



# **Gold Aura Limited**

**A.B.N. 75 067 519 779**

## **Financial Report**

**For the year ended 30 June 2004**

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# COMPANY DIRECTORY

## DIRECTORS

Robert Boutflower Murdoch – Chairman  
Kenneth Graeme Chapple – Executive Technical Director  
Noel White – Non-Executive Director  
Thomas Roeggla – Non-Executive Director

## COMPANY SECRETARY

Peter Russell Sauerberg (B.Comm., F.C.P.A., F.C.I.S)

## REGISTERED OFFICE

Suite 1, Level 6  
200 Creek Street  
BRISBANE QLD 4000  
AUSTRALIA

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PO Box 728  
SPRING HILL QLD 4004  
AUSTRALIA  
Telephone: (07) 3833 3833  
Facsimile: (07) 3833 3888  
E-mail: [info@goldaura.com.au](mailto:info@goldaura.com.au)

## SHARE REGISTRY

ASX Perpetual Share Registry  
Level 22  
300 Queen Street  
BRISBANE QLD 4000  
AUSTRALIA

Postal Address:  
GPO Box 35  
BRISBANE QLD 4001  
Telephone: (07) 3228 4260  
Facsimile: (07) 3221 3149

## AUDITORS

Pitcher Partners, Brisbane

## SOLICITORS

Hopgood Ganim, Brisbane

## STOCK EXCHANGE LISTINGS

Gold Aura Limited shares and options are quoted on the Australian Stock Exchange as code “GOA” and “GOAO” respectively.

## WEB SITE

[www.goldaura.com.au](http://www.goldaura.com.au)

## DIRECTORS' REPORT

The Directors present their report on the consolidated financial report for the year ended 30 June 2004.

### DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

R.B. Murdoch *B. A. (Earth Sciences),  
M.A.I.M.M., M.A.I.G.*  
(Chairman/ Chief Executive Officer)

Mr. Murdoch has been appointed as Chairman and the Director responsible for implementation and supervision of the corporate activities and promotion of the company. He has been Managing Director of Union Resources Limited since 1992 and has over 30 years of international business experience in the management of public companies predominantly in the mining industry. Mr Murdoch is currently a director of the economic entities within the Union Group, Jab Technologies Limited and Austex Mining NL. Director since June 1995.

K.G. Chapple *B. Sc., B Econ.*  
(Executive Technical Director)

Mr. Chapple is the Director responsible for the implementation and supervision of the gold exploration program and budget of Gold Aura. Ken was previously the Exploration Manager with Union Resources Limited. From 1994-1997, Ken managed exploration activities in Papua New Guinea for Union Resources resulting in the discovery of the Gameta Gold Deposit in the D'Entrecasteaux Islands of Papua New Guinea. In 1998 he identified the Mehdiabad lead-zinc deposit in Central Iran, which has now shown to be probably the world's largest undeveloped zinc resource. Before joining the Union group, Ken worked with BHP exploration for 23 years. Ken is currently a director of Union Resource Management Pty Ltd and Union Zinc Pty Limited. Director since July 2002.

T. Roeggla  
(Non-Executive Director)

Mr. Roeggla is based in Monaco and has an extensive background in business development, asset management and corporate finance. He is the founder of Aktieninvestor.com AG, an international equity investment organisation. Aktieninvestor.com AG is involved in investing in resource, high-tech and industrial sectors worldwide. Director since July 2002.

N.C. White *B. Sc Honours PhD*  
(Tasmania)  
(Non-Executive Director)

Mr. White has over 35 years experience in minerals exploration, of which 30 years were served with BHP Minerals Exploration, from which he retired as Chief Geologist in 1999. He holds a B.Sc Honours from the University of Newcastle and PhD from the University of Tasmania. Noel currently operates as an independent consultant and researcher and will bring invaluable knowledge and experience to the Board, based on his extensive international experience and widely recognised technical knowledge. Director since 17<sup>th</sup> May 2004.

B.G. Moller  
(Resigned)

Mr. Moller resigned as Chairman and Director on 8<sup>th</sup> April 2004.

All Directors shown were in office for the entire year and up to the date of this report, unless otherwise stated.

# DIRECTORS' REPORT (continued)

## PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the consolidated entity consisted of further exploration of the consolidated entity's gold tenements in Papua New Guinea and North Queensland and the evaluation of potential gold projects for investment in Australia, Europe and South East Asia.

There was no significant change in the nature of these activities during the year.

The Company is a Company limited by shares and incorporated and domiciled in Australia.

## REVIEW AND RESULTS OF OPERATIONS

### Group Overview

The consolidated group will continue to focus its activities within the mining resource sector. Details of group's activities are as follows:

A thorough review of the extensive database inherited on Fergusson Island has led to a significant increase in the gold resource to 880,000 ounces during the year. Gold Aura considers that this resource is approaching the size that might support a viable open pit mining operation, in particular in view of the recognised potential for significantly increasing this resource size at the two main resource sites at Gameta and Wapolu. Accordingly, a Pre-feasibility Study is currently in progress to determine whether the gold resources on Fergusson Island could be economically exploited. Preliminary indications are encouraging.

Exploration at Croydon has involved drilling in the Gilded Rose Prospect area which has resulted in increasing the available gold resource to 200,000 ounces. Review of the database has identified a number of additional targets and follow-up field work has identified a further six bulk tonnage targets for further detailed investigation. The Company is also undertaking a Pre-feasibility Study into the potential of developing a major graphite deposit located within its Croydon tenements. A marketing study is currently in progress.

In addition to exploring the existing tenements, Gold Aura has spent considerable effort in identifying other gold investment opportunities globally. The Company's focus has been directed towards the Central Asian Black Shale Belt which hosts a number of world class deposits. Two high potential areas have been identified and tenement applications have been lodged. The outcome of these applications is awaited.

The Georgetown tenements and processing plant have been under care and maintenance. These assets are the subject to an agreement with Georgetown Mining Limited which has been extended to 30<sup>th</sup> September 2004.

### Operating Results and Dividends

The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2004 was \$627,675 (2003: loss \$354,726). The operating loss from ordinary activities after income tax attributable to the members of Gold Aura Limited ("Gold Aura") was \$626,585 (2003: loss \$339,058).

No dividends of the parent entity or any entity of the economic entity have been paid or declared or recommended since the end of the preceding financial year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2004.

### Capital Structure

During the year Gold Aura raised \$457,500 in equity funds through the placement of 3,050,000 new ordinary shares at the issue price of 15 cents per share.

### Risk Management

The Board has been pro-active in identifying and analysing risks across the operations of the Company. Although the Board has been instrumental managing risk, it has not established a separate risk management committee.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Shareholders' equity decreased \$198,206 to \$4,237,944. The movement was largely a result of the year's loss of \$627,675, which was offset by capital raised throughout the year. There were no other significant changes in the state of affairs.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 13<sup>th</sup> September 2004, Gold Aura Limited issued 2,311,274 ordinary shares at 13 cents per share raising \$300,465 to registered shareholders under the shareholder share purchase plan.

## DIRECTORS' REPORT (continued)

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Gold Aura will consider the completion of a full feasibility study into the commercial development of the Fergusson Island Gold Project. The Company will continue to evaluate the mining potential of the gold and graphite projects at Croydon. Further evaluation of potential new projects will be undertaken, with the view of identifying investment opportunities that will grow the company into the future.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to environmental regulations in respect to its exploration activities and plant site in North Queensland by the Environmental Protection Agency of Queensland. The company complies with the Mineral Resources Act (1989) and Environmental Protection Act (1994). The maximum extent of that liability as assessed and regulated by the Environmental Protection Authority of Queensland is \$160,500.

The liability at the Georgetown plant site relates to the company's requirement under legislation to clean up the gold plant site and cover the tailings dam. However, should the plant be sold, there is no further environment work required under the bond conditions.

The company is subject to environmental regulations with respect to its exploration activities on Fergusson Island in Papua New Guinea by the Department of Mines. The maximum extent of that liability is \$5,627 and relates to the company's requirement under legislation that drill sites and other such areas of exploration activities are cleaned subsequent to completion of such work.

The consolidated entity has carried out mineral exploration activities in Queensland and Papua New Guinea. To the company's knowledge, all restoration work required at this time has been completed in accordance with the requirements of the governing bodies.

### SHARE OPTIONS

As at the date of this report, there were 12,515,659 options on issue. Refer to note 15 of the financial statements for further details of these options. Option holders do not have any right by virtue of the option, to participate in any share issue of the company.

No options were issued to directors, officers or employees during the year.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Gold Aura paid a premium of \$36,684 to insure the directors and officers of the company in relation to all liabilities and expenses arising as a result of the performance of their duties in their respective capacities to the extent permitted by law. The insurance period covered is from 24 December 2003 to 23 December 2004.

### DIRECTORS' MEETINGS

The numbers of meetings of Directors and meetings of committees of Directors held during the year, and the number of meetings attended by each Director were as follows:

NAME	AUDIT COMMITTEE		DIRECTORS MEETINGS	
	Attended		Attended	Signed Resolutions
B.G. Moller	2		4	3
R.B. Murdoch	--		5	4
K.G. Chapple	--		5	4
T. Roeggla	--		5	4
N.C. White	--		--	--
P.R. Sauerberg (Company Secretary)	3		5	--

### DIRECTORS' INTERESTS IN SHARES AND OPTIONS

#### *Equity instruments of Directors*

As at the date of this report the interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities were:

	Ordinary Shares		Options
	Direct	Indirect	
R. B. Murdoch	9,084	1,321,959	12,000
K. G. Chapple	321,021	--	103,587
T. Roeggla	--	291,608	--
N. C. White	--	--	--

No options were issued to directors, officers or employees during the year.

## DIRECTORS' REPORT (continued)

### AUDIT COMMITTEE

This Committee oversees and appraises the quality of audits conducted by the entity's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the entity properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management. The audit committee met three times during the year.

Members of the Audit Committee during the year were:

Name	Position
P. R. Sauerberg	Company Secretary
B. G. Moller	Former Chairman and Non Executive Director

### REMUNERATION REPORT

#### Principles used to determine the nature and amount of remuneration

Remuneration of directors and senior executives of the Company is determined by market reference with due recognition of experience and knowledge within the organisation and the industries in which Gold Aura operates.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, Chief Executive Officer and the executive team. The Board assesses the executive contracts on a regular basis and considers such factors as relevant market conditions, knowledge and experience with the organisation and the industry, appropriateness of the amount of remuneration, overall performance of the executives and the Company's financial and operational performance. Further details on the remuneration of directors and executives are also provided in note 23 of the Financial Report.

#### Details of remuneration

Details of the nature and amount of each element of the emolument of each director of the company and the executive officer of the company receiving the highest emolument for the financial year are as follows:

NAME	ANNUAL EMOLUMENTS		LONG TERM EMOLUMENTS	
	Base		Superannuation	Total
	Salary/Fees	Other		
\$	\$	\$	\$	
R.B. Murdoch	71,608	--	--	71,608
K.G. Chapple	145,384	--	13,084	158,468
T. Roeggla	15,000	--	--	15,000
B. G. Moller	20,625	--	--	20,625
N. C. White	--	--	--	--
	252,617	--	13,084	265,701

B. G. Moller was a Director of the company for only part of the reporting period, from 1<sup>st</sup> July 2003 to 8<sup>th</sup> April 2004. N. C. White was a Director of the company for only part of the reporting period, joining the Board on 17<sup>th</sup> May 2004.

#### EMOLUMENTS OF THE MOST HIGHLY PAID EXECUTIVE OFFICER OF THE COMPANY AND CONSOLIDATED ENTITY

NAME	ANNUAL EMOLUMENTS		LONG TERM EMOLUMENTS	
	Base		Superannuation	Total
	Salary/Fees	Other		
\$	\$	\$	\$	
M. J. Ilett	38,837	--	--	38,837

The economic entity had only one (1) executive with the authority to manage the affairs of the economic entity during the reporting period.

The Directors and specified executives did not receive any bonuses, termination payments, equity based remuneration or other remuneration payments during the reporting period. Further details of remuneration are detailed in note 23 of the Financial Report.

## DIRECTORS' REPORT (continued)

### DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during or at the end of the financial year, other than those transactions detailed in note 25 of the financial report.

### CORPORATE GOVERNANCE

The Board of Directors is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of corporate behaviour and accountability. The company's corporate governance statement is contained in the following section of this report.

Signed for and on behalf of the Board in accordance with a resolution of the Directors.



Director – R B Murdoch

Brisbane, 30 September 2004

Signed for and on behalf of the Board in accordance with a resolution of the Directors.



Director – K G Chapple

Brisbane, 30 September 2004

# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place and the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council (“ASX Council”) throughout the year as contained in the ASX Council’s “Principles of Good Corporate Governance and Best Practice Recommendations.” Departures from the ASX Council best practice recommendations have been identified and explained below.

The statement and information contained therein is available on the Company’s website at [www.golda.com.au](http://www.golda.com.au) under the company information section.

### ***Principle 1 - Lay solid foundations for management and oversight***

The Board is responsible to shareholders for the group’s overall Corporate Governance. The Board delegates to the Chief Executive Officer (CEO) and the executive team the responsibility for the operation and administration of the consolidated entity. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The key responsibilities of the Board are to:

- Establish, monitor and modify the corporate, business and tactical level strategies of the Company;
- Ensure compliance with good corporate governance and other requirements of the law;
- Monitor the performance of the Company and its management;
- Undertake a review of risks and further develop systems of internal control;
- Approve decisions concerning capital and major expenditure; and
- Ensure proper disclosure to shareholders and other stakeholders.

During the year the Board reviewed its policies and practices in relation to the ASX best practice recommendations and developed a written Board charter which was formerly adopted at a meeting of directors of the Company held on 21 January 2004. A copy of the Board Charter can be found on the Company’s website.

### ***Principle 2 - Structure the Board to add value***

The current Board of four members comprises of two non-executive directors and two executive directors. The names, skills, experience of the directors in office at the date of this statement and the period of office of each director are set out in the Directors’ Report contained in this Financial Report. The directors believe that the Board is of sufficient composition, size and commitment to adequately discharge its responsibilities and duties.

#### **Independence of Directors**

The two non-executive directors Mr. T. Roeggla and Mr. N. C. White are considered to be independent directors. A majority of the members of the Board are not independent directors. The Board believes that the individual directors make quality and independent judgements in the best interests of the Company notwithstanding that the chairperson is not an independent director and that two members of the Board are not independent directors.

The Board distinguishes between the concept of independence and issues of conflict of interest and material personal interest. The Board’s policies and procedures ensure that interests in the matters are disclosed and that the relevant director is excluded from voting in matters relating to conflict of personal and material interest. All directors are also able to obtain independent advice at the expense of the Company.

The composition of the Board will be monitored to ensure that additional independent directors are appointed on a timely basis to fulfil specific skill sets needed by the Board to discharge its responsibilities competently and to meet its obligations.

#### **Chairperson of the Board**

The chairperson is an executive director and therefore not an independent director. The same individual is exercising the roles of the Chairperson and Chief Executive Officer. The Board believes that the Chairperson is able and does bring quality and judgement to all relevant issues falling within the role of a Chairperson. The Company does not believe that at this stage it is not of sufficient size and complexity to warrant the appointment of an independent Chairperson.

# CORPORATE GOVERNANCE

## **Nomination**

As Gold Aura Limited has a relatively small board it has not established a formal nomination committee. The whole Board participates in the selection of members of the Board. The Board has formalised its Nomination and Remuneration Policy which was formerly adopted at a meeting of Directors of the Company held on 21 January 2004. A copy of this policy has been published on the Company's website.

The Remuneration and Nomination Policy delegates to non-executive directors the responsibilities of:

- Assessing the necessary competencies of Board members to add value to the Company;
- Reviewing the Board succession plans;
- Evaluating the Board's performance; and
- Providing recommendations for the appointment and removal of members of the Board and Committees of the Board.

The Board has recently assessed the performance of individual directors and the Board as a whole and determined that there is no present need for the appointment of any additional directors.

## ***Principle 3 - Promote ethical and responsible decision making***

### **Code of Conduct**

Gold Aura Limited is firmly committed to ethical business practices, a safe workplace and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation. All directors, executive management and employees are expected to act with integrity to enhance the performance of the Group. The Company has established a Code of Conduct which provides a guide to the Directors and employees as to the practices necessary to maintain confidence in the Company's integrity and ethical practices. A copy of the Code of Conduct has been published on the Company's website.

### **Trading in Company Securities by Directors, Officers and Employees**

The Board has established written guidelines set out in its Corporate Ethics and Securities Trading Policy that sets guidelines for trading in the Company's shares. The policy restricts the buying or selling of Company Shares within seven days prior to the release of the half year and annual reports and at any time during which the directors are aware of unpublished price sensitive information.

A summary of the main provisions of the Corporate Ethics and Securities Trading Policy has been published on the Company's website.

## ***Principle 4 - Safeguard integrity in financial reporting***

### **Statement to the Board by the Chief Executive Officer and Chief Financial Officer**

The Board requires that the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that the consolidated financial statements of Company and its controlled entities present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with applicable accounting standards.

### **Audit Committee**

The Board established an Audit Committee in August 2003, which operates under a Charter approved by the Board. It is the Audit Committee's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board confirmed the role and responsibilities of the Audit Committee in a written charter, which was formerly adopted at a meeting of directors held on 21 January 2004. A copy of the audit committee charter has been published on the Company's website.

## CORPORATE GOVERNANCE

### Audit Committee

As one of the non-executive directors resides overseas it was not possible to structure the audit committee with a majority of non-executive directors. Prior to 8 April 2004 the audit committee comprised of Mr. B. G Moller (former Non-Executive director and Chairman) and Mr. P. R. Sauerberg the Company Secretary. From 8 April 2004 Mr. P. R. Sauerberg was the sole member of the audit committee.

Some meetings of the Committee were attended by invitation by the Managing Director, Chief Financial Officer, the engagement partner from the Company's external auditors and any such other senior staff or professional people as may be appropriate from time to time. The Company ensured that at least one person present had financial experience and that some members had an understanding of the resource sector.

During the period the audit committee met with the external auditor to review the independence of the external auditor and discuss the need for rotation of external audit engagement partners. The audit committee determined that was no need for any change in the external auditor.

### *Principle 5 - Make timely and balanced disclosure*

The Company has established policies and procedures designed to ensure compliance with the ASX Listing Rule requirements so that announcements are made in a timely manner, are factual, do not omit material information, are balanced and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. The Chief Executive Officer and Chief Financial Officer are responsible for interpreting and monitoring the Company's disclosure policy and the Company Secretary is responsible for all communications with the ASX.

ASX announcements are also published on the Company's website. The Company's Statement of Governance Policy contains procedures relating to the timely and balanced disclosure. A copy of this policy has been published on the Company's website.

### *Principle 6 - Respect the rights of shareholders*

The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. Gold Aura makes regular and timely communications to shareholders through:

- Relevant disclosures made in accordance with ASX Listing Rule disclosure requirements;
- Annual financial reports which are distributed unless specifically requested otherwise;
- Making documents that have been released publicly available on the Company's website; and
- Communicating with shareholders electronically through the Company's web based application.

The Company's web site also contains a corporate governance section that includes copies of policies, procedures and charters.

The Company also requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

### *Principle 7 - Recognise and manage risk*

#### **Oversight of the risk management function**

Gold Aura recognises that risk is an inherent part of the mineral exploration business and that failure is more likely than success. It is necessary to undertake activities that involve a high level of risk in order to achieve the company's objectives. The Board and Audit Committee are responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of its reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk. There is no formal Risk Management Policy, however the Company is focused on the identification and management of risk including:

- Directing exploration expenditure to the investment opportunity considered to give the company the best ultimate financial return;
- Establishing the Company's corporate level and business level goals and monitoring and implementing strategies to achieve these goals;
- Identifying and measuring risks that might impact upon the achievement of the Company's goals and monitor for trends and emergent factors;
- Reviewing the half-year reports, Appendix 4E and other reports required to be lodged with the ASX; and
- Established separate project teams to identify risk management strategies, project manage and monitor the risk and implementation strategies for each major company project. The project managers report to the Board on a regular basis.

The Board believes that there are adequate controls to ensure that financial reports provide a fair and true view.

# CORPORATE GOVERNANCE

## **Certification of risk management controls**

The Chief Executive Officer and Chief Financial Controller are required to make an annual written statement to the Board with respect to risk management and internal controls.

### ***Principle 8 - Encourage enhanced performance***

The Board undertakes an annual review of its performance and the performance of key executives. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which Directors' and executives are assessed align with the objectives of Gold Aura. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives and designed to add value for shareholders.

The Board recently assessed individual director's performance and Board performance. This review resulted in the nomination and appointment of Mr. N.C. White as a non-executive technical director.

### ***Principle 9 - Remunerate fairly and responsibly***

As Gold Aura Limited has a relatively small Board it has not established a formal remuneration committee. The whole Board is responsible for recommending and reviewing the remuneration arrangements for the directors, chief executive officer and senior executive team. The Board has formalised its Nomination and Remuneration Policy which was formerly adopted at a meeting of Directors of the Company held on 20 January 2004. A copy of this policy has been published on the Company's website.

The Nomination and Remuneration Policy requires that a majority of non-executive directors must approve changes to the remuneration or contract terms of Directors; the design of new remuneration packages, any equity based remuneration, executive cash-based incentive plans and termination payments to Directors.

It is the objective of Gold Aura Limited to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors' and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration policy are:

- Retention and Motivation of key executives;
- Attraction of quality management to the Company; and
- Performance incentives, which allow executives to share the rewards of success.

Executive directors are remunerated by means of a fixed based remuneration. The Company is currently reviewing its remuneration policies and practices and considering the introduction of performance based incentive plans, equity based remuneration and other benefits. As non-executive directors, Mr. T. Roeggla and Mr. N. C. White are entitled to director's fees. Non-executive directors are not entitled to any retiring allowance payable upon their retirement as a director of the Company.

The details of Directors' and Senior Executives' remuneration are set out in note 23 of the Financial Report.

### ***Principle 10 - Recognise the legitimate interests of stakeholders***

The Company recognises its legal and other obligations including its responsibility to act in good faith and with integrity whilst dealing in Company affairs. These responsibilities relate to all shareholders including clients, customers, suppliers, government, financial institutions, shareholders and to the community as whole.

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. This commitment includes complying with trade practices and fair dealing laws, consumer protection, respect for privacy, employment law, occupational health and safety, equal employment opportunity, superannuation, environment and pollution controls.

As indicated under Principle 3, the Company has established a Code of Conduct to guide compliance with legal and other obligations to the legitimate stakeholders of the Company.

## STATEMENT OF FINANCIAL PERFORMANCE

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	2	46,869	52,954	37,351	47,733
Employee benefits expense		(169,656)	(79,731)	(166,352)	(73,043)
Audit Fees		(33,350)	(29,750)	(33,350)	(29,570)
Consulting fees		(120,180)	(68,276)	(120,180)	(67,388)
Directors' expenses		(82,242)	(55,478)	(82,242)	(55,478)
Share registry and listing fees		(23,191)	(9,808)	(23,191)	(9,808)
Travel expenses		(50,740)	(11,186)	(50,821)	(9,115)
Depreciation and amortisation charges		(28,175)	(25,549)	(25,789)	(23,446)
Borrowing costs expense		(2,783)	(211)	(2,783)	(211)
Marketing and promotion expenses		(3,252)	(29,270)	(3,252)	(29,270)
Diminution in exploration asset values		(41,123)	(8,803)	(47,953)	--
Rent and outgoings		(33,229)	(34,162)	(33,228)	(34,162)
Other expenses from ordinary activities	3	(86,623)	(55,456)	(74,795)	(55,300)
<b>LOSSES FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(627,675)</b>	<b>(354,726)</b>	<b>(626,585)</b>	<b>(339,058)</b>
<b>INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES</b>	4	--	--	--	--
<b>NET LOSS</b>		<b>(627,675)</b>	<b>(354,726)</b>	<b>(626,585)</b>	<b>(339,058)</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>	17	<b>(627,675)</b>	<b>(354,726)</b>	<b>(626,585)</b>	<b>(339,058)</b>
<b>Basic loss per share (cents per share)</b>	5	<b>(2.77)</b>	<b>(1.72)</b>		
<b>Diluted loss per share (cents per share)</b>	5	<b>(2.77)</b>	<b>(1.72)</b>		

The accompanying notes form an integral part of this Statement of Financial Performance

## STATEMENT OF FINANCIAL POSITION

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>CURRENT ASSETS</b>					
Cash assets	7	338,477	945,423	332,226	943,074
Receivables	8	5,923	14,478	5,923	14,478
Other assets	9	18,374	20,930	18,376	20,930
<b>TOTAL CURRENT ASSETS</b>		<b>362,774</b>	<b>980,831</b>	<b>356,525</b>	<b>978,482</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	--	--	660,409	603,737
Other financial assets	10	--	--	1,640,000	1,640,000
Property, plant and equipment	11	85,018	116,482	84,668	103,329
Exploration and evaluation expenditure	12	3,789,121	3,542,639	1,515,795	1,328,587
Other	9	166,127	168,979	160,500	163,554
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,040,266</b>	<b>3,828,100</b>	<b>4,061,372</b>	<b>3,839,207</b>
<b>TOTAL ASSETS</b>		<b>4,403,040</b>	<b>4,808,931</b>	<b>4,417,897</b>	<b>4,817,689</b>
<b>CURRENT LIABILITIES</b>					
Payables	13	132,292	359,312	130,391	352,402
Provisions	14	17,574	5,721	17,574	5,721
<b>TOTAL CURRENT LIABILITIES</b>		<b>149,866</b>	<b>365,033</b>	<b>147,965</b>	<b>358,123</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	14	15,230	7,748	15,230	7,748
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>15,230</b>	<b>7,748</b>	<b>15,230</b>	<b>7,748</b>
<b>TOTAL LIABILITIES</b>		<b>165,096</b>	<b>372,781</b>	<b>163,195</b>	<b>365,871</b>
<b>NET ASSETS</b>		<b>4,237,944</b>	<b>4,436,150</b>	<b>4,254,702</b>	<b>4,451,818</b>
<b>EQUITY</b>					
Parent entity interest					
Contributed equity	15	4,198,347	3,768,878	4,198,347	3,768,878
Reserves	16	1,021,998	1,021,998	1,021,998	1,021,998
Accumulated losses	17	(982,401)	(354,726)	(965,643)	(339,058)
<b>TOTAL EQUITY</b>		<b>4,237,944</b>	<b>4,436,150</b>	<b>4,254,702</b>	<b>4,451,818</b>

## STATEMENT OF CASH FLOWS

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Other revenue		--	3,731	--	--
Interest received		40,326	44,758	40,326	44,758
Payments to suppliers and employees		(604,946)	(271,396)	(594,521)	(268,896)
Security deposit		2,852	(168,980)	3,054	(163,554)
<b>NET CASH FLOWS (USED IN) OPERATING ACTIVITIES</b>	21	<b>(561,768)</b>	<b>(391,887)</b>	<b>(551,141)</b>	<b>(387,692)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(7,649)	(22,781)	(7,128)	(6,775)
Payment for exploration, evaluation and development		(459,924)	(438,537)	(215,860)	(93,364)
Proceeds from sale of property, plant and equipment		15,273	750	--	--
Loans granted to controlling entity		(22,347)	--	(266,188)	(366,973)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(474,647)</b>	<b>(460,568)</b>	<b>(489,176)</b>	<b>(467,112)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares and options		457,500	2,147,613	457,500	2,147,613
Share issue and transaction costs		(28,031)	(349,735)	(28,031)	(349,735)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>429,469</b>	<b>1,797,878</b>	<b>429,469</b>	<b>1,797,878</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>(606,946)</b>	<b>945,423</b>	<b>(610,848)</b>	<b>943,074</b>
Cash at the beginning of the financial year		945,423	--	943,074	--
<b>CASH AT END OF THE FINANCIAL PERIOD</b>	7,21	<b>338,477</b>	<b>945,423</b>	<b>332,226</b>	<b>943,074</b>

# NOTES TO FINANCIAL STATEMENTS

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of accounting

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

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Gold Aura Limited as at 30 June 2004 and the results of the controlled entity for the year then ended. Gold Aura Limited and its controlled entity together are referred to in this financial report as the economic entity. The effects of all transactions between the two entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during the financial year its results are included for that part of the year during which control existed.

### (c) Income Tax

Tax effect accounting procedures are followed whereby the income tax in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rate expected to apply when the differences reverse.

### (d) Foreign currency transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currencies at the rates of exchange current at that date. Resulting exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change. The financial statements of all foreign operations are translated using the temporal rate method, as they are considered reliant on the parent entity.

### (e) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in acquisition, the value of the instruments is their market price as at acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

### (f) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to recoverable amount. The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and cash outflows arising from continued use and subsequent disposal.

### (g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

# NOTES TO FINANCIAL STATEMENTS (continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is capitalised 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 interest or when activities in the areas of interest have not yet reached a stage, which permit reasonable assessment of the existence of economically recoverable reserves.

The ultimate recoupment of capitalised costs is dependent on the successful development and commercial exploitation, or sale, of the respective areas of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where costs are capitalised on exploration, evaluation and development, they are amortised over the life of the area of interest to which they relate once production has commenced. Amortisation charges are determined on a production output basis, unless a time basis is more appropriate under specific circumstances.

### (i) Provision for restoration and rehabilitation

Provision is made for anticipated costs of restoration and rehabilitation necessitated by disturbance arising from exploration, evaluation, development and production activity and form part of the costs of the respective phases of operations. Restoration and rehabilitation costs accumulate in the provision on a production output basis commencing in the period that disturbance occurred. Costs included in the provision cover land reclamation, plant removal and on-going revegetation programs. The provision is determined based on anticipated future costs, utilising known technology, and is reviewed at regular intervals.

### (j) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend receivable is recognised in the statement of financial performance when receivable. Controlled entities are accounted for in the consolidated financial statements as set out in note 1(a).

### (k) Property, plant and equipment

Property, plant and equipment are stated at cost or recoverable amount. Depreciation is calculated on a straight-line basis to write off the net cost or re-valued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives for plant and equipment are 3 - 6 years.

### (l) Leased assets

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits of ownership of the leased assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

### (m) Cash assets

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions. These are the only financial assets which expose the entity to interest rate risk and are subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS (continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Employee benefits

Employee benefit on-costs including payroll tax are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect to services provided by the employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields as the reporting date on national government bonds with terms to maturity that match as closely as possible the estimated future cash outflows.

### (o) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred except to the extent they are included in the costs of qualifying assets.

### (p) Earnings per share

Basic earnings per share is determined by dividing the net profit after tax attributable to the members of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to taken into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (q) Reclassification of liabilities for certain employee benefits

The liabilities for wages and salaries and related on-costs expected to be settled within 12 months of reporting date have been classified other creditors in the current year in accordance with AASB 1044 *Provisions, Contingent Liabilities and Contingent Assets*. The directors do not believe there are any significant uncertainties relating to the amount and timing of the future payments for these employee benefits, therefore they do not meet the definition of a provision under the new standard.

### (r) Impact of adopting international financial reporting standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

# NOTES TO FINANCIAL STATEMENTS (continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Impact of adopting international financial reporting standards (continued)

The key potential implications of the conversion to IFRS on the consolidation entity are as follows:

- Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- Income tax will be calculated based on the “balance sheet” approach, which will result in more deferred tax assets and liabilities and as the tax effect follows the underlying transaction, some tax effects will be recognised in equity.
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.

The potential impact on the economic entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs, which may be incurred, has not been quantified as at the transition date of 1<sup>st</sup> July 2004.

The impact of exposure draft ED 6 *Exploration for and Evaluation of Mineral Resources* on the consolidated entity's accounting policy for the treatment of exploration and evaluation expenditure cannot be determined until the final standard is issued by the International Accounting Standards Board, and the equivalent Australian accounting standard is subsequently issued by the Australian Accounting Standards Board.

Recent announcements from the AASB indicate that the IASB will amend ED6 and will grandfather Australia's existing areas of interest method of accounting for exploration and evaluation expenditure. Until these proposed changes are enacted it is not possible to determine the potential impact in respect to extractive industries.

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from non-operating activities</b>					
Interest from unrelated parties		37,351	47,733	37,351	47,733
Other revenue		--	3,731	--	--
Sale of non-current assets		9,231	533	--	--
Foreign exchange gains		287	957	--	--
<b>Total revenues from ordinary activities</b>		<b>46,869</b>	<b>52,954</b>	<b>37,351</b>	<b>47,733</b>
<b>3. EXPENSES AND LOSSES/(GAINS)</b>					
<b>Other Expenses</b>					
Legal fees		(5,182)	15,417	(5,182)	15,417
Telephone and internet expenses		14,675	8,910	14,609	8,910
Repairs & maintenance, equipment lease		4,817	5,806	4,817	5,806
Stationary, postage		6,237	8,759	6,237	8,759
Training and seminars		6,956	915	6,956	915
Annual report printing		23,826	--	23,826	--
Cost of assets sold		10,771	750	--	--
Insurance		6,013	4,776	6,013	4,776
Bank fees		2,510	4,026	2,186	3,970
Other expenses from ordinary activities		16,000	6,097	15,333	6,747
<b>Other expenses from ordinary activities</b>		<b>86,623</b>	<b>55,456</b>	<b>74,795</b>	<b>55,300</b>

## NOTES TO FINANCIAL STATEMENTS (continued)

### 4. INCOME TAX

#### (a) Income tax expense

The prima facie income tax expenses on operating profit reconciles to the income tax expense in the accounts as follows:

Loss from ordinary activities before income tax	(627,675)	(354,726)	(626,585)	(339,057)
Income tax calculated at 30%	(188,302)	(106,418)	(187,976)	(101,717)
Add/(less) tax effect of permanent differences				
Business related capital costs	(40,966)	(20,984)	(40,966)	(20,984)
Exploration and prospecting expenditure	(56,163)	(203,809)	(56,163)	(28,667)
Depreciation	7,091	(34,938)	7,091	(30,999)
Other	(2,322)	979	(2,648)	979
Income tax (expense)/benefit adjusted for permanent differences	(280,662)	(365,170)	(280,662)	(181,398)
Future income tax benefits attributable to tax losses and timing differences not brought to account	280,662	365,170	280,662	181,398
Income tax (expense)/benefit charged to profit and loss account	--	--	--	--

#### (b) Income tax losses not brought to account

The directors estimate that the potential net future income tax benefit as at 30 June 2004 amounts to \$290,500 (2003: \$3,206). The net future income tax benefit, which has not been recognised as an asset, will only be obtained if:

- (i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realized;
- (ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the economic entity in realising the benefit.

### 5. LOSS PER SHARE

	CONSOLIDATED	
	2004	2003
	\$	\$
Basis loss per share (cents per share)	(2.77)	(1.72)
Diluted loss per share (cents per share)	(2.77)	(1.72)
Earnings used in calculating basic and diluted loss per share	(627,675)	(354,726)

#### Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used in the dominator in calculating basic loss per share	22,654,427	20,589,039
Weighted average number of ordinary shares used in the dominator in calculating diluted loss per share	22,654,427	20,589,039

At the end of the year the economic entity had 12,215,659 options with an exercise price of 25 cents. It is not probable that the options will be converted into shares in to the future, as the share price at the end of the financial year was 14 cents, which is well below the exercise price for the options. As such the directors believe that the options are not potential ordinary shares for dilution.

## NOTES TO FINANCIAL STATEMENTS (continued)

	AUSTRALIA		PAPUA NEW GUINEA		CORPORATE		CONSOLIDATED	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
<b>6. SEGMENT INFORMATION</b>								
Sales to customers outside the consolidated entity	--	--	--	--	--	--	--	--
Other revenues from customers outside the consolidated entity	--	--	9,231	5,221	37,351	47,733	46,582	52,954
Total segment revenue	--	--	9,231	5,221	37,351	47,733	46,582	52,954
<b>Results</b>								
Segment result	47,952	(8,867)	(1,090)	(15,668)	(674,537)	(330,191)	(627,675)	(354,726)
Consolidated entity profit/(loss) from ordinary activities before income tax expense							(627,675)	(354,726)
Income tax expense							--	--
Net loss							(627,675)	(354,726)
<b>Assets</b>								
Segment assets	1,594,837	1,426,491	2,291,180	2,240,404	517,023	1,142,036	4,403,040	4,808,931
<b>Liabilities</b>								
Segment liabilities	12,601	2,225	6,216	236,764	146,277	133,792	165,094	372,781
<b>Other segment information:</b>								
Acquisition of property, plant and equipment, intangible assets and other non-current assets	154,807	102,364	32,691	599,779	--	--	187,498	702,143
Depreciation and amortisation expense	25,788	23,446	2,387	2,103	--	--	28,175	25,549

## NOTES TO FINANCIAL STATEMENTS (continued)

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>7. CASH ASSETS</b>					
<b>Current</b>					
Cash at bank and on hand		338,477	18,638	332,226	16,289
Deposits at call		--	926,785	--	926,785
		<b>338,477</b>	<b>945,423</b>	<b>332,226</b>	<b>943,074</b>

### Deposits at call

The deposits at call are bearing floating interest rates between 4.87% and 5.00% (2003:4.0% and 4.6%).

## 8. RECEIVABLES

### Current

Interest receivable	--	2,975	--	2,975
Other debtors	<b>5,923</b>	11,503	<b>5,923</b>	11,503
	<b>5,923</b>	<b>14,478</b>	<b>5,923</b>	<b>14,478</b>

### Non-current

Loans to controlled entity (unsecured)	--	--	<b>660,409</b>	603,737
--	----	----	----------------	---------

Further information relating to the loan is set out in Note 22.

## 9. OTHER ASSETS

### Current

Prepayments	<b>18,374</b>	20,930	<b>18,376</b>	20,930
-------------	---------------	--------	---------------	--------

### Non-current

Security deposit	<b>5,627</b>	5,425	--	--
Deposit – bank guarantee (a)	<b>160,500</b>	163,554	<b>160,500</b>	163,554
	<b>166,127</b>	<b>168,979</b>	<b>160,500</b>	<b>163,554</b>

### Bank Guarantee

- (a) On November 26, 2002, the parent entity lodged a bank guarantee for \$160,500 with the Queensland Department of Mines to be held as security to indemnify the Queensland State Government for compliance with conditions of the existing mining leases and compliance with the Mineral Resources Act (1989) and Environmental Protection Act (1994). The bank guarantee is not revocable and will remain in force until payment of \$160,500, or restorations are made. The Department of Mines will notify the bank in writing when the bond is no longer required. The bank guarantee deposit is bearing an interest rate of between 4.87% and 5.00% (2003:4.41%).

## 10. OTHER FINANCIAL INVESTMENTS

### Non-current

Shares in controlled entity at cost (note 22)	--	--	<b>1,640,000</b>	1,640,000
---	----	----	------------------	-----------

The ultimate recovery of the carrying value in the controlled entity is primarily dependent upon the successful development and commercial exploitation or alternatively the sale of the relevant areas of interest at amounts in excess of their book values.

# NOTES TO FINANCIAL STATEMENTS (continued)

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>11. PLANT AND EQUIPMENT</b>					
<b>Plant and equipment</b>					
At cost		134,406	142,031	133,902	126,775
Less: accumulated depreciation		(49,388)	(25,549)	(49,234)	(23,446)
<b>Total plant and equipment (net)</b>		<b>85,018</b>	<b>116,482</b>	<b>84,668</b>	<b>103,329</b>
<b>Reconciliations</b>					
Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial period is set out below:					
Opening carrying value		142,031	120,000	126,776	120,000
Additions		7,648	22,781	7,126	6,775
Disposals		(15,273)	(750)	--	--
Depreciation		(49,388)	(25,549)	(49,234)	(23,446)
<b>Carrying value at 30 June 2004</b>		<b>85,018</b>	<b>116,482</b>	<b>84,668</b>	<b>103,329</b>
<b>12. EVALUATION AND EXPLORATION EXPENDITURE</b>					
Evaluation and exploration expenditure		3,789,121	3,542,639	1,515,795	1,328,587
<b>Capitalised exploration, evaluation and development expenditures:</b>					
<b>Cost: in exploration and/or evaluation stage</b>					
Opening carrying value		3,542,639	2,992,080	1,328,587	1,352,998
Additions		294,435	679,362	235,161	95,589
Reversal of provision for rehabilitation		--	(120,000)	--	(120,000)
Provision for diminution		(47,953)	(8,803)	(47,953)	--
<b>Closing value at 30 June 2004 (a)</b>		<b>3,789,121</b>	<b>3,542,639</b>	<b>1,515,795</b>	<b>1,328,587</b>
(a) The ultimate recovery of the carrying value of the capitalised exploration, evaluation and development expenditures is primarily dependent upon the successful development and commercial exploitation or alternatively the sale of the relevant areas of interests at amounts in excess of the their book values.					
<b>13. PAYABLES</b>					
<b>Current</b>					
Trade Creditors		65,729	296,026	63,828	289,116
Accruals		44,724	29,748	44,724	29,748
Loan from Union Resources Limited		21,839	33,538	21,839	33,538
		<b>132,292</b>	<b>359,312</b>	<b>130,391</b>	<b>352,402</b>



## NOTES TO FINANCIAL STATEMENTS (continued)

16. RESERVES	CONSOLIDATED		GOLD AURA LIMITED	
	2004 \$	2003 \$	2004 \$	2003 \$
Asset revaluation reserve (a)	<b>1,021,998</b>	1,021,998	<b>1,021,998</b>	1,021,998

- (a) The asset revaluation reserve resulted from the revaluation of the opening exploration, evaluation and development expenditure in accordance with the independent geologist report, a summary of which is contained in section 11 of the parent company's prospectus dated 30 July 2002.

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances permitted by law.

17. ACCUMULATED LOSSES	CONSOLIDATED		GOLD AURA LIMITED	
	2004 \$	2003 \$	2004 \$	2003 \$
Accumulated losses at beginning of the financial year	<b>(354,726)</b>	--	<b>(339,058)</b>	--
Net loss for the financial year	<b>(627,675)</b>	(354,726)	<b>(626,585)</b>	(339,058)
Accumulated losses at the end of the financial year	<b>(982,401)</b>	(354,726)	<b>(965,643)</b>	(339,058)

### 18. FINANCIAL COMMITMENTS

#### Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	<b>26,265</b>	31,494	<b>26,265</b>	31,494
Later than one year but not later than 5 years	--	24,245	--	24,245
Commitments not recognised in the financial statements	<b>26,265</b>	55,739	<b>26,265</b>	55,739

The operating leases represent office rental payments.

#### Exploration expenditure

Exploration expenditure committed to maintain exploration tenements currently held is payable as follows:

Within one year	<b>49,005</b>	37,299	<b>31,689</b>	22,261
Later than one year but not later than 5 years	<b>201,736</b>	149,196	<b>158,444</b>	89,043
Commitments not recognised in the financial statements	<b>250,741</b>	186,495	<b>190,133</b>	111,304

## NOTES TO FINANCIAL STATEMENTS (continued)

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>19. CONTINGENT LIABILITIES</b>					
Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:					
Security bonds:					
Bank guarantee held by Queensland Department of Mines (see note 9)					
		<b>160,500</b>	160,500	<b>160,500</b>	160,500
Security bonds lodged with PNG Department of Mining & Petroleum					
		<b>5,627</b>	5,435	--	--
		<b>166,127</b>	165,935	<b>160,500</b>	165,000
<b>20. FINANCIAL INSTRUMENTS</b>					
The Australian dollar equivalent of foreign currency monetary items included in balance sheet headings to the extent they are not effectively hedged are set out below. These amounts include the receivable from foreign subsidiaries, which are not effectively hedged.					
<b>(a) Foreign currency exposure</b>					
Amounts receivable in foreign currency which are not effectively hedged:					
Current assets					
- Papua New Guinea (Kina)					
		<b>6,251</b>	2,349	--	--
Non-current assets					
- Papua New Guinea (Kina)					
		<b>5,627</b>	5,425	<b>660,409</b>	603,738
Amounts payable in foreign currency which are not effectively hedged:					
Current liabilities					
- Papua New Guinea (Kina)					
		<b>1,901</b>	6,910	--	--
<b>(b) Interest rate risk exposures</b>					

The economic entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable for each class of asset or liability refer to the individual notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 20. FINANCIAL INSTRUMENTS (continued)

	Notes	1 year or less		Fixed Interest maturing in:		Non interest bearing		Total	
		\$'000		\$'000		\$'000		\$'000	
				Over 1 – 5 years					
		2004	2003	2004	2003	2004	2003	2004	2003
<b>Financial assets</b>									
Cash and deposits	7	338,477	945,423	--	--	--	--	338,477	945,423
Receivables	8			--	--	5,923	14,478	5,923	14,478
Other	9	166,127	168,979	--	--	--	--	166,127	168,979
		<b>504,604</b>	<b>1,114,402</b>	<b>--</b>	<b>--</b>	<b>5,923</b>	<b>14,478</b>	<b>510,527</b>	<b>1,128,880</b>
Weighted average interest rate		4.90%	4.61%	--	--	--	--	--	--
<b>Financial liabilities</b>									
Payables	13	--	--	--	--	65,729	296,026	65,729	296,026
Loan from ultimate Australian parent company	13	--	--	--	--	21,839	33,538	21,839	33,538
		--	--	--	--	<b>87,568</b>	<b>329,564</b>	<b>87,568</b>	<b>329,564</b>
Weighted average interest rate		--	--	--	--	--	--	--	--
Net financial assets (liabilities)		<b>504,604</b>	<b>1,114,402</b>	<b>--</b>	<b>--</b>	<b>(81,645)</b>	<b>(315,086)</b>	<b>422,959</b>	<b>799,316</b>

Interest is only received on cash deposits.

## NOTES TO FINANCIAL STATEMENTS (continued)

	Notes	CONSOLIDATED		GOLD AURA LIMITED	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>21. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH FLOW (USED IN) OPERATING ACTIVITIES</b>					
Loss from ordinary activities after related income tax		(627,675)	(354,726)	(626,586)	(339,058)
Adjustments for non-cash income and expense items:					
Net foreign exchange differences		(287)	(957)	--	--
Depreciation and amortisation		28,175	25,549	25,789	23,446
Net (profit)/loss on sale of non-current assets		1,541	217	--	--
Diminution in exploration asset values		41,122	8,803	47,953	--
Change in operating assets and liabilities:					
Decrease/(increase) in receivables	8	8,555	(14,478)	8,555	(14,478)
Decrease/(increase) in prepayments	9	2,554	(20,930)	2,554	(20,930)
Decrease/(increase) in other assets	9	2,852	(168,979)	3,054	(163,554)
Increase in employee provisions	14	19,335	13,469	19,335	13,469
(Decrease)/increase in creditors and accruals	13	(37,940)	120,145	(31,795)	113,413
<b>Net operating cash flows</b>		<b>(561,768)</b>	<b>(391,887)</b>	<b>(551,141)</b>	<b>(387,692)</b>
<b>22. INVESTMENTS IN CONTROLLED ENTITY</b>					
<b>Controlled Entity</b>					
Union Mining (PNG) Limited			CLASS OF SHARES Ordinary	COUNTRY OF INCORPORATION PNG	EQUITY HOLDING % 100

The financial year of the controlled entity is the same as that of the parent.

	CONSOLIDATED		GOLD AURA LIMITED	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>23. DIRECTOR AND EXECUTIVE DISCLOSURES</b>				
Income paid or payable or otherwise made available to directors by entities in the consolidated entity and related parties in connection with the management of the affairs of the parent entity or its controlled entity.				
	265,701	226,131	265,701	226,131

Directors' remuneration excludes insurance premiums of \$36,684 was paid by Gold Aura in respect to directors' and officers' liability insurance contracts, as the contracts do not specify premiums paid in respect to individual directors and officers. Information relation to the insurance contracts is set out in the directors' report.

## NOTES TO FINANCIAL STATEMENTS (continued)

### 23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Specified Directors		Salary & Fees	Superannuation	Total Consolidated
R. B. Murdoch – Chairman/ CEO	2004	71,608	--	71,608
	2003	84,500	--	84,500
T. Roeggla – Non Executive Director	2004	15,000	--	15,000
	2003	20,000	--	20,000
B. G. Moller – Non Executive Director	2004	20,625	--	20,625
	2003	16,666	--	16,666
K. G. Chapple – Executive Director	2004	145,384	13,084	158,468
	2003	96,692	8,273	104,965
N. C. White – Executive Director	2004	--	--	--
	2003	--	--	--
<b>Total Remuneration: Specified Directors</b>				
	2004	252,617	13,084	265,701
	2003	217,858	8,273	226,131
<b>Specified Executives</b>				
M. J. Ilett – Chief Financial Officer	2004	38,387	--	38,387
	2003	15,520	--	15,520
<b>Total Remuneration: Specified Executives</b>				
	2004	38,387	--	38,387
	2003	15,520	--	15,520

#### Service Agreements

Remuneration and other terms of employment for the R. B. Murdoch and K. G. Chapple and the specified executive are formalised in service contracts. Each of these agreements provide of the provision of remuneration. The major provisions of the agreements relating to remuneration are set out below:

##### R. B. Murdoch (Chief Executive Officer)

Term of agreement - 1 July 2002 to 30 June 2004

Base Salary of \$125 per hour plus travel, accommodation and general out of pocket expenses

Period of Termination – Three (3) Months

##### K. G. Chapple (Executive Technical Director)

Term of agreement – 26 July 2002 to 30 June 2005)

Base salary of \$140,000 per annum plus superannuation

Period of Termination – Three (3) Months

##### M. Ilett (Chief Financial Controller)

Term of agreement – 10 November 2003 to 9 November 2004

Base Salary of \$59 per hour

Period of Termination – Four (4) weeks

The directors and executives received no remuneration in the form of cash bonuses, non-monetary benefits, post employment retirement benefits, equity options or other bonuses during the financial period.

# NOTES TO FINANCIAL STATEMENTS (continued)

## 24. REMUNERATION OF AUDITORS

During the year the auditor of the parent company and its related practices earned the following remuneration:

Notes	CONSOLIDATED		GOLD AURA LIMITED	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Pitcher Partners</b>				
Audit or review of financial reports of the entity or any entity in the consolidated entity	37,703	29,750	37,703	29,750
Advisory services in relation to the parent entity's IPO	--	17,000	--	17,000
Share registry services until 31 May 2004	15,143	23,213	15,143	23,213
	<b>52,846</b>	<b>69,963</b>	<b>52,846</b>	<b>69,963</b>

## 25. RELATED PARTY DISCLOSURES

### Directors

The names of the persons who were directors of Gold Aura Limited at any time during the financial year are as follows:

B. G. Moller  
 R. B. Murdoch  
 T. Roeggla  
 K. G. Chapple  
 N. C. White

### Remuneration of directors

Information on remuneration of directors is disclosed in note 24

### Other director transactions

During the financial year, Murdoch Geosciences Pty Ltd, a company associated with R. B. Murdoch, charged at cost \$71,608 to the economic entity for provision of his labour and related party transactions.

### Transactions of directors and director related entities concerning shares or share options

Aggregate number of shares and share options of Gold Aura Limited acquired or disposed of during the year by the directors of the company and consolidated entity of their director-related entities from the company:

	2004 Number	2003 Number
Share and share options acquired during the year:		
Listed Ordinary shares acquired on market	699,728	931,273
Listed Ordinary share options acquired on market	11,753	103,834
Share and share options held directly or indirectly at the end of the year:		
Ordinary shares	1,631,001	931,273
Ordinary share options	115,587	103,834

### Wholly owned group

The wholly-owned group consists of Gold Aura Limited and its wholly owned controlled entity Union Mining (PNG) Limited. Gold Aura Limited has loaned \$660,409 to its controlled entity as shown in note 8. The amounts loaned are non-interest bearing, unsecured and have no set repayment date.

### Controlling Entity

The ultimate Australian parent entity is Union Resources Limited, which at 30 June 2004 owns 44.21% of the issued ordinary shares of Gold Aura Limited. At year end Gold Aura had a loan from Union Resources Limited of \$21,839.

**NOTES TO FINANCIAL STATEMENTS (continued)**

	CONSOLIDATED		GOLD AURA LIMITED	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>26. EMPLOYEE BENEFITS</b>				
Employee benefit and related on-cost liabilities				
Included in trade creditors (note 13)	--	8,215	--	8,215
Included in accruals (note 13)	1,794	587	1,794	587
Provision for employee benefits – current (note 14)	17,574	5,521	17,574	5,521
Provision for employee benefits – non current (note 14)	15,230	7,748	15,230	7,748
Aggregate employee benefit and related party on-costs liabilities	<b>34,598</b>	22,071	<b>34,598</b>	22,071

As explained in note 1 (n) amounts for long service leave that are expected to be settled more than 12 months from the reporting date are measured at their present values. The average number of employees during the year was 3. The consolidated entity contributes 9% of the employees' wages and salaries to various superannuation funds.

**27. FRANKING AMOUNT**

The balance in the franking account at year-end for both the economic entity and the parent company is \$Nil.

**28. SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 13<sup>th</sup> September 2004, Gold Aura Limited issued 2,311,274 ordinary shares at 13 cents per share raising \$300,465 to registered shareholders under the shareholder share purchase plan.

# DIRECTORS' DECLARATION

The directors declare that the financial statements and other notes:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the opinion of the directors:

- (a) the financial statements and notes are in accordance with the Corporation Act 2001;
- (b) 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 directors



K. G. Chapple  
Director



R. B. Murdoch  
Director

Brisbane, 30 September 2004



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AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GOLD AURA LIMITED**

### *Scope*

#### ***The financial report and directors' responsibility***

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Gold Aura Limited (the company) and Gold Aura Limited group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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.

#### ***Audit approach***

We 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. The nature of an audit is influenced by factors such as the use of professional judgement, 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.

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
- 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.

***Audit opinion***

In our opinion, the financial report of Gold Aura Limited is in accordance with:

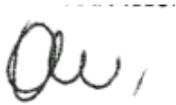
- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

**Inherent uncertainty regarding capitalised mineral exploration costs**

Without qualification to the statement expressed above, attention is drawn to the capitalised exploration and development costs (note 12) totalling \$3,789,121 (2003: \$3,542,639) that have been included in the consolidated entity's Statement of Financial Position as non-current assets.

The ultimate recovery of the carrying values of these assets is dependent upon their successful development and commercial exploitation or, alternatively, the sale of the relevant assets at amounts in excess of their book values.

PITCHER PARTNERS

A handwritten signature in black ink, appearing to be 'R C Brown', is written over a horizontal dashed line.

R C Brown  
Partner

Brisbane, 30 September 2004

# SHAREHOLDER INFORMATION AS AT 27 SEPTEMBER 2004

Shares and options in Gold Aura Limited are quoted on the Australian Stock Exchange (ASX Codes "GOA" and "GOAO")

% of total holding of 20 largest shareholders - 68.39%

% of total holding of 20 largest optionholders - 79.88%

## Voting Rights:

On a show of hands, each member present shall have one vote.

One a poll, each member present or by proxy, shall have on vote for every share held.

Optionholders do not have any voting rights.

## Substantial shareholders and their number of equity securities are:

Union Capital Limited	10,490,611
Austex Mining NL	1,321,959

## (a) Distribution of equity securities

Analysis of numbers of equity holders by size of holdings:

	Shares	Options
1 - 1,000	684,470	2,090
1,001 - 5,000	588,193	725,369
5,001 - 10,000	1,711,553	244,194
10,001 - 100,000	5,421,533	2,278,494
100,001 and Over	17,545,979	8,965,512
	<u>25,951,728</u>	<u>12,215,659</u>
<b>Number of holders with holdings less than a marketable parcel are:</b>	<u>3,460</u>	<u>300</u>
<b>Total Holders:</b>	3,899	330

## (b) Equity security holders

The 20 largest holders of each class of equity securities in the company as at 26 September 2004 are:

Name	SHARES		OPTIONS	
	Number	%	Number	%
Union Capital Limited	10,490,611	40.42	6,116,227	50.07
ANZ Nominees Limited	2,830,880	10.91	395,319	3.24
Austex Mining NL	1,321,959	5.09		
Bow Lane Nominees Pty Ltd	397,393	1.53		
Kenneth Graeme Chapple	321,022	1.24	103,587	0.85
Insight Capital Management Pty Ltd	270,297	1.04		
Austex Mining NL	204,415	0.79		
McNeil Nominees Pty Ltd	203,599	0.78		
Toltec Holdings Pty Ltd	200,000	0.77	429,741	3.52
Wuudee Australia Pty Ltd	188,462	0.73		
Peter Nicholas & Susan Roma Pavliuk	184,212	0.71		
National Nominees Limited	152,365	0.59		
Vinciullo Pty Ltd <N Vinciullo Family a/c>	150,000	0.58	150,000	1.23
Royal Sunset Pty Ltd	138,462	0.53	100,000	0.82
Tromso Pty Limited	138,462	0.53		
Stefano & Denise Margaret Amato <Amato Super a/c>	131,626	0.51	100,000	0.82
Hans-Ulrich Buhler <Econobio a/c>	118,462	0.46		
Persal & Co Investments Pty Ltd	103,752	0.40	100,000	0.82
Robert Francis Davies	100,000	0.39		
Fraser Nominees Pty Ltd	100,000	0.39		
M & K Korkidas Pty Ltd <Superannuation a/c>			460,000	3.77
Janet Elizabeth White			293,214	2.40
Worldpower Pty Ltd			250,000	2.05
Craig William Manners			230,000	1.88
Julie Louise Alice Rodgers			202,000	1.65
Jindabyne Pty Ltd <HW Daly Family a/c>			200,000	1.64
David Christopher Kemp			135,424	1.11
Anna Louise Boland & Anthony Van Schilfgaarde			100,000	0.82
Odd Investments Pty Ltd			100,000	0.82
Unus Investments Pty Ltd			100,000	0.82
Jayni Francis Manners			85,000	0.70
Laurie William & Leanne Dawn Howlett			83,391	0.68
<b>Total held by twenty largest holders</b>	<u>17,745,979</u>	<u>68.39</u>	<u>9,733,903</u>	<u>79.71</u>

## SHAREHOLDER INFORMATION AS AT 27 SEPTEMBER 2004

<b>Total equities on issue</b>	25,951,728	100.00	12,215,659	100.00
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The listed options are exercisable at 25 cents up to a maturity date of 31/03/2005

### **(c) Voting Rights:**

On a show of hands, each member present shall have one vote.

One a poll, each member present or by proxy, shall have one vote for every share held.

Optionholders do not have any voting rights.