29,157,128)**	(2,626,531)
Proceeds from sale of gold call option		**-**	865,500
Interest received		**710,926**	324,179
Interest paid		**(1,065,047)**	(205,884)
Other		**46,137**	-
Net cash outflows from operating activities	20	**(1,417,427)**	(1,642,736)
Cash flows from investing activities			
Payments for equity investments		**-**	(1,340)
Payments for property, plant and equipment		**(901,377)**	(270,434)
Proceeds from sale of property, plant and equipment		**-**	11,858
Deposits paid to other parties		**-**	(68,534)
Payments for acquisition of exploration properties		**(79,103)**	(68,096)
Expenditure on exploration		**(9,981,722)**	(3,714,657)
Proceeds from sale of exploration properties		**50,000**	
Expenditure on mine, construction and development		**(29,056,135)**	(27,696,654)
Interest paid capitalised into mine properties		**(1,169,046)**	-
Cash acquired as a result of the acquisition of Spinifex Gold Limited		**-**	6,540,632
Net cash outflows from investing activities		**(41,137,383)**	(25,267,225)
Cash flows from financing activities			
Proceeds from share issues		**27,557,500**	16,426,250
Costs of share issues		**(1,520,932)**	(844,027)
Proceeds of borrowings		**12,232,520**	25,514,843
Repayment of borrowings		**(3,199,636)**	-
Net cash inflows from financing activities		**35,069,452**	41,097,066
Net (decrease)/increase in cash		**(7,485,358)**	14,187,105
Cash at the beginning of the financial year		**18,221,134**	3,920,814
Exchange rate adjustment		**(223,034)**	113,215
Cash at the end of the financial year		**10,512,742**	18,221,134

NOTE 1. BASIS OF PREPARATION OF THE PRELIMINARY FINAL REPORT

This preliminary financial report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted are consistent with those of the previous financial year.

Impacts of adopting Australian equivalents to International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS (AIFRS), and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee.

The adoption of AIFRS will first be reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Gallery has allocated internal resources to manage all relevant aspects of its transition to AIFRS. Where necessary external advisors (separate from the external auditor) have been engaged to assist in the process. Gallery's internal team, in conjunction with its external advisors, have prepared a timetable for managing the transition. The following activities have been achieved in implementing the requirements of AIFRS:

- key differences to current policies presented to Audit Committee and disclosed in the 31 December 2004 half-year report;
- completion of a detailed review of Australian GAAP to AIFRS; and,
- decisions made on key accounting policies where elective exemptions and other choices were available.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. Adoption of AIFRS is expected to impact on Gallery's reported financial performance and financial position as outlined below, however, Gallery's cash flows are not expected to be materially impacted. Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretation, and current facts and circumstances, these may change due to ongoing work being undertaken by Gallery's internal team and other factors outside the control of Gallery management. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Financial instruments

The consolidated entity will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the consolidated entity to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 30 June 2006 financial report.

The consolidated entity benefits from the use of derivative financial instruments to manage commodity price exposures.

Currently, the consolidated entity's financial instruments are recognised as commodity hedges in the statement of financial position at fair value in accordance with AIFRS.

In order for financial instruments to qualify for hedge accounting, the consolidated entity is required to meet the criteria set out in AASB 139 including the following requirements:

- identify the type of hedge: fair value or cashflow;
- identify the hedged item or transaction;
- identify the nature of the risk being hedged;
- identify the hedging instrument;
- demonstrate that the hedge has and will continue to be highly effective; and,
- document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

For the commodity hedges in place as at 1 July 2005, the consolidated entity expects that it has adequately documented the abovementioned criteria in order to continue to apply hedge accounting.

Gold commodity contracts held for hedging purposes are likely to be accounted for as cash flow hedges. Under AIFRS, changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, at which time the amounts recognised in equity will be released to the statement of financial performance against the underlying hedge transaction. Currently, the unrealised gains/losses arising from the re-measurement of gold commodity hedge contracts are included in assets or liabilities as deferred gains or losses on commodity derivatives. Changes in fair values of such instruments in future are likely to lead to increased volatility in reported net assets.

Under AASB 139, investments in traded equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

This will result in a change to the current accounting policy, under which traded equity securities are carried at the lower of cost and recoverable amount, with changes recognised in profit or loss.

Mineral exploration and evaluation costs

In the fourth quarter of 2004, the AASB approved AASB 6 *Exploration for and Evaluation of Mineral Resources*, the Australian equivalent to IFRS 6 *Exploration for and Evaluation of Mineral Resources*.

Key points of the standard include:

a) Australian specific guidance has been included, mandating the continued use of the "area of interest" concept for Australian companies;
b) entities recognising exploration and evaluation assets must perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired;
c) impairment of exploration and evaluation assets is assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest;
d) AASB 1022 *Accounting for the Extractive Industries*, the existing standard providing comprehensive guidance on accounting for extractive industries is withdrawn at the time AASB 6 comes into operation, so guidance on other aspects of the industry, such as development and construction costs, amortisation, inventory valuation and revenue recognition must be sought elsewhere in AIFRS;
e) AASB 6 is limited to exploration for and evaluation of mineral resources and will not be applicable by analogy to similar activities such as research; and,
f) the IASB remains committed to a comprehensive project on the extractive industries which will replace this guidance in due course.

It is expected that this Standard will not result in a significant change to the consolidated entity's current accounting policy for exploration and evaluation, and as such there is not likely to be any adjustment to the measurement or classification of these costs as at transition date to AIFRS, being 1 July 2004.

Income Tax

(i) Under AASB 112 Income Taxes, deferred tax balances are determined using the "balance sheet method" which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the Statement of Financial Position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method; items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

In addition, the tax effect of transaction costs on previous share issues would have been recognised directly in equity, resulting in a decrease in retained earnings for prior year issues, an increase in the income tax expense for issues in the current financial year and an increase in contributed equity in the consolidated entity's financial statements.

On adoption by the consolidated entity, these changes may result in the recognition of additional deferred tax assets and liabilities, with a corresponding impact on retained earnings. The impact of any adjustment for the consolidated entity is still being determined by Gallery's AIFRS team.

(ii) Under UIG 1052 *Tax Consolidation Accounting*, the parent entity, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax assets relating to tax losses or tax credits of these subsidiaries.

As the tax consolidated group has not yet entered into a tax funding agreement, no compensation has been received or paid for any current tax payable nor deferred tax assets relating to tax losses or credits assumed by the parent entity since implementation of the tax consolidation regime. This is expected to result in equity contributions or distributions being recognised in the accounts of the head entity and other members of the tax consolidated group.

There will be no impact on the net assets or tax expense of the consolidated entity and the consolidated tax balances will not change.

Restoration, rehabilitation and mine closure provisions

The consolidated entity has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment. Under AASB 116 Property, Plant and Equipment, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period.

In conjunction with this standard, AASB 137 Provisions, Contingent Liabilities, and Contingent Assets contains requirements on how to measure decommissioning, restoration and similar liabilities. Under AASB 137 an entity is required to recognise as a provision the best estimate of the present value of the expenditure required to settle the obligation at the statement of financial position date. The present value of the costs should be measured using a current market-discount rate.

As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the carrying amount of the provision due to the passage of time is recognised as a borrowing cost in the statement of financial performance. This will result in a change to the current accounting policy whereby the accrual for rehabilitation, restoration and mine closure provisions is estimated on the basis of undiscounted costs.

The impact of the aforementioned to the statement of financial position will be to reduce the written down value of mine properties to take into account the discounted cost base of the asset to include the cost to dismantle, restore and rehabilitate the underlying asset. In addition, a corresponding adjustment will be made to the provision for rehabilitation, restoration and mine closure to ensure the provision represents the present value of the expenditure required to settle the obligation. Had AASB 116 been applied for the year ended, and as at, 30 June 2005, the effect would be as follows:

Reduction in cost of mine properties in the statement of financial position	($665,000)
Reduction in the provision for restoration, rehabilitation & closure costs in the statement of financial position to ensure the provision represents the present value of expenditure required to settle the future obligation	$520,000
Net increase in expense recognised in the statement of financial performance for restoration, rehabilitation & closure costs relating to the accretion of the liability and the amortisation of the retirement obligation asset	($145,000)

Impairment

Impairment testing required by AASB 136 Impairment of Assets is to be performed at an individual asset level with strict tests for determining whether assets have been impaired. If impairment testing at an individual asset level is not possible, the entity is then required to test for impairment at the cash generating unit ("CGU") level. Assets are only tested for impairment where an impairment trigger has occurred.

Recoverable amount under AASB 136 is the higher of net selling price and value in use. The methodology for impairment testing under AIFRS is more prescriptive and there is therefore a greater risk of an impairment arising.

This will result in a change in the consolidated entity's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows for groups of assets. Assets may be considered impaired in one reporting period and not in subsequent periods. This may make the accounting income appear volatile because an impairment charge may be recorded in one reporting period and not in others. Impairment reversals (up to amortised cost) are taken through the statement of financial performance.

The impact of any potential adjustment for the consolidated entity, if any, is still being determined by Gallery's AIFRS team.

Business combinations – intangible assets

AASB 3 Business Combinations prescribes a more definitive approach to identifying and recognising intangible assets acquired in a business combination. In applying the elective exemption available under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, Gallery has elected not to restate its business combinations that occurred prior to transition date on 1 July 2004 for the impact of AASB 3. Business combinations post this date must be restated for AIFRS, however, there have been no business combinations post this transition date.

Share based payments
Under AASB 2 *Share Based Payments*, the consolidated entity will be required to determine the fair value of options issued to employees as remuneration and recognise them as an expense in the statement of financial performance.

This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005. To the extent that any of the remuneration options on issue have not vested by 1 January 2005, they will need to be recognised and measured in accordance with AASB 2.

This will result in a change to the current accounting policy, under which no expense is recognised for equity based compensation.

Had AASB 2 had been applied for the year ended 30 June 2005, there would have been an increase in the consolidated employee benefits expense of $1,588,711 recognised in the statement of financial performance with a corresponding increase in the share-based payment reserve.

The Effects of Changes in Foreign Exchange Rates
The new AASB 121 Effects of Changes in Foreign Exchange Rates will require entities to determine their functional currency in accordance with the standard. Where an entity's functional currency is not Australian dollars, exchange differences resulting from translating the functional currency financial report to an Australian dollar presentation currency will be recognised as a separate component of equity.

This will result in a change to the current accounting policy, under which exchange differences on consolidation of integrated foreign operations are recognised as income or expense in the statement of financial performance. Under the transitional provisions of AASB 1, cumulative translation differences will be deemed to be zero at the date of transition to AIFRS.

The impact of this change, particularly the determination of Gallery's functional currencies for certain of its controlled entities, is still being determined by Gallery's AIFRS team.

NOTE 2. SEGMENT INFORMATION

2005	Exploration AUD	Mining and Mine Development AUD	Corporate AUD	Eliminations AUD	Consolidated AUD
Sales	-	31,818,931	-	-	31,818,931
Other revenue	56,016	6,823	683,599	-	746,438
Total revenue	56,016	31,825,754	683,599	-	32,565,369
Unrealised foreign currency exchange gain/(loss) in segment result	3,815,829	-	(3,615,877)	-	199,952
Segment result	3,608,294	460,337	(5,730,728)	(2,130,285)	(3,792,382)
Segment assets	49,576,428	109,057,081	110,115,163	(104,931,077)	163,817,595
Segment liabilities	36,593,596	107,968,429	36,486,468	(107,058,684)	73,989,809
Unallocated liabilities	-	1,030,965	-	-	1,030,965
Total liabilities	36,593,596	108,999,394	36,486,468	(107,058,684)	75,020,774
Acquisitions of property, plant & equipment	781,825	30,678,833	220,665	-	31,681,323
Addition to mine properties and development	-	28,581,530	-	-	28,581,530
Depreciation & amortisation	557,168	6,231,821	124,867	-	6,913,856
Exploration expenditure capitalised or acquired	10,635,726	-	-	-	10,635,726
Exploration expenditure written off	216,773	-	-	-	216,773
Cost of sales	-	27,452,956	-	-	27,452,956

2004	AUD	AUD	AUD	AUD	AUD
Sales	-	-	-	-	-
Other revenue	4,006	865,500	319,015	(16,711)	1,171,810
Total revenue	4,006	865,500	319,015	(16,711)	1,171,810
Unrealised foreign currency exchange gain/(loss) in segment result	3,825,884	230,213	(1,769,340)	(2,270,046)	16,711
Segment result	6,832,258	(1,586,775)	(8,296,953)	(2,280,054)	(5,331,524)
Segment assets	46,693,566	66,933,843	123,904,272	(122,103,198)	115,428,483
Segment liabilities	44,579,443	67,434,915	36,492,125	(100,642,164)	47,864,319
Unallocated liabilities	-	-	-	-	-
Total liabilities	44,579,443	67,434,915	36,492,125	(100,642,164)	47,864,319
Acquisitions of property, plant & equipment	488,016	-	158,870	-	646,886
Addition to mine properties and development	-	34,170,326	-	-	34,170,326
Depreciation & amortisation	240,990	-	39,351	-	280,341
Exploration expenditure capitalised or acquired	28,524,019	-	-	-	28,524,019
Exploration expenditure written off	-	-	-	-	-
Cost of sales	-	-	-	-	-

	2005 AUD	2004 AUD

NOTE 3. REVENUE FROM ORDINARY ACTIVITIES

	2005 AUD	2004 AUD
Sales of gold and silver	**31,818,931**	-
Interest income	**701,678**	296,061
Rent income	**-**	9,120
Premium received on sale of gold call option	**-**	865,500
Other income	**44,760**	1,129
	32,565,369	1,171,810

NOTE 4. CASH

	2005 AUD	2004 AUD
Cash at bank and on hand	**10,512,742**	18,221,134

NOTE 5. RECEIVABLES

	2005 AUD	2004 AUD
Current		
Trade debtors	**3,543,397**	-
Other debtors	**1,554,393**	729,379
Less provision for non-recovery	**-**	(3,959)
Deposits	**50,000**	132,336
	5,147,790	857,756

NOTE 6. PREPAYMENTS

	2005 AUD	2004 AUD
Prepayments	**1,913,951**	98,309

	2005 AUD	2004 AUD

NOTE 7. INVENTORIES

	2005 AUD	2004 AUD
Ore stock piles and gold in circuit - at cost	**7,203,997**	-
Consumable stores - at cost	**1,952,219**	16,845
	9,156,216	16,845

NOTE 8. DEFERRED HEDGE LOSS & GOLD CALL OPTION

	2005 AUD	2004 AUD
Current assets		
Deferred hedge loss	**4,269,637**	478,192
Non-current assets		
Deferred hedge loss	**20,053,190**	12,353,817
	24,322,827	12,832,009
Current liabilities		
Deferred hedge liability	**5,464,969**	478,192
Non-current liabilities		
Deferred hedge loss	**20,053,190**	12,353,817
Gold call option	**1,891,008**	1,608,765
	27,409,167	**14,440,774**

NOTE 9. OTHER FINANCIAL ASSETS

	2005 AUD	2004 AUD
Listed shares at cost	**3,322,434**	3,339,319
Less: Provision for diminution	**(2,487,628)**	(2,012,734)
Other (non-traded) investments	**122**	133
	834,928	1,326,718

	2005 AUD	2004 AUD

NOTE 10. PROPERTY, PLANT & EQUIPMENT

	2005 AUD	2004 AUD
Land & Buildings		
Freehold land & buildings – at cost	**554,778**	623,017
Less: accumulated depreciation	**(101,726)**	(121,846)
	453,052	501,171
Leasehold improvements – at cost	**18,786**	18,786
Less: accumulated amortisation	**(3,469)**	(2,060)
	15,317	16,726
Total land and buildings	**468,369**	517,897
Plant and equipment		
Plant and equipment – at cost	**33,008,691**	2,369,541
Less: accumulated depreciation	**(4,644,220)**	(1,557,114)
Total plant and equipment	**28,364,471**	812,427
Total property, plant & equipment	**28,832,841**	1,330,324

NOTE 11. EXPLORATION AND EVALUATION

	2005 AUD	2004 AUD
Balance at the beginning of the year	**32,276,348**	17,562,317
Exploration properties acquired	**-**	24,855,177
Exploration costs transferred to development properties	**-**	(13,809,988)
Expenditure incurred during the year	**10,635,726**	3,668,842
Expenditure written off during the year	**(216,424)**	-
Balance at the end of the year	**42,695,650**	32,276,348

NOTE 12. DEVELOPMENT PROPERTIES

	2005 AUD	2004 AUD
Balance at the beginning of the year	**48,469,040**	251,624
Effect of foreign currency movements	**(4,586,144)**	237,102
Exploration costs transferred from exploration	**-**	13,809,988
Development expenditure incurred during the year	**28,581,530**	34,170,326
Development expenditure transferred to mine properties	**(33,267,843)**	-
Development expenditure transferred to inventories	**(8,146,898)**	-
Development expenditure transferred to plant and equipment	**(30,260,617)**	-
Balance at the end of the year	**789,068**	48,469,040

	2005 AUD	2004 AUD

NOTE 13. MINE PROPERTIES

Development costs transferred from development properties	**33,267,843**	-
Increase in deferred waste since commencement of production	**5,978,638**	-
Increase in the rehabilitation asset retirement obligation	**3,743,329**	-
Amortisation of mining tenements	**(1,369,743)**	-
Amortisation of preproduction costs	**(1,504,281)**	-
Rehabilitation expense	**(504,204)**	-
Balance at the end of the year	**39,611,582**	-

NOTE 14. PAYABLES

Trade creditors	**5,819,817**	1,522,571
Other creditors	**1,716,766**	85,882
Accrued expenses	**1,110,331**	3,664,166
	8,646,914	5,272,619

NOTE 15. INTEREST BEARING LIABILITIES

Current		
Unsecured		
Other loans	**154,284**	290,573
Secured		
Syndicated finance facility	**12,081,440**	3,555,878
	12,235,724	3,846,451
Non-current		
Unsecured		
Government grants payable	**576,764**	636,687
Other loans	**342,095**	539,500
	918,859	1,176,187
Secured		
Syndicated finance facility	**19,500,099**	21,758,190
	20,418,958	22,934,377
Total unsecured	**1,073,143**	1,466,760
Total secured	**31,581,539**	25,314,068
Total interest bearing liabilities	**32,654,682**	26,780,828

	2005	2004
	AUD	AUD

NOTE 16. PROVISIONS

	2005	2004
Current		
Other provisions	**72,723**	-
Employee entitlements	**393,445**	119,094
	466,168	119,094
Non-current		
Employee entitlements	**-**	85,445
Provision for rehabilitation	**4,812,878**	1,165,559
	4,812,878	1,251,004
	5,279,046	**1,370,098**

NOTE 17. CONTRIBUTED EQUITY

	2005 AUD	2004 AUD
a) Share capital		
Ordinary shares		
Fully paid - 495,344,696 shares on issue (2004: 430,361, 362)	**119,256,817**	93,222,350

b) Movements in ordinary share capital

	No of Shares	Issue Price AUD	AUD
Balance as at 30 June 2003	**194,599,532**		**42,294,786**
Shares issued on exercise of options	3,875,000	0.250	968,750
Shares issued pursuant to merger with Spinifex Gold Limited	166,667,038	0.210	35,000,078
Shares issued in consideration of facility finance fee	3,389,792	0.180	610,242
Shares issued pursuant to a placement	54,750,000	0.250	13,687,500
Shares issued pursuant to a Share Purchase Plan	7,080,000	0.250	1,770,000
Cost of share issues	-		(1,109,006)
Balance as at 30 June 2004	**430,361,362**		**93,222,350**
Shares issued on exercise of options	483,334	0.300	145,000
Shares issued pursuant to a placement	64,500,000	0.425	27,412,500
Cost of share issues	-		(1,523,033)
Balance as at 30 June 2005	**495,344,696**		**119,256,817**

	2005 AUD	2004 AUD

NOTE 18. FOREIGN CURRENCY TRANSLATION RESERVE

	2005 AUD	2004 AUD
Balance at the beginning of the financial year	**11,949**	-
Translation of a self sustaining foreign controlled entity	**(1,009,428)**	11,949
Balance at the end of the financial year	**(997,479)**	11,949

NOTE 19. ACCUMULATED LOSSES

	2005 AUD	2004 AUD
Accumulated losses at the beginning of the financial year	**(25,670,135)**	(20,338,611)
Loss from ordinary activities after income tax	**(3,792,382)**	(5,331,524)
Accumulated losses at the end of the financial year	**(29,462,517)**	(25,670,135)

NOTE 20. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 AUD	2004 AUD
Loss from ordinary activities after income tax expense	**(3,792,382)**	(5,331,524)
Loss on sale of fixed assets	**-**	4,271
Net exchange differences	**(199,952)**	(16,711)
Depreciation and amortisation expensed	**6,356,688**	205,726
Rehabilitation expense	**504,204**	-
Non cash movement in deferred waste and inventories	**4,568,977**	-
Exploration expenditure written off	**216,773**	-
Unrealised loss on forward gold sale contract	**1,227,027**	-
Interest received capitalised	**-**	14,479
Amounts set aside to provisions	**929,266**	3,625,356
Change in operating assets and liabilities	**-**	
(Increase)/Decrease in debtors	**(4,290,034)**	47,619
(Increase) in prepayments	**(1,815,642)**	(11,192)
Increase/(Decrease) in creditors	**2,797,148**	(45,797)
(Increase) in inventories	**(9,139,371)**	-
Increase in employee provisions	**188,906**	61,109
Increase in deferred tax liability	**1,030,965**	-
Increase in other operating liabilities	**-**	(196,072)
Net cash outflow from operating activities	**(1,417,427)**	(1,642,736)

	2005	2004
	AUD	AUD

NOTE 21. INCOME TAX EXPENSE

The income tax expense for the financial year differs from the amount calculated on the operating loss, and is reconciled as follows:

Loss from ordinary activities before income tax	**(2,761,417)**	5,331,524
Prima facie tax benefit at 30% (2004 - 30%)	**(828,425)**	(1,599,457)
Tax effects of permanent differences calculated at 30%:		
Non-deductible items relating to the pre-acquisition costs of a controlled entity	**-**	67,765
Other non-deductible items	**14,015**	-
The effect of Foreign exchange gains on the translation of financial statements of foreign controlled entities	**(59,986)**	(215,480)
Tax effect of permanent differences in foreign operations calculated at 25%:		
Non-deductible borrowing costs	**535,957**	-
Change in net market value of derivative	**110,081**	-
Other non-deductible items	**3,844**	-
Under provision in the previous year	**426,122**	-
Effect of lower tax rates overseas	**215,201**	
Future income tax benefit not brought to account	**614,156**	1,747,172
Income tax expense	**1,030,965**	-

NET TANGIBLE ASSETS PER SECURITY

(Appendix 4E item 9)

	2005 AUD	2004 AUD
Net tangible asset backing per ordinary share	**17.8**	15.7

CONTROL ENTITIES ACQUIRED OR DISPOSED OF

(Appendix 4E item 10) N/A

DIVIDENDS

(Appendix 4E items 6 to 7)
No dividends were declared or paid during or subsequent to the year ended 30 June 2005.

Dividend reinvestment plans N/A

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

(Appendix 4E item 11)
No associates or joint venture entities.

AUDIT

(Appendix 4E items 15 to 17)
This report is based on accounts that are in the process of being audited.