

Australasia Gold Limited
A.C.N. 104 757 904

Annual Report

2004

CONTENTS**CORPORATE DIRECTORY**

	Page No.
Chairman's Overview	3
Directors' Report	6
Financial Statements	11
Directors' Declaration	23
Audit Report	24
Shareholders Information	25

Directors

Norton Jackson AM Chairman
Trevor Ireland, MSc Managing Director
Graham Chrisp, B.Tech (CE).

Company Secretary

John Santich,

Registered Office

346 Carrington Street
Adelaide South Australia 5000

Principal Business Office

13 Woodland Close
Aldgate, South Australia 5154

08 8370 9207
info@australasiagold.com.au

Auditors

HLB, Mann Judd Stephens
Chartered Accountants
82 Fullarton Road
Norwood, South Australia 5067

Share Registrar

Computershare Registry Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000

Annual Report 2004

CHAIRMAN'S OVERVIEW

Dear Shareholder,

In preparation of a draft prospectus necessary for the Initial Public offering (IPO) and listing of Australasia Gold Ltd, delays occurred during the conversion of the Heads of Agreement to individual agreements with vendors to establish legally binding ownership of the companies holding the tenements within which Australasia Gold's prospects are located. These were resolved in the third quarter, and preparation of the draft prospectus was subsequently completed.

It proved difficult to secure underwriting of an issue for gold exploration, so it was decided to appoint Baron Partners Limited as corporate advisor, to assist with a spread of offers through several brokers. Barons advised, and the Board agreed, that an immediate IPO was unlikely to be successful. We have therefore maintained the prospectus in a state of readiness to print. The price of gold has recently held quite well above US\$400, so we are in a position to move whenever the market 'sentiment' is judged as favorable for the success of the IPO.

In the meantime, we have continued to improve and consolidate our exploration tenements, and to prepare plans for action when funds are available. Trevor Ireland, our CEO, presented a technical paper in New Zealand, on the Wetherstones project, which will enhance our standing in the market there. We have continued to work to maintain the Company's profile amongst the investment community and with prospective individual investors.

Specifically, since the date of last report the company has:

- Concluded the four vendor agreements anticipated by the heads of Agreement upon which the Company was founded in 2003
- Completed the preparation of the text of its draft prospectus, overseen the required independent review of content (financial, legal and technical "due diligence"), and prepared the document in publication layout. This has been maintained as circumstances have evolved over subsequent months, in a state of readiness for submission to regulatory authorities and the printer

- Secured the grant of tenements formerly under application in New Zealand and Northern Territory, and in the case of the Northern Territory applied for and been granted an additional exploration licence over land adjacent to our existing exploration interests. This has improved the standing and secure life of the tenements concerned.
- Conducted a preliminary reconnaissance of our New Zealand Prospecting and Exploration Permit areas
- Reviewed detailed exploration planning for all project areas
- Investigated a number of potential opportunities to broaden the Company's portfolio and of projects and a number of alternative opportunities to achieve listing via existing entities (however none of these met current investment criteria)
- Continued to promote the Company to the investment community and prospective investors, in Australia, New Zealand and south-east Asia in anticipation of the launch of its IPO

Last year, shareholders approved the issue of an additional 1.3 million shares at \$0.15 per share. Given our momentum towards the IPO early in the year, only 240,000 of these were placed. It is now prudent to place the remainder.

Our immediate plans are as follows:

- to maintain the prospectus as ready to print
- to continue the work necessary to maintain the tenements
- to seek cornerstone investors to ensure the success of an IPO
- to reactivate efforts to attract additional seed capital
- to seek farm-in partners for the Lucknow exploration licence
- to launch the Company's IPO at the earliest practicable date

Yours Faithfully

Norton Jackson
Chairman of the Board

Australasia Gold Limited ABN 93 104 757 904

And Controlled Entities

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2004

CONTENTS

Directors' Report	6
Statement of Financial Performance	11
Statement of Financial Position	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
Directors' Declaration	23
Audit Report	24

DIRECTORS' REPORT

The directors present their report on the results of Australasia Gold Ltd for the year ended 30 June 2004 and the state of the affairs of the Company at that date.

DIRECTORS

Persons who have been Directors in the Company during the financial year are Norton Jackson, Trevor John Ireland and Graham Maxwell Chrisp. Details of Directors are as follows:

Norton Jackson AM, FTSE, ME - Chairman (non-executive)

Mr Norton Jackson has diplomas and degrees in mining, metallurgy and applied chemistry from Adelaide University and a Masters of Engineering degree from the University of Melbourne. He has served in milling, mining and mineral research operations in Australia and Fiji, and worked in the management of a major international chemical corporation in Asia, Europe and North America for 20 years. Mr Jackson has served on the Boards of numerous mining companies and academic and research organisations including Aberfoyle Limited, Poseidon Ltd, Australian Mineral Foundation and University of South Australia. He is a Fellow of the Australian Academy of Technical Sciences and Engineering.

Trevor Ireland MSc, FAusIMM CP, MMICA, GAICD - Managing Director

Mr Trevor Ireland holds an Honours Degree in Economic Geology (Adelaide University), a Masters Degree in Exploration and Mining Geology (Leicester University) and a Diploma of the Australian Institute of Company Directors. As Exploration Manager for North Flinders Mines Limited, and a Regional Exploration Manager for Normandy Mining Limited he led exploration projects in central Australia and subsequently internationally for over 20 years. During the past 10 years he has served on the boards of a number of public companies including Normandy NFM Limited from 1995-99. In a career spanning more than 35 years Mr Ireland has been associated with numerous mineral discoveries, economic evaluations and mine developments in the Tanami Desert region of the northern Territory, Western Australia and West Africa.

Graham Chrisp BTech (CE) - Director (non-executive)

Mr Graham Chrisp is involved in mining and exploration projects predominantly in the Northern Territory and South Australia. In the Northern Territory, his private involvement in tin-tantalite and gold exploration and mining extends over some twenty-five years. He holds extensive tenement positions in the Northern Territory and New Zealand and is presently involved in base metal exploration through a Joint Venture with Falconbridge Exploration. As a founding and Executive Director of Centrex Resources Ltd, a privately funded unlisted public company, he is intimately involved in the exploration and evaluation of iron ore, base metal and coal properties in South Australia.

DIRECTORS' AND OFFICERS INTERESTS IN SHARES AND OPTIONS

	Ordinary Shares		Options	
	direct	indirect	direct	indirect
Norton Jackson	101,000		50,500	
Trevor Ireland	799,161		399,581	
Graham Chrisp	101,000	11,755,000	50,500	5,877,500
John Santich (secretary)		1,000,000		500,000

MEETINGS OF DIRECTORS

During the financial year, 37 meetings of directors were held. The numbers of meetings attended by each director:

	Meetings Held	Meetings Attended
Norton Jackson	37	37
Trevor Ireland	37	37
Graham Chrisp	37	33

CORPORATE GOVERNANCE

The Board of Australasia Gold Limited is responsible for the Corporate Governance of the Company and its subsidiaries.

The Board is the vehicle which sets the strategic direction and policies of the Company. It also facilitates the identification of significant areas of business risk and implements procedures to manage such risks, and develops policies regarding the establishment and maintenance of appropriate ethical standards. In relation to these matters, the Board specifically:

- monitors the Company's performance in its operations and activities
- ensures compliance with legal requirements and ethical principles;
- monitors the business environment;
- identifies areas of business risk;
- identifies business opportunities;
- reports the Company's progress to shareholders, and
- monitors systems established to ensure appropriate responses to shareholder inquiries.

With prior approval of the Chairman, each Director of Australasia Gold Limited is entitled to seek independent professional advice at the Company's expense, in relation to the fulfilment of his duties as a member of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, as to justify the establishment of separate board committees. All matters which might otherwise be delegated to committees are dealt with by the full Board.

The Board monitors and seeks to conform to prevailing standards and practices of conservative governance in respect of those matters which will become the subject of formal policy as the Company attains maturity, including remuneration of directors and senior executives, dealings in shares of the Company, and board membership.

REVIEW OF OPERATIONS

Operations undertaken during the year under review included:

- preliminary examination of tenements in the Northern Territory, New South Wales, and New Zealand, and preparation of programs of exploration for each of them
- acquisition of exploration and mining tenements via the purchase of companies holding such tenements, by direct purchase, by joint venture agreement, and by direct application,
- management and maintenance of tenements acquired, and
- activities associated with preparation for the raising of funds from the public via a proposed Initial Public offering (IPO).

A total of \$320,000 was contributed as seed capital and utilized in association with the above activities. At the end of the financial year remaining cash was slightly in excess of \$100,000. A draft Prospectus has been prepared and the Company is in a position to launch its IPO when market conditions are adjudged to be favorable.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The state of affairs of the Company changed during the financial year by the acquisition of mineral tenements over project areas prospective for future gold discoveries and gold mine developments; and by the raising of seed capital totalling \$320,000 and its application to the activities of the Company.

The tenements and associated data were acquired in consideration for the issue of shares in the Company by the completion of four transactions as follows:

- the acquisition of all the shares in The Australian Land Company Limited, holding tenements in the Northern Territory and New South Wales
- the acquisition of all the shares in Otago Gold Limited, with tenements in New Zealand
- the direct acquisition of tenements in the Northern Territory, and

DIRECTORS' REPORT (Cont'd)

- the agreement to the terms of a joint venture with Softwood Plantations Pty Ltd covering additional tenements in the Northern Territory

As a result of these transactions, the number of shares issued by Australasia Gold Limited has been increased to 16,861,161, and the number of shareholders increased to 30. The Company is in a position to raise working capital through an Initial Public Offering of shares. These activities are further detailed in the notes to the accompanying accounts, and elsewhere in this Annual Report.

PRINCIPAL ACTIVITIES

The principal activity of the Company (including its subsidiaries) during the year was mineral exploration and there were no significant changes in activities during the year under review

OPERATING RESULTS

The consolidated operating loss of the economic entity (the Company and its subsidiaries) for the financial year to 30 June 2004 was \$98,019.

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend since the end of the previous financial year.

SUBSEQUENT EVENTS

Since 30th June 2004 balance date, Northern Gold NL, the owners of the Brocks Creek gold processing plant (located 10 km from the Company's Glencoe gold deposit) reported the sale and proposed removal of that plant. Directors in discussion with the principals of Northern Gold, had contemplated the potential toll treatment of ore from Glencoe at the Brocks Creek plant as one of the processing options for extracting the gold from Glencoe ore. Northern Gold NL also reported its acquisition of the Union Reefs gold processing plant located some tens of kilometres south of Brocks Creek. Directors understand that the Union Reefs plant is more modern and more efficient than that at Brocks Creek, such that should ore from Glencoe be toll treated there, the improved treatment cost efficiency and increased rate of recovery of contained gold expected to be achieved should partly offset the increased haulage costs incurred. The principals of Northern Gold have confirmed their continued willingness to discuss toll treatment of Glencoe ore at their new location.

Except as described above and in Note 16 to the Accounts, Directors are not aware of any matters or circumstances which have arisen between the end of the financial year and the date of this report which significantly affect or may significantly affect the operations of the Company, results of those operations, or the state of affairs of the Company in future financial years

LIKELY DEVELOPMENTS

The Company has no plans to change its principal activities in the foreseeable future. It proposes to lodge its Prospectus for the raising of additional capital at the earliest practicable date. Provided it is successful with its IPO, the Company will be listed on the Australian Stock Exchange and will become a mineral explorer and, potentially, a miner of gold and other metals in future years. The results of these operations cannot be predicted at this time. The Company may or may not require further capital to sustain these activities. Likely developments which may prejudice the Company by disclosure have not been disclosed.

ENVIRONMENTAL ISSUES

The Company's operations are subject to environmental regulation. The Company is satisfied that no breaches of environmental regulation have occurred. No notification of any breach of any environmental regulation has been received from any relevant agency in Australia or New Zealand.

OPTIONS

During the year under review, 8,429,081 options to subscribe for shares in the Company have been issued (Details in Notes 10 and 13 of the financial report) Of these options, 6,055,000 were issued as a part of the consideration for the acquisitions of companies and tenements by the Company, 399,581 were issued to the Managing Director, and 500,000 were issued to interests associated with the Company Secretary.

The Options have been issued on the basis of one option for every two shares issued by the Company. All the options expire on 1 December 2006, are exercisable at 20 cents and each option entitles the holder to one fully paid share in the Company. None of the options entitles the holders to participate, by virtue of the options, in any dividend or share issue of any other corporation.

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

DIRECTORS AND EXECUTIVES EMOLUMENTS

Non Executive Directors & Company Secretary

No directors fees or emoluments were paid during the financial year under review.

The Company has determined annual fees for each non-executive director and the Company Secretary be set at \$20,000. The Chairman is entitled to an additional \$5,000 per annum. The payment of directors and Company Secretary's fees is contingent upon successful completion of the proposed Initial Public Offering.

Executive Directors

No salaries were paid during the financial year under review.

Managing Director

1 July 2003 – 13 April 2004

Services were provided via a consultancy agreement with a Director-related Entity, remunerated partly in cash (\$14,240) and predominantly in shares (698,161 shares, 349,081 options).

Entitlement to Directors Fees (\$20,000 per annum, on pro-rata basis): \$16,167. Payment is contingent upon successful completion of the proposed Initial Public Offering.

14 April – 30 June 2004

Under the terms of a contract of employment between the Company and the Managing Director, entitlements accrued total salary: \$28,750 and superannuation contributions \$2,588. Payment is contingent upon the successful completion of the proposed Initial Public Offering unless termination occurs earlier, in which case accrued emoluments are payable one-third in cash and two-thirds in shares in the Company.

Executives

The Company employs no executive staff other than the Managing Director

Details of remuneration of directors and executives are provided in Notes 2, 10 and 17 of the financial report.

**Australasia Gold Limited ABN 93 104 757 904
And Controlled Entities**

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from ordinary activities - interest received		5,268	0	5,268	0
Employee benefits expense		0	0	0	0
Depreciation and amortisation expenses		0	0	0	0
Borrowing costs expense		0	0	0	0
Consulting fees - Director-related entity	10	(17,352)	(5,100)	(17,352)	(5,100)
Consulting fees - Others		(17,637)	(10,032)	(17,637)	(10,032)
Other expenses from ordinary activities	14	(68,298)	0	(68,298)	0
		<hr/>		<hr/>	
Profit/(loss) from ordinary activities before income tax expense		(98,019)	(15,132)	(98,019)	(15,132)
Income tax expense relating to ordinary activities		0	0	0	0
		<hr/>		<hr/>	
Net profit/(loss) from ordinary activities after income tax expense attributable to members		(98,019)	(15,132)	(98,019)	(15,132)
		<hr/>		<hr/>	
Basic earnings per share (cents per share)	18	(1.62)	(504.40)	(1.62)	(504.40)
Diluted earnings per share (cents per share)	18	(1.62)	(504.40)	(1.62)	(504.40)

The accompanying notes form part of these financial statements.

**Australasia Gold Limited ABN 93 104 757 904
And Controlled Entities**

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	3	123,091	3,600	122,929	3,600
Receivables	4	5,799	0	5,799	0
Other - prepayments		0	6,150	0	6,150
TOTAL CURRENT ASSETS		<u>128,890</u>	<u>9,750</u>	<u>128,728</u>	<u>9,750</u>
NON-CURRENT ASSETS					
Receivables	4	20,000	0	438,000	0
Other financial assets	5	0	0	1,520,434	0
Other assets	6	2,502,819	0	560,402	0
TOTAL NON-CURRENT ASSETS		<u>2,522,819</u>	<u>0</u>	<u>2,518,836</u>	<u>0</u>
TOTAL ASSETS		<u>2,651,709</u>	<u>9,750</u>	<u>2,647,564</u>	<u>9,750</u>
CURRENT LIABILITIES					
Payables	7	50,113	24,282	45,968	24,282
TOTAL CURRENT LIABILITIES		<u>50,113</u>	<u>24,282</u>	<u>45,968</u>	<u>24,282</u>
NON-CURRENT LIABILITIES					
TOTAL NON-CURRENT LIABILITIES		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES		<u>50,113</u>	<u>24,282</u>	<u>45,968</u>	<u>24,282</u>
NET ASSETS		<u>2,601,596</u>	<u>(14,532)</u>	<u>2,601,596</u>	<u>(14,532)</u>
EQUITY					
Contributed equity	8	2,714,747	600	2,714,747	600
Retained profits/(accumulated losses)	9	(113,151)	(15,132)	(113,151)	(15,132)
TOTAL EQUITY		<u>2,601,596</u>	<u>(14,532)</u>	<u>2,601,596</u>	<u>(14,532)</u>

The accompanying notes form part of these financial statements.

**Australasia Gold Limited ABN 93 104 757 904
And Controlled Entities**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		0	0	0	0
Payments to suppliers and employees		(48,118)	0	(48,280)	0
Interest received		5,268	0	5,268	0
Borrowing costs paid		0	0	0	0
Income tax paid		0	0	0	0
Net cash provided by (used in) operating activities	12b	<u>(42,850)</u>	<u>0</u>	<u>(43,012)</u>	<u>0</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and		0	0	0	0
Payment for capitalised tenement costs		(102,054)	0	(102,054)	0
Payment for subsidiaries	12c	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net cash provided by (used in) investing activities		<u>(102,054)</u>	<u>0</u>	<u>(102,054)</u>	<u>0</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		337,500	600	337,500	600
Share application money - directors		0	3,000	0	3,000
Repayment of borrowings		0	0	0	0
Capital raising costs		<u>(73,105)</u>	<u>0</u>	<u>(73,105)</u>	<u>0</u>
Net cash provided by (used in) financing activities		<u>264,395</u>	<u>3,600</u>	<u>264,395</u>	<u>3,600</u>
Net increase in cash held		119,491	3,600	119,329	3,600
Cash at beginning of year		3,600	0	3,600	0
Cash at end of year	12a	<u>123,091</u>	<u>3,600</u>	<u>122,929</u>	<u>3,600</u>

The accompanying notes form part of these financial statements.

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Australasia Gold Ltd and controlled entities, and Australasia Gold Ltd as an individual parent entity. Australasia Gold Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

a. Principles of Consolidation

A controlled entity is an entity controlled by Australasia Gold Ltd. Control exists where Australasia Gold Ltd has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the entity operates with Australasia Gold Ltd to achieve the objectives of Australasia Gold Ltd. A list of controlled entities is contained in Note 15 c) to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

b. Income Tax

The economic entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit or loss and taxable income or loss are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits in respect of timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in respect of losses are not brought to account unless there is virtual certainty of realisation of the benefit. At reporting date an amount of \$36,206 being 30% of tax losses of \$120,686 has accordingly not been recognised as a future income tax benefit as there is no virtual certainty of realisation of the benefit.

The amount of benefits expected to arise from the recoupment of tax losses in accordance with the legislation will only be obtained if no adverse changes will occur in tax legislation, and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Australasia Gold Ltd and its wholly owned Australian subsidiary have formed an income tax consolidated group under the Tax Consolidation Regime as of the date of acquisition of the subsidiary (Refer Note 15c).

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. **Cash**

For the purposes of the statement of cash flows, cash includes petty cash on hand and cash at bank.

d. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

e. **Exploration and Development Expenditure**

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

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

f. **Comparative Information**

The comparative information represents the results from the date of incorporation on 16 May 2003 to 30 June 2003.

g. **Adoption of Australian Equivalents of International Financial Accounting Standards (IFRS)**

The economic entity's management is in the process of assessing the significance of the introduction of IFRS effective 1 January 2005.

The directors are of the opinion that there will arise no material differences in the economic entity's accounting policies as a result of the adoption of IFRS.

h. **Capital Raising Costs**

In accordance with Urgent Issues Group Abstract 23, the company has determined that relevant costs associated with the raising of capital as detailed in Note 14 and 16 (a) are to be offset directly against contributed equity. These costs include professional advisers' fees related to the intended capital raising but do not include management time and overheads.

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

Note	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 2: DIRECTORS' & EXECUTIVES' REMUNERATION				
Remuneration of all parent entity directors and specified executives is shown below. Apart from the individual disclosed, there were no other specified executives of the company during the year.				
Norton Jackson - Chairman	0	0	0	0
Trevor John Ireland - Managing Director	137,428	5,100	137,428	5,100
Graham Maxwell Chrisp - Director	0	0	0	0
John Santich - Company Secretary	10,000	0	10,000	0
	147,428	5,100	147,428	5,100
Remuneration paid to Trevor Ireland includes salary of \$28,750, amounts paid to a personally-related entity of \$106,090 (2003 - \$5,100), and post-employment benefits being superannuation contributions of \$2,588. Refer to Note 10 (c). Remuneration paid to John Santich relates to fees paid to a personally-related entity for the provision of services only.				
Details of shares issued to directors are shown at Note 10, details of options issued to directors are shown at Note 13 and details of directors' fees are shown at Note 17 (b).				
NOTE 3: CASH ASSETS				
Petty cash	462	0	300	0
Cash at bank	122,629	3,600	122,629	3,600
	123,091	3,600	122,929	3,600
NOTE 4: RECEIVABLES - CURRENT				
Sundry debtor - GST	5,799	0	5,799	0
	5,799	0	5,799	0
NOTE 4: RECEIVABLES - NON CURRENT				
Receivables - Mining guarantees	20,000	0	0	0
Receivables - controlled entities	0	0	438,000	0
	20,000	0	438,000	0
NOTE 5: OTHER FINANCIAL ASSETS - NON CURRENT				
Unlisted investments at cost - controlled entities (Refer Note 15c)	0	0	1,520,434	0
	0	0	1,520,434	0
NOTE 6: OTHER ASSETS - NON CURRENT				
Mining tenements - at cost	560,402	0	560,402	0
Mining tenements - at fair value	1,942,417	0	0	0
	2,502,819	0	560,402	0
NOTE 7: PAYABLES - CURRENT				
Sundry creditors	16,563	10,032	12,418	10,032
Amounts payable - director	33,550	0	33,550	0
Payables - directors' share application money	0	3,000	0	3,000
Payables - director-related entity	0	11,250	0	11,250
	50,113	24,282	45,968	24,282

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 8: CONTRIBUTED EQUITY

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Total of 16,861,161 (30 June 2003 - 3,000) fully paid ordinary shares issued (16,858,161 in current year)		2,855,450	600	2,855,450	600
Capital raising costs	1(h)	(140,703)	0	(140,703)	0
		2,714,747	600	2,714,747	600

(a) Fully paid Ordinary Shares

Ordinary Shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 9: RETAINED PROFITS / (LOSSES)

Retained profit/(loss) at the beginning of the financial period	(15,132)	0	(15,132)	0
Net profit/(loss) attributable to members of the company	(98,019)	(15,132)	(98,019)	(15,132)
Retained profit/(loss) at the end of the financial period	(113,151)	(15,132)	(113,151)	(15,132)

NOTE 10: RELATED PARTY TRANSACTIONS

a). Fully Paid Ordinary Shares Issued to Directors for Cash

	Aggregate Number of Shares Acquired	Issue Price	Total
<u>2004</u>			
Norton Jackson - issued in current year	100,000	\$0.01	\$ 1,000
Trevor John Ireland - issued in current year	100,000	\$0.01	\$ 1,000
Graham Maxwell Chrisp - issued in current year	100,000	\$0.01	\$ 1,000
	300,000		\$ 3,000
<u>2003</u>			
Norton Jackson - issued to 30 June 2003	1,000	\$0.20	\$ 200
Trevor John Ireland - issued to 30 June 2003	1,000	\$0.20	\$ 200
Graham Maxwell Chrisp - issued to 30 June 2003	1,000	\$0.20	\$ 200
	3,000		\$ 600

b). Fully Paid Ordinary Shares Issued to Directors in lieu of payment of consulting fees to a director-related entity

<u>2004</u>			
Trevor John Ireland - issued in current year	514,960	\$0.125	\$ 64,370
Trevor John Ireland - issued in current year	183,201	\$0.150	\$ 27,480
	698,161		\$ 91,850
<u>2003</u>			
	-		-

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 10: RELATED PARTY TRANSACTIONS (Cont) Note

c). Transactions with Director-Related Entity

Consulting fees totalling \$106,090 (30 June 2003 - \$5,100) for the provision of promotional, geological, management and supervision services, were paid to a personally-related entity of Trevor Ireland at commercial terms. Such fees including those for the 30 June 2003 year, were settled by the issue of 514,960 ordinary shares at 12.5c each and 183,201 ordinary shares at 15c each (30 June 2003 - Nil) and \$14,240 (30 June 2003 - \$5,100) for cash. Of the fees paid, \$88,738 was capitalised as either capital raising costs or capitalised tenement costs.

Web site setup cost of \$1,000 paid to a director related entity of Graham Maxwell Chrisp was settled by the issue of 8,000 ordinary shares at 12.5c.

d). Directors and director related entities - shares and options issued by Australasia Gold Ltd

2004

	Acquired During Reporting Period	Disposed During Reporting Period	Held At Reporting Date	Issue / Exercise Price	Exercise Date
Ordinary shares - issued in current year	300,000	-	300,000	\$ 0.01	N/A
Ordinary shares - issued in current year	554,960	-	554,960	\$ 0.125	N/A
Ordinary shares - issued in current year	183,201	-	183,201	\$ 0.15	N/A
Ordinary shares - issued in current year	12,050,000	-	12,050,000	\$ 0.20	N/A
Options - issued in current year	6,544,081	-	6,545,581	\$ 0.20	1-Dec-06

2003

Ordinary shares - issued to 30 June 2003	-	-	3,000	\$ 0.20	N/A
Options - issued to 30 June 2003	1,500	-	1,500	\$ 0.20	1-Dec-06

There were no other material related party transactions other than as set out in Note 13.

NOTE 11: SEGMENT REPORTING

The economic entity operates predominantly in one business and geographical segment being gold mining and exploration throughout Australasia.

NOTE 12: CASH FLOW INFORMATION

a. Reconciliation of Cash

Cash at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash on hand	462	0	300	0
Cash at Bank	122,629	3,600	122,629	3,600
	<u>123,091</u>	<u>3,600</u>	<u>122,929</u>	<u>3,600</u>

b. Reconciliation of Cash Flow from Operations with Profit/(Loss) from Ordinary Activities after Income Tax

Profit/(loss) from ordinary activities after income tax	(98,019)	(15,132)	(98,019)	(15,132)
Non-cash flows in profit from ordinary activities				
Consulting fees paid by share issue	29,992	0	29,992	0
Net Cash provided by operating activities before change in assets and liabilities	(68,027)	(15,132)	(68,027)	(15,132)
Changes in assets and liabilities				
- (Increase)/decrease in Other - prepayments	6,150	(6,150)	6,150	(6,150)
- (Increase)/decrease in Receivables	(5,799)	0	(5,799)	0
- Increase/(decrease) in Payables	24,826	21,282	24,664	21,282
Cash flows from operations	<u>(42,850)</u>	<u>0</u>	<u>(43,012)</u>	<u>0</u>

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 12: CASH FLOW INFORMATION (Cont)

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$

c. Acquisition of Entities & Tenements

Non Cash Financing and Investing Activities

During the year 100% of the controlled entities The Australian Land Company Pty Ltd and Otago Gold Ltd was acquired as well as tenements from Corporate Developments Pty Ltd. Details of these transactions are:

Purchase consideration (12,050,000 ordinary shares issued at notional issue price of 20c each) \$ 2,410,000

Fair value of net assets of entities acquired:

	<u>The</u> <u>Australian</u> <u>Land</u> <u>Company Pty</u> <u>Ltd</u>	<u>Otago Gold</u> <u>Ltd</u>	<u>Tenements</u> <u>from</u> <u>Corporate</u> <u>Development</u> <u>Pty Ltd</u>	<u>Total</u>
Mining tenements	1,131,996	810,421	451,588	2,394,005
Receivables - Mining guarantees	20,000	0	0	20,000
Cash	2	160	0	162
Payables	(12)	(4,155)	0	(4,167)
	<u>1,151,986</u>	<u>806,426</u>	<u>451,588</u>	<u>2,410,000</u>

NOTE 13: OPTIONS

a. Options were granted over unissued shares during the financial period by the company to directors as follows:

	No. Options	Exercise Price	Exercise Date
Norton Jackson	50,000	\$0.20	1-Dec-06
Trevor John Ireland	399,081	\$0.20	1-Dec-06
Graham Maxwell Chrisp	50,000	\$0.20	1-Dec-06

b. The number of shares reserved for issuance under options as at reporting date are as follows:

	Number of Options	Exercise Price	Exercise Date
30 June 2004	8,430,581	\$0.20	1-Dec-06

c. At the date of this financial report, the unissued ordinary shares of Australasia Gold Limited under option are as follows:

	Number of Options	Exercise Price	Exercise Date
Granted 16 May 2003	1,500	\$0.20	1-Dec-06
Granted 1 July 2003	650,000	\$0.20	1-Dec-06
Granted 10 July 2003	75,000	\$0.20	1-Dec-06
Granted 5 September 2003	390,000	\$0.20	1-Dec-06
Granted 22 September 2003	210,000	\$0.20	1-Dec-06
Granted 9 October 2003	490,000	\$0.20	1-Dec-06
Granted 31 October 2003	274,280	\$0.20	1-Dec-06
Granted 31 December 2003	200,667	\$0.20	1-Dec-06
Granted 31 January 2004	27,867	\$0.20	1-Dec-06
Granted 28 February 2004	13,734	\$0.20	1-Dec-06
Granted 31 March 2004	22,533	\$0.20	1-Dec-06
Granted 16 April 2004	50,000	\$0.20	1-Dec-06
Granted 22 April 2004	6,025,000	\$0.20	1-Dec-06
	<u>8,430,581</u>		

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 14: AUDITORS' REMUNERATION				
Remuneration of the auditor for:				
- auditing or reviewing the financial report	5,000	0	5,000	0
- auditing or reviewing the financial report of controlled entities - 2003	5,000	0	5,000	0
- fees in connection with intended issue of equity instruments recognised in contributed equity	22,000	0	22,000	0
- other services	8,500	0	8,500	0
	40,500	0	40,500	0
	40,500	0	40,500	0

NOTE 15: ACQUISITION OF CONTROLLED ENTITIES

a) Sale and Purchase of Share Agreements and Tenement Acquisition Agreement between Australasia Gold Limited, Farmtell Management Pty Ltd, South Cove Ltd, Corporate Developments Pty Ltd, Softwood Plantations Pty Ltd, The Australian Land Company Pty Ltd, Otago Gold Ltd and Graham Maxwell Chrisp

On 22 April 2004, the company entered into Sale and Purchase of Shares Agreements whereby the company acquired the rights to explore tenements through the acquisition of The Australian Land Company Pty Ltd and Otago Gold Ltd, as well as a Tenement Acquisition Agreement whereby the company acquired tenements from Corporate Developments Pty Ltd. Rights to explore tenements under a joint venture agreement with Softwood were also acquired.

In consideration for acquiring the rights, the company issued to Corporate Developments Pty Ltd, South Cove Ltd and nominees of a director of the company, Graham Chrisp, a total of 12,050,000 ordinary shares.

b). Details of the 12,050,000 shares allotted by the company to Graham Maxwell Chrisp and/or nominee, South Cove Ltd and Corporate Developments Pty Ltd, are as follows:

	Cost \$	Ord Shares No.	Notional Issue Price \$
<u>The Australian Land Company Pty Ltd</u>			
The 702,000 shares held by Farmtell Management Pty Ltd in The Australian Land Company Pty Ltd representing a 100% interest were transferred to the company at a nominal consideration of \$2			
Shares allotted to South Cove Ltd and/or nominees in consideration of the assignment of a debt owing to South Cove Ltd by The Australian Land Company Pty Ltd	206,000	1,030,000	0.20
<u>Otago Gold Ltd</u>			
Shares allotted to South Cove Ltd to acquire 5,000 shares (100%) of Otago Gold Ltd	1,970,000	9,850,000	0.20
Shares allotted to South Cove Ltd in consideration of the assignment of a debt owing to South Cove Ltd by Otago Gold Ltd	232,000	1,160,000	0.20
<u>Acquisition of tenements:</u>			
Shares allotted to South Cove Ltd for tenements acquired from Corporate Developments Pty Ltd	2,000	10,000	0.20
<u>Total</u>	2,410,000	12,050,000	

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 15: ACQUISITION OF CONTROLLED ENTITIES (Cont.)

c). As a consequence of the agreements entered into:

(i) The company acquired the following entities on 22 April 2004, with the company entitled to all profits earned from 1 July 2003:

	Country of Incorporation	% Control	Purchase Consideration	Cash Consideration	Share Issue Consideration
Otago Gold Ltd	New Zealand	100%	\$ 571,890	\$ -	\$ 571,890
The Australian Land Company Pty Ltd	Australia	100%	\$ 948,544	\$ -	\$ 948,544
			<u>\$ 1,520,434</u>		

(ii) The company acquired tenements held through Otago Gold Ltd which the company states at \$571,890

(iii) The company acquired tenements held through The Australian Land Company Pty Ltd which the company states at \$948,544

(iv) The company acquired tenements from Corporate Developments Pty Ltd which the company states at \$451,588.

(v) The company has taken over the benefit of debts owed by The Australian Land Company Pty Ltd and Otago Gold Ltd to South Cove Ltd totalling \$438,000.

d). Granting of options attached to ordinary shares issued pursuant to the acquisition of The Australian Land Company Pty Ltd and Otago Gold Ltd and tenements acquired from Corporate Developments Pty Ltd

As a result of the acquisition of The Australian Land Company Pty Ltd, Otago Gold Ltd and tenements from Corporate Developments Pty Ltd, the company has granted options attached to the ordinary shares issued on the basis of 1 option granted for every 2 shares issued.

	No of options granted	Exercise price	Exercise date
South Cove Ltd	5,827,000	\$0.20	1-Dec-06
Through nomination by South Cove Ltd	198,000	\$0.20	1-Dec-06
	<u>6,025,000</u>		

NOTE 16: EVENTS OCCURRING AFTER REPORTING DATE

a). Capital Raising

The company intends to raise funds totalling \$4,000,000 from the public by way of an Initial Public Offering (IPO) issue of 20,000,000 ordinary shares at \$0.20 each. The minimum subscription is 12,500,000 shares or \$2,500,000. These funds will be allocated to the development, exploration and assessment of the economic potential of the economic entity's various projects.

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

NOTE 17: CONTINGENT LIABILITIES

a). Engagement of Corporate Advisor Baron Partners Ltd

Baron Partners Ltd has been engaged with effect from 17 February 2004 to manage and co-ordinate the completion of the prospectus, marketing of the offer and the listing of the company.

Fees	\$
- Advisor fee	80,000
- Options equal to 1% of number of shares on issue after the IPO on same terms as other options issued as part of IPO	
- Value of shares to be issued to Baron Partners Ltd at the same IPO issue price:	
- On full subscription of shares on offer	50,000
- Between Minimum Subscription and less than full subscription	Pro rata basis

b). Directors' & Company Secretary's Fees

Subject to a successful share and option issue by the company to raise funds from the public, the directors have agreed that effective 1 July 2003, the Non-executive Directors and Company Secretary will be paid \$20,000 per annum and the Chairman will be paid \$25,000 per annum. A pro rata amount of \$16,167 for the Managing Director, Trevor Ireland will be paid in relation to the period 1 July 2003 to 21 April 2004, after which time employment with the company commenced.

These fees may be converted into ordinary shares of the company at a rate of 12.5c per share.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
NOTE 18: EARNINGS PER SHARE	\$	\$	\$	\$
<u>a). Earnings used in the calculation of basic and dilutive EPS</u>	(98,019)	(15,132)	(98,019)	(15,132)
<u>b). Weighted average - ordinary shares outstanding during the period used in calculation of:</u>				
basic EPS	6,042,585	3,000	6,042,585	3,000
dilutive EPS	6,042,585	3,000	6,042,585	3,000

NOTE 19: COMPANY DETAILS

The registered office of the company is:
Australasia Gold Limited
346 Carrington Street Adelaide SA 5000

The principal place of business is:
Australasia Gold Limited
13 Woodland Close
Aldgate SA 5154

Australasia Gold Limited ABN 93 104 757 904 And Controlled Entities


DIRECTORS' DECLARATION


The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 15, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the company and economic entity.

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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director 
Norton Jackson

Director 
Trevor John Ireland

Dated this 15th day of September, 2004.

**Australasia Gold Limited A.B.N. 93 104 757 904
And Controlled Entities**

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF AUSTRALASIA GOLD LIMITED**

Scope

We have audited the financial report of Australasia Gold Limited and controlled entities for the year ended 30th June 2004 which comprises the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying Notes to the Financial Statements, and the Directors' Declaration.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of Australasia Gold 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 30th June 2004 and of their 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 professional reporting requirements in Australia.

HLB Mann Judd Stephens (SA)

**HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS**

Phil Plummer

**PHIL PLUMMER
PARTNER**

15th September 2004
Adelaide

SHAREHOLDERS INFORMATION

As at 18 July 2004

1. Directors' Shareholdings

	<i>Fully Paid Shares</i>	<i>Options</i>
N Jackson	101,000	50,500
G Chrisp	101,000	50,500
T Ireland	799,161	339,581

2. Taxation

This company is being taxed as a public company.

3. List of 23 largest Shareholders

<i>Shareholder</i>	<i>Fully Paid Shares</i>
South Cove Ltd	11,684,000
Sheoak Runner Pty Ltd <Santich Media Trust>	1,000,000
Mr Trevor J Ireland	799,161
Commodity Traders (NZ) Ltd	400,000
Mannwest Group Pty Ltd	400,000
Ms G. Crago	300,000
Cairnglen Investments Pty Ltd	240,000
Brucar Pty Ltd	200,000
Seventh Prime Pty Ltd	200,000
Brukung Services Pty Ltd	150,000
Mr D C & Mrs R R Gerke <Gerke Superannuation Fund>	120,000
Mr Norton Jackson	101,000
Mr Graham Chrisp	101,000
Mr F R Bekink	100,000
Mr N C Shierlaw	100,000
Mr D L Heylen & Mrs M N Heylen <DL Heylen Superannuation Fund>	100,000
Mr D H Wentworth	100,000
Mr R.A. Lines	100,000
Mr J B & Mrs J E Roberts <John Roberts Superannuation Fund>	80,000
Ms M McLeod	80,000
Ms S S Ramsey	80,000
Mr A D Morrison	80,000
Mrs L M Dow	80,000