



**D'AGUILAR GOLD LTD  
AND CONTROLLED ENTITIES**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2003**

## **CORPORATE INFORMATION**

### **DIRECTORS**

Christopher Rawlings (Chairman)  
Nicholas Mather  
Ian Levy  
Brian Moller  
Damien Reynolds  
Vincent Mascolo

### **COMPANY SECRETARY**

Duncan Cornish

### **REGISTERED OFFICE AND PRINCIPAL BUSINESS OFFICE**

D'Aguilar Gold Ltd  
Level 30, Riverside Centre  
123 Eagle Street  
Brisbane QLD 4000  
Phone: + 61 7 3839 5113  
Fax: +61 7 3839 8661

### **SOLICITORS**

Hopgood Ganim  
Level 8, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000

### **SHARE REGISTER**

Pitcher Partners  
(Formerly Douglas Heck & Burrell)  
Level 22, 300 Queen Street  
Brisbane QLD 4000  
Phone: +61 7 3228 4000

### **AUDITORS**

BDO Kendalls  
Level 18, 300 Queen Street  
Brisbane QLD 4000  
Phone: +61 7 3237 5999

### **COUNTRY OF INCORPORATION**

Australia

### **STOCK EXCHANGE LISTING**

Australian Stock Exchange Ltd  
ASX Code: DGR

### **INTERNET ADDRESS**

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

### **AUSTRALIAN BUSINESS NUMBER**

ABN 67 052 354 837

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## CHAIRMAN'S REPORT

Dear Shareholder

It is with great pleasure that I present the first Annual Report on behalf of the Board of D'Aguilar Gold Limited.

I would like to again thank all shareholders for the confidence shown in the Company's gold exploration opportunities by their support of the capital raising. The Company was listed, after being fully subscribed, on the Australian Stock Exchange on the 21<sup>st</sup> August 2003 and has actively traded since. The funds raised are being immediately directed to the establishment of an exploration facility based at the Shamrock mine and to the implementation of the exploration program.

The Company, as shown in the prospectus, has been able to combine the exploration leases of a number of separate companies, which had been operating in the Kilkivan region and utilise the assets remaining from their previous gold mining ventures. This aggregation provides the unique opportunity to assess the prospective deposits on the basis of combined information from different sources and establish regional geological models for gold emplacement.

The Company has been fortunate to be able to appoint Mr Ron Cunneen, the former General Manager Exploration for Gympie Gold Limited as the Exploration Manager.

Mr Cunneen has extensive regional and detailed exploration experience in the Gympie goldfield and surrounds and is focussing the exploration planning on highly prospective targets.

The key objectives of the exploration programme are to define 300,000 ounces of gold resource to support the re-establishment of gold production at the Company's wholly owned Shamrock treatment plant and to define potentially large porphyry gold deposits in the regional area. The Board is excited by the potential for modern remote sensing data interpretation techniques and intends to utilise them to assist in better definition of the porphyry targets.

There has been recent improvement in the international price of gold and renewed interest being shown by capital markets in well focussed gold exploration and production companies. This positive investment environment should provide an encouraging market for current and future investors in D'Aguilar Gold.

As foreshadowed in the prospectus, the Company will shortly be issuing a rights entitlement prospectus for the issue of options for existing shareholders. I encourage you to support this issue.

Finally, your Board and I look forward to working assiduously to increase shareholders wealth through successful exploration and diligent application of your assets.

A handwritten signature in black ink, appearing to read 'C. D. Rawlings'. The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Dr Christopher Rawlings

Chairman

## REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

During the year the operations focussed on the identification of targets which had the potential to meet dual objectives for D'Aguilar.

- definition of 300,000 ounces gold in resources suitable for early treatment through the Shamrock treatment plant; and
- definition of more than 1,000,000 ounces gold in disseminated bulk mineable style deposits.

### D'Aguilar Gold Project Summary

The D'Aguilar Gold project covers some 1,480 of exploration licences and mining leases (580 ha) in the Kilkivan area west of Gympie in south-east Queensland (Figure 1). The area is highly prospective for bulk mineable style disseminated gold ore bodies of the intrusive related class and related high grade gold and base metals sulphide vein systems. The area is 50km west of the highly productive 3.7 million ounce Gympie goldfield currently being operated at a rate of 50,000 ounces of gold per annum by D'Aguilar's largest shareholder, Gympie Gold Limited ("Gympie Gold").

The project area, centred on D'Aguilar's wholly owned treatment plant, a 150,000 tonne per annum carbon in pulp ("CIP") plant has previously seen the production of some 200,000 ounces of gold, approximately a third of which was produced in the 1990's by small mining operations on D'Aguilar's mining lease tenements.

The D'Aguilar Block is a Palaeozoic aged structural block of metamorphic rocks which have been faulted and uplifted between the Esk Trough to the west and the Gympie Block to the east. Late Triassic aged rocks of granodioritic composition have intruded the D'Aguilar Block and formed porphyry and intrusive related mineralised bodies and related base metal sulphide and precious metal ore zones. The project area is characterised by a set of northwest and northeast fracture zones which the Company believes have been important structures controlling the emplacement of these ore zones. D'Aguilar believes the entire project area has broad geological similarities to the highly mineralised Lachlan Fold Belt of New South Wales which hosts a number of large mineralised intrusive related porphyry systems. The exploration techniques which the Company is adopting are therefore broadly similar to the techniques employed at the Lachlan Fold Belt.

The area has never been the subject of detailed coherent exploration programs and never previously been examined using the latest bulk mineable style mineralisation models. There are many reasons for this neglect and they can be summarised as follows:

- *Fragmented Tenures*

In the past the ground has been held by a number of parties with relatively small tenures which prevented a large scale and regional exploration perspective

- *Premature Production*

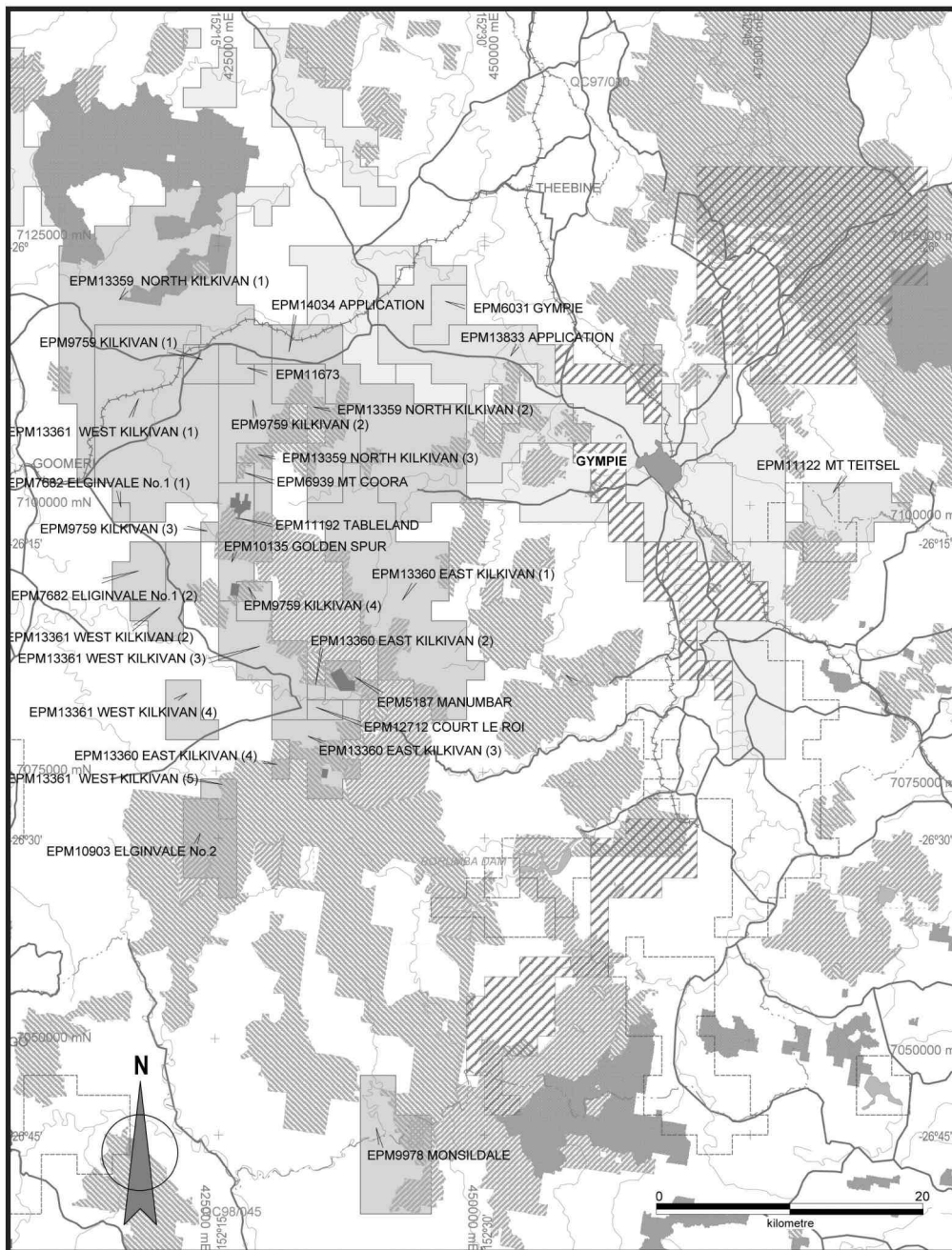
Previous owners of the project or part thereof commenced mining and production activities without having defined sufficient resources and reserves to enable long term mine planning and bankability. D'Aguilar will thoroughly explore and define resources and reserves prior to incurring the expense of development

- *Lack of Bulk Mineable Perspectives*

Historic miners at the turn of the century and more recently in the 1990s were preoccupied with the mining of high grade and visibly identifiable reef systems which very often showed visible gold. In the orebodies for which D'Aguilar is exploring, the gold is not visible, the ore bodies maybe concealed by covering rocks and the gold will for the most part be disseminated through large volumes of rock rather than be confined to well defined structures.

D'Aguilar intends to apply geophysical techniques particularly gravity and magnetics to define bulk mineable and concealed targets for drilling.

**Figure 1**



**LEGEND**

- D'Aguilar Gold Pty Ltd, Australian Resource Management Pty Ltd, Navaho Pty Ltd EPMs and MLs.
- Tenure in the name of Gympie Eldorado Goldmines Pty Ltd and Gympie Gold Limited to be transferred as per Agreement at future date.
- EPM others.
- EPM Application others.
- Departmental Restricted Area.
- Native Title claim
- State Forest
- Forest Reserve
- National Park

**Figure 1 – D'Aguilar Gold Project Exploration Tenements**

- *Uncommercial Joint Ventures*

Previously the area has been the subject of a number of joint ventures and royalty arrangements which have hampered the development of the known ore zones. D'Aguilar has however, complete ownership of the project areas without such encumbrances.

- *Inadequate Databases*

The existing government databases available are relatively disjointed and therefore D'Aguilar has spliced together aeromagnetic and geochemical databases over the project area in order to gain a regional perspective and define targets in the optimal structural settings.

D'Aguilar and its consultants have established the relevance of *the intrusive related model* which dictates that gold will be deposited in the upper levels of highly differentiated intrusive systems of intermediate composition. The D'Aguilar block flanked by the Esk Trough on its western side is host to numerous intrusions of this style, some of which D'Aguilar has already identified and host potentially ore grade mineralisation.

In addition, the Company has 100% ownership of some 580 hectares of mining leases on which potential for in excess of 300,000 ounces of gold have been identified. These targets offer the Company the opportunity to go into gold production much more rapidly, than if no mining tenure existed. Accordingly, D'Aguilar is expediting drilling programs on these mining lease areas and expects to be commencing drilling in October 2003. The specific target areas are detailed below.

D'Aguilar has devised a set of exploration programs to evaluate in excess of twenty-four different targets in the project area, in order to meet the dual exploration objectives stated above.

### **Resources for early treatment**

The Company's activities focussed on defining resources on granted mining leases in the company's portfolio of tenements in order to expedite future positive cash flows for D'Aguilar. The principle targets are located on the Mt Clara fault line of workings to the west of the existing Shamrock pit, the Shamrock the Long Tunnel mining lease, Jimmy's Scrub mining lease and the Manumbar project 30km south of the Shamrock treatment plant. Resources mined from these projects in the past have yielded approximately 64,000 ounces of gold at a head grade of approximately 5 grams. D'Aguilar has identified potential for extensions of this mineralisation which may yield additional gold resources suitable for early treatment through the Shamrock plant.

#### ***Clara Fault Line***

Previous exploration activity on the Clara fault line took place only underneath the Tablelands shaft only and resulted in the discovery of the 5,000 ounce reserve at a grade of 5.5 grams per tonne gold which was treated through the Shamrock plant. Existing data bases demonstrate extensive gold anomalism for some 2km south of the Tablelands and 1.5km north. The Clara Fault is a north-south thrust fault zone in serpentinites and porphyries. Additional lodes at similar grades to the ore extracted from the Tablelands pit are expected within the shear zone. D'Aguilar has identified targets at New Zealand Gully and to the south west of the Shamrock pit. Additional mineralisation was outlined to the west of the Tablelands pit but has not been drill tested. An early 2,000 metre reverse - circulation drilling program is planned for October to test these targets.

#### ***Shamrock Extensions***

The Shamrock ore body was penetrated by 120 holes drilled by a previous explorer providing a detailed database on which to extrapolate extensions of the Shamrock of mineralisation at depth. Drill intersections of up to a metre at 29.95grams, 21 metres at 2.25 grams and 48 metres at 0.86 grams demonstrate a highly mineralised system which has not been explored below 80 metres depth from surface. D'Aguilar is planning to test the Shamrock extensions with a 1,000 metres reverse circulation drilling in October. D'Aguilar is targeting in excess of 100,000 ounces from the Shamrock extensions.

#### ***Long Tunnel***

The Long tunnel project is held in D'Aguilar's wholly owned subsidiary Navaho Mining Pty Ltd and has disseminated gold mineralisation in a porphyry system. Previous drilling by Cyprus Mines Pty Ltd turned up to 2 metres at 15 grams per tonne, which has not been followed up in the past. D'Aguilar intends to conduct further drilling activities at the Long Tunnel prospect towards the end of next month.

### ***Jimmy's Scrub***

Previous drilling at Jimmy's scrub yielded a small resource. Mineralisation up to 11 grams per tonne over a metre and untested electromagnetic anomalies provide the basis for potential extensions. The Jimmy's Scrub prospect will be drill tested in the current program.

### ***Manumbar***

The Manumbar mine can be accessed by 32 kilometres of haul road south of the Shamrock treatment plant. Previous operations yielded some 49,000 ounces of gold at a head grade of 5.2 grams per tonne. The deposit occurs in a quartz and calcite vein which has been mined on three small pits. Exploration targets exist at depth beneath the pit at long strike. High grades in the bottom of the east pit of 1.8 metres grading 36.9 grams per tonne provides the basis for a resource of 39,400 tonnes at 7 grams per tonne. D'Aguilar intends to drill the Manumbar veins during the current program to define in excess of 30,000 ounces which maybe treated rapidly through the Shamrock plant.

D'Aguilar believes there to be potential for up to 300,000 ounces which may be accessible by future underground mining on the Manumbar vein system.

### **Mapping and Sampling Program (Figure 2)**

The Company has outlined several prospects on which mapping and sampling and trenching programs will be conducted in an effort to define early drill targets to generate plant feed for the Shamrock. These include:

- *Collins Creek*
- *Mt Clara*
- *Mt Coora*
- *Peak*
- *Mariners*
- *Victoria*
- *Drains Gully*
- *Ortts*
- *Saw Pit Creek*
- *King Creek*

These prospects are located on figure 2.

### **Bulk Mineable Targets (Figure 2)**

D'Aguilar has commenced a review of regional geochemical and aeromagnetic data in order to define and bring to drill maturity the bulk mineable disseminated prospects. These include:

- *Gibraltar Rock*
- *Long Tunnel / One Mile*
- *Mt Mudlo*
- *Cinnabar*
- *Mt Clara*
- *Peenam*
- *German Gully / Elginvale*
- *King Creek*

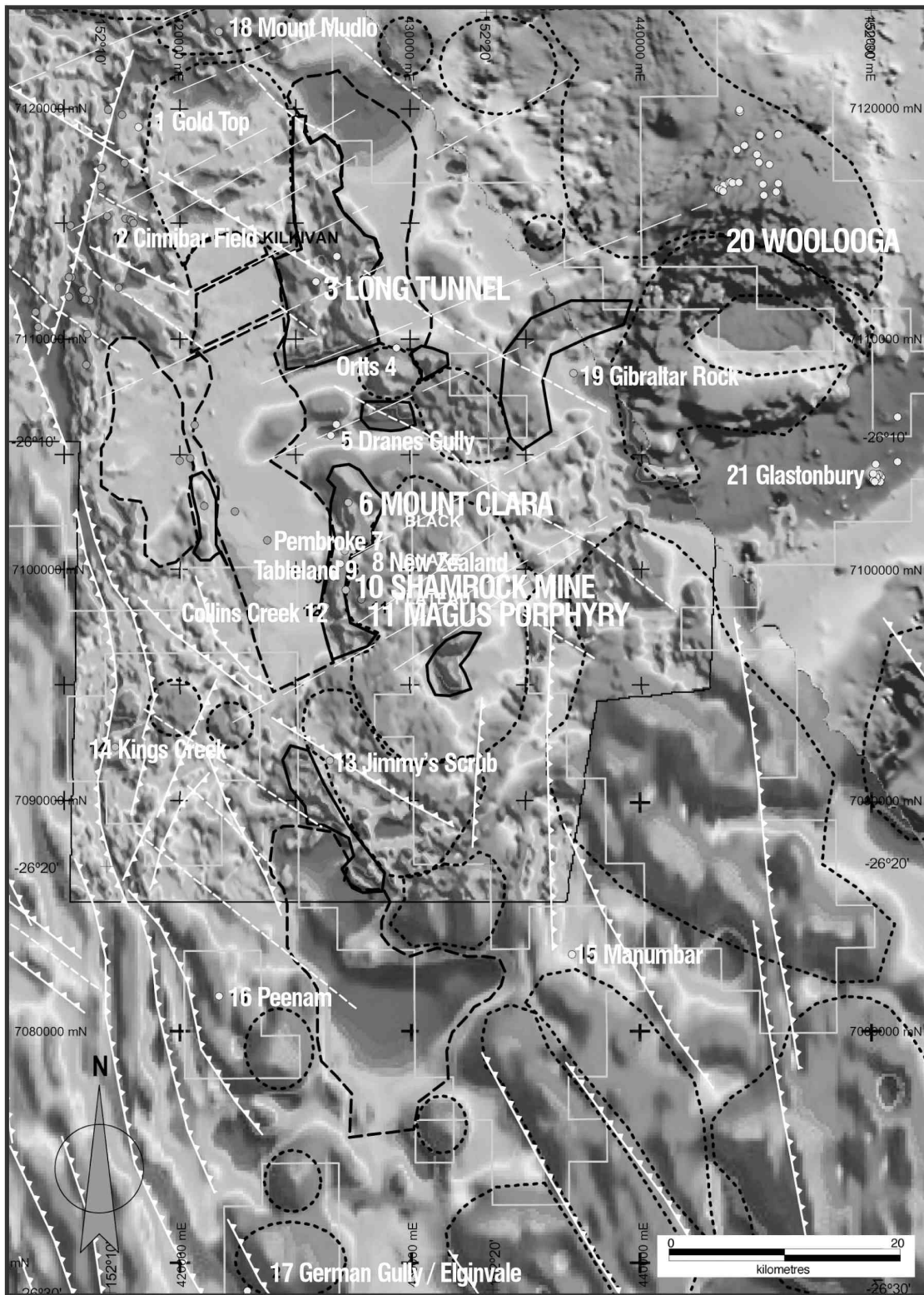
Additional targets which currently have no geochemical support are evident in the aeromagnetic data and will be subjected to detailed stream sediment and float sampling.



D'Aguilar has commenced investigation of the reprocessing of the existing aeromagnetic data and the acquisition of gravity data over the entire project area to assist in the delineation of drill mature bulk mineable targets.

### **Staffing and Logistics**

D'Aguilar has commenced equipping the site office at the Shamrock Mine to support intense exploration activities and is currently engaging in the services of four additional geologists.

**Figure 2**



| <b>LEGEND</b>                                                                       |                                                                                        |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
|  | Magnetic aureole                                                                       |
|  | Non-magnetic granitoid                                                                 |
|  | Other granitoids – intermediate complexes of different magnetic characteristics        |
|  | D'Aguilar Gold Pty Ltd, Australian Resource Management Pty Ltd and Navaho Pty Ltd EPMs |
|  | North-east fault                                                                       |
|  | Thrust                                                                                 |
|  | North-west trends                                                                      |

| <b>PROSPECTS / TARGETS</b> |                |    |                           |
|----------------------------|----------------|----|---------------------------|
| 1                          | Gold Top       | 12 | Collins Creek Cu Prospect |
| 2                          | Cinnibar Field | 13 | Jimmy's Scrub             |
| 3                          | Long Tunnel    | 14 | King Creek                |
| 4                          | Ortts          | 15 | Manumbar                  |
| 5                          | Dranes Gully   | 16 | Peenam                    |
| 6                          | Mount Clara    | 17 | German Gully/Elginvale    |
| 7                          | Pembroke       | 18 | Mount Mudlo               |
| 8                          | New Zealand    | 19 | Gibraltar Rock            |
| 9                          | Tableland      | 20 | Woolooga                  |
| 10                         | Shamrock Mine  | 21 | Glastonbury               |
| 11                         | Magus Porphyry |    |                           |

## **DIRECTORS' REPORT**

Your directors submit their report for the year ended 30 June 2003.

### **DIRECTORS**

The names of the directors of the company in office during the period and until the date of this report are as follows.

#### **Names, qualifications, experience and special responsibilities**

**Dr Christopher Rawlings**  
**BSc (PhD), FAusIMM, FAICD**  
**(Non Executive Chairman)**

Dr Rawlings was appointed on 21 May 2003 and acts as the company's Chairman. Dr Rawlings has over 27 years experience in the Australian mining industry, including six years as a Managing Director of South Blackwater Coal Limited and six years as a Managing Director and chief executive officer of QCT Resources Limited. He is a former President of the Queensland Mining Council.

Dr Rawlings is a fellow of the Australian Institute of Company Directors, the Australasian Institute of Mining and Metallurgy and the Institution of Engineers, Australia.

Dr Rawlings is a director of Australian Magnesium Corporation, Gympie Gold Limited, Uniquest Pty Ltd, JK Tech Pty Ltd and is Chairman of Directors of Renison Consolidated Mines NL.

**Nicholas Mather**  
**BSc (Hons, Geol) (Univ. QLD) MAusIMM**  
**(Managing Director)**

Mr Mather was appointed on 26 October 2001. Nick Mather has 21 years' experience in exploration and resource company management. His career has taken him to a variety of countries exploring for precious and base metals and fossil fuels.

Mr Mather has focused his attention on the identification of and investment in large resource exploration projects.

He was managing director of BeMaX Resources NL from 1997 until 2000 and instrumental in the discovery of the world class Ginkgo mineral sand deposit in the Murray Basin in 1998. As an executive director of Arrow Energy NL, Mr Mather has driven the acquisition and business development of Arrow's large Surat Basin Coal Bed Methane project in South East Queensland. He was managing director of Auralia Resources NL, a junior gold explorer before its \$23 million merger with Ross Mining NL in 1995. He is also a non-executive director of Ballarat Goldfields NL, having recently assisted that company in its recapitalisation and relisting on ASX.

Mr Mather is President of Western Pacific Gold Inc, a listed Canadian exploration company and an Executive Director of ASX listed Arrow Energy NL.

**Ian Levy**  
**BSc (Hons) (ANU) MSc (Dist) (London) & Diploma of Imperial College (Royal School of Mines)**  
**(Non-Executive Director )**

Mr Levy was appointed on 12 February 2003. Mr Levy has had 26 years experience in both mining geology and mineral exploration including 12 years with Western Mining Corporation Limited and 11 years experience in mining business development positions.

Mr Levy commenced his mining career with Western Mining Corporation Limited at the Kambalda Nickel Operation in Western Australia. He worked on the Kalgoorlie Golden Mile and Central Norseman Gold Mines prior to being appointed senior commercial geologist at Western Mining's head office in Melbourne in 1980.

In 1984, Mr Levy was appointed Chief Geologist of the Tavua Basin Joint Venture with Emperor Gold Mines in Fiji. During this time, exploration teams under his management discovered the million-ounce Prince William ore system. From 1987 until present, Mr Levy has worked in development roles for mining-exploration companies including Pancontinental Mining and Gympie Gold Limited where he is currently employed as General Manager Development.

Mr Levy has been Federal President of the Australian Institute of Geoscientists and was a member of the Joint Ore Reserve Committee (JORC) for 10 years including 4 years as Vice Chairman.

**Brian Moller**  
**LLB (Hons) (Univ. QLD)**  
**(Non-Executive Director)**

Mr Moller was appointed on 2 August 2002. Mr Moller is a corporate partner in the Brisbane based law firm Hopgood Ganim. He was admitted as a solicitor in 1981 and has been a partner since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

He holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Mr Moller acts for many public listed resource and industrial companies and brings a wealth of experience and expertise to the board particularly in the corporate regulatory and governance areas. He is currently Chairman of Gold Aura Limited, a Queensland based ASX listed company.

**Damien Reynolds**  
**(Non-Executive Director)**

Mr Reynolds was appointed on 2 August 2002. Mr Reynolds is currently President and CEO of Tournigan Gold Corporation, a Canadian and German listed gold exploration and development company.

Mr Reynolds has been working in the junior resources sector for more than 18 years and has gained considerable industry knowledge serving on the boards of a number of public exploration companies.

Mr Reynolds was the financial controller of Total Energold Corporation, a mining and resource exploration subsidiary of the Total Group of France and Major General Resources Ltd.

**Vincent Mascolo**  
**BEng Mech (Univ. NSW) MAusIMM, MEI Aust**  
**(Non-Executive Director )**

Mr Mascolo was appointed on 30 September 2002. Mr Mascolo is a qualified mining engineer with extensive experience in a variety of fields including, gold and coal mining, quarrying, civil-works, bridge-works, water and sewage treatment and estimating.

Mr Mascolo has completed assignments in the Civil and Construction Industry, including construction and project management, engineering, quality control and environment and safety management.

Mr Mascolo is a member of both the Australian Institute of Mining and Metallurgy and the Institute of Engineers of Australia.

## Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of D'Aguilar Gold Ltd were:

|                         | Ordinary Shares | Unlisted \$0.20 options<br>exercisable on or before 31<br>October 2005 |
|-------------------------|-----------------|------------------------------------------------------------------------|
| Dr Christopher Rawlings | 925,000         | -                                                                      |
| Nicholas Mather         | 811,100         | 1,730,770                                                              |
| Ian Levy                | 200,000         | -                                                                      |
| Brian Moller            | 625,000         | -                                                                      |
| Damien Reynolds         | 462,500         | 1,384,615                                                              |
| Vincent Mascolo         | 1,311,044       | 1,384,615                                                              |

## CORPORATE INFORMATION

### Corporate structure

D'Aguilar Gold Ltd is a company limited by shares that is incorporated and domiciled in Australia. D'Aguilar Gold Ltd has prepared a consolidated financial report which consolidates its' 100% owned subsidiaries Australian Resource Management (ARM) Pty Ltd and Navaho Mining Pty Ltd.

### Nature of operations and principal activities

The principal activities of the Company during the financial year were mineral exploration and development. There where no significant changes in the nature of the Company's principal activities during the financial year.

### Employees

As at 30 June 2003, the consolidated entity employed one full-time employee (2002: one full-time employee).

## OPERATING RESULTS

The consolidated profit from ordinary activities for the economic entity after providing for income tax was \$2,024,974.

## DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

## REVIEW OF OPERATIONS

Detailed comments on operations and exploration programmes up to the date of this report are included separately in the Annual Report under Review of Operations.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

- By an Agreement dated 30 September 2002 the Company acquired Navaho Mining Pty Ltd, being the holder of the Long Tunnel project area comprising ML50137 and EPM11673. The consideration paid was the issue of 1,986,989 shares in the Company.
- On 10 October 2002 D'Aguilar Gold Pty Ltd converted to a public company, D'Aguilar Gold Limited.
- By an Agreement dated 7 October 2002, between Western Pacific Gold Inc. ("WPI") and the Company, the Company acquired 100% of the share capital in Australian Resource Management (ARM) Pty Ltd ("ARM") in consideration for the issue of 50 shares in the Company. ARM is the holder of four Exploration Licences in Solomon Islands and three in the Kilkivan area.
- By deed dated 31 December 2002 between WPI and the Company, WPI agreed to forgive the Company in respect of all debts owing by the Company to WPI. This resulted in a significant gain (on debt forgiveness) of \$3,860,273 and the issue of 9,996,800 shares in the Company to WPI.
- Between September 2002 and January 2003 the Company issued 10,825,000 shares to various investors at 4 cents per share.
- On 23 January 2003 the Company issued 7,000,000 shares to Gympie Gold Ltd at 5c per share and further agreed to issue a further 7,500,000 shares to Gympie Gold Ltd in consideration for the transfer of various mining tenements and interests to the Company, such shares to be issued at 20c per share.
- On 28 May 2003 the Company issued a prospectus for the issue of up to 20,000,000 shares to be offered for subscription at 20 cents each to raise up to \$4,000,000.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

Having closed the Initial Public Offering fully subscribed (\$4,000,000) on 8 August 2003, the Company was admitted to the Australian Stock Exchange ("ASX") on 19 August 2003. Official quotation of the Company's shares on the ASX commenced on 21 August 2003.

It should be noted that the audited Statement of Financial Position as at 30 June 2003 shown in the attached accounts do not include the effects of the capital raising completed subsequent to the end of the financial year. The purpose of presenting a pro-forma Statement of Financial Position as at 30 June 2003 below is to illustrate the financial position as at 30 June 2003 adjusted to include the following items:

- capital raising of \$4,000,000 by issuing 20,000,000 ordinary shares at 20 cents each; and
- incurring preliminary and share issue costs of \$487,000. These costs are accounted for as a charge against equity. We note that \$226,116 had been prepaid as at 30 June 2003, shown as a prepayment within other current assets.

### Pro-forma Statement of Financial Position as at 30 June 2003

|                                | <b>30 June 2003<br/>Consolidated<br/>(Audited)<br/>\$</b> | <b>Pro-forma<br/>Consolidated<br/>30 June 2003<br/>\$</b> |
|--------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|
| <b>CURRENT ASSETS</b>          |                                                           |                                                           |
| Cash assets                    | 8,812                                                     | 3,747,928                                                 |
| Receivables                    | 37,620                                                    | 37,620                                                    |
| Inventories                    | -                                                         | -                                                         |
| Other assets                   | 226,116                                                   | -                                                         |
|                                | <hr/>                                                     | <hr/>                                                     |
| Total Current Assets           | 272,548                                                   | 3,785,548                                                 |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>NON-CURRENT ASSETS</b>      |                                                           |                                                           |
| Other financial assets         | 451,187                                                   | 451,187                                                   |
| Property, plant and equipment  | 220,953                                                   | 220,953                                                   |
| Other                          | 64,298                                                    | 64,298                                                    |
|                                | <hr/>                                                     | <hr/>                                                     |
| Total Non-Current Assets       | 736,438                                                   | 736,438                                                   |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>TOTAL ASSETS</b>            | <b>1,008,986</b>                                          | <b>4,521,986</b>                                          |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>CURRENT LIABILITIES</b>     |                                                           |                                                           |
| Payables                       | 289,726                                                   | 289,726                                                   |
| Borrowings                     | 19,817                                                    | 19,817                                                    |
|                                | <hr/>                                                     | <hr/>                                                     |
| Total Current Liabilities      | 309,543                                                   | 309,543                                                   |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>NON-CURRENT LIABILITIES</b> |                                                           |                                                           |
| Borrowings                     | 7,022                                                     | 7,022                                                     |
| Provisions                     | 1,300,000*                                                | 1,300,000*                                                |
|                                | <hr/>                                                     | <hr/>                                                     |
| Total Non-Current Liabilities  | 1,307,022                                                 | 1,307,022                                                 |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>TOTAL LIABILITIES</b>       | <b>1,616,565</b>                                          | <b>1,616,565</b>                                          |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>NET ASSETS</b>              | <b>(607,579)</b>                                          | <b>2,905,421</b>                                          |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>EQUITY</b>                  |                                                           |                                                           |
| Contributed equity             | 1,071,931                                                 | 4,584,931                                                 |
| Accumulated losses             | (1,679,510)                                               | (1,679,510)                                               |
|                                | <hr/>                                                     | <hr/>                                                     |
| <b>TOTAL EQUITY</b>            | <b>(607,579)</b>                                          | <b>2,905,421</b>                                          |
|                                | <hr/>                                                     | <hr/>                                                     |

\* Note: We also draw the readers attention to Note 26 (b) of the accounts which refers to contingent assets of up to \$1,300,000 not shown on the Statement of Financial Position as at 30 June 2003, but that may be called upon (in certain circumstances) should the potential costs for site restoration (non-current liability) shown above for \$1,300,000 be required.

## FUTURE DEVELOPMENTS

Likely developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in relation to the Company's exploration and development prospects in the Annual Report under Review of Operations.

There are no further developments of which the directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the directors believe comment on or disclosure of, would prejudice the interests of the Company.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated entity is subject to environmental regulation in relation to its exploration activities. Save for the securing for the benefit of the Company of bonds totaling some \$1,300,000 in respect of the future liability for rehabilitation of mining leases, there are no matters that have arisen in relation to environmental issues up to the date of this report. Details of these bonds appear in Note 26 in the Notes to Financial Statements.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

Each of the directors of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those directors.

The Company has insured all of the directors of D'Aguilar Gold Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

## **DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS**

### **Remuneration policy**

The Company's policy for determining the nature and amount of emoluments of board members of the Company is as follows:

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is \$185,000.00 per annum. Additionally, Non-Executive Directors will be entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors. A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of any Executive Director may from time to time be fixed by the Directors. The remuneration may be by way of salary or commission or participation in profits but may not be by commission on, or a percentage of, operating revenue.

### **Emoluments' of directors and other officers of D'Aguilar Gold Ltd**

Emoluments of directors of D'Aguilar Gold Ltd for the year ended 30 June 2003:

|                                                 | <b>Directors' Fee</b> | <b>Consulting Fee</b> | <b>Total</b> |
|-------------------------------------------------|-----------------------|-----------------------|--------------|
|                                                 | <b>\$</b>             | <b>\$</b>             | <b>\$</b>    |
| Dr Christopher Rawlings (appointed 21 May 2003) | 4,409                 | -                     | 4,409        |
| Nicholas Mather                                 | -                     | 92,215                | 92,215       |
| Ian Levy (appointed 12 February 2003)           | 11,429                | -                     | 11,429       |
| Brian Moller (appointed 2 August 2002)          | 27,500                | -                     | 27,500       |
| Damien Reynolds (appointed 2 August 2002)       | 27,500                | -                     | 27,500       |
| Vincent Mascolo (appointed 30 September 2002)   | 22,500                | -                     | 22,500       |

Emoluments of the five most highly paid executive officers of the consolidated entity for the year ended 30 June 2003:

|           | <b>Base<br/>\$</b> | <b>Superannuation<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------|--------------------|------------------------------|---------------------|
| R Grayson | 51,923             | 4,673                        | 56,596              |
| B Roach   | 50,287             | 4,388                        | 54,675              |

## **DIRECTORS' MEETINGS**

The number of meetings of directors held during the period and the number of meetings attended by each director are as follows:

|                         | <b>Number of meetings held<br/>while in office</b> | <b>Meetings attended</b> |
|-------------------------|----------------------------------------------------|--------------------------|
| Dr Christopher Rawlings | 1                                                  | 1                        |
| Nicholas Mather         | 6                                                  | 6                        |
| Ian Levy                | 2                                                  | 1                        |
| Brian Moller            | 5                                                  | 5                        |
| Damien Reynolds         | 5                                                  | 5                        |
| Vincent Mascolo         | 4                                                  | 1                        |

Total number of meetings held during the financial year – 6

## **SHARE OPTIONS**

As at the date of this report (and at the balance date) there were 4,500,000 unissued ordinary shares under options as follows:

- 4,500,000 unlisted options to take up one ordinary share in D'Aguilar Gold Ltd at an issue price of 20 cents. The options expire 31 October 2005.

## **PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of D'Aguilar Gold Ltd support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Shareholder Information section of the Annual Report.

Signed in accordance with a resolution of the directors.

Brian Moller  
Director

Brisbane  
30 September 2003

## SHAREHOLDER INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 19 September 2003.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

|                  | Ordinary shares      |                     | Unlisted \$0.20 options<br>exercisable on or before 31<br>October 2005 |                      |
|------------------|----------------------|---------------------|------------------------------------------------------------------------|----------------------|
|                  | Number of<br>holders | Number of<br>shares | Number of<br>holders                                                   | Number of<br>options |
| 1 – 1,000        | 1                    | 558                 | -                                                                      | -                    |
| 1,001 – 5,000    | 22                   | 80,215              | -                                                                      | -                    |
| 5,001 – 10,000   | 271                  | 2,706,500           | -                                                                      | -                    |
| 10,001 – 100,000 | 294                  | 9,596,685           | -                                                                      | -                    |
| 100,001 and over | 47                   | 37,428,081          | 3                                                                      | 4,500,000            |
| Total            | <u>635</u>           | <u>49,812,039</u>   | <u>3</u>                                                               | <u>4,500,000</u>     |

The number of shareholders holding less than a marketable parcel of shares is 9 (19,228 ordinary shares).

(b) **Twenty largest holders**

The names of the twenty largest holders, in each class of security are:

**Ordinary shares:**

|    |                                           |                   |               |
|----|-------------------------------------------|-------------------|---------------|
| 1  | Western Pacific Gold Inc *                | 8,000,050         | 16.1%         |
| 2  | Gympie Gold Limited                       | 7,000,000         | 14.1%         |
| 3  | Westpac Custodian Nominees Limited        | 3,530,000         | 7.1%          |
| 4  | SC Biggs                                  | 1,375,000         | 2.8%          |
| 5  | Vincent Mascolo                           | 1,311,044         | 2.6%          |
| 6  | HSBC Custody Nominees (Australia) Limited | 1,300,000         | 2.6%          |
| 7  | Abbotsleigh Pty Ltd                       | 1,250,000         | 2.5%          |
| 8  | Tenstar Trading Limited                   | 1,000,000         | 2.0%          |
| 9  | Bizzell Nominees Pty Ltd                  | 880,000           | 1.8%          |
| 10 | Dr Christopher David Rawlings             | 850,000           | 1.7%          |
| 11 | Liam Rigney                               | 746,608           | 1.5%          |
| 12 | Dr Robert Todd                            | 675,000           | 1.4%          |
| 13 | Samuel Capital Limited                    | 650,000           | 1.3%          |
| 14 | Sealth Pty Ltd                            | 625,000           | 1.3%          |
| 15 | Agpro Pty Ltd                             | 500,000           | 1.0%          |
| 16 | Gurravembi Investments Pty Ltd            | 500,000           | 1.0%          |
| 17 | Howard Hughes                             | 500,000           | 1.0%          |
| 18 | George Lee                                | 500,000           | 1.0%          |
| 19 | Alfredo Marrocco                          | 500,000           | 1.0%          |
| 20 | Tibeto Pty Ltd                            | <u>500,000</u>    | <u>1.0%</u>   |
|    | Top 20                                    | <u>32,192,702</u> | <u>64.6%</u>  |
|    | Total                                     | <u>49,812,039</u> | <u>100.0%</u> |

\*Note : Western Pacific Gold Inc. ("WPI") proposes to distribute all of the 8,000,050 ordinary shares it holds in D'Aguilar Gold Ltd on a pro-rata basis to shareholders of WPI. WPI shareholders as at the WPI Record Date will be entitled to participate in this distribution.

**(Unquoted) options exercisable at \$0.20 on or before 31 October 2005:**

|   |                        |                  |               |
|---|------------------------|------------------|---------------|
| 1 | Samuel Capital Limited | 1,730,770        | 38.4%         |
| 2 | Vincent Mascolo        | 1,384,615        | 30.8%         |
| 3 | Damien Reynolds        | <u>1,384,615</u> | <u>30.8%</u>  |
|   | Top 20                 | <u>4,500,000</u> | <u>100.0%</u> |
|   | Total                  | <u>4,500,000</u> | <u>100.0%</u> |

**(c) Substantial shareholders**

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

|                          | <b>Number of shares</b> |
|--------------------------|-------------------------|
| Western Pacific Gold Inc | 8,000,050               |

**(d) Voting rights**

All ordinary shares carry one vote per share without restriction

**(e) Restricted securities**

The number of restricted securities (held in escrow) that are on issue, and the date from which they cease to be restricted securities are as follows:

Ordinary shares

|                                          |                                  |
|------------------------------------------|----------------------------------|
| Date securities cease to be restricted:  | Number of restricted securities: |
| 4 December 2003 (ASX restriction)        | 1,050,945                        |
| 21 February 2004 (voluntary restriction) | 1,000,000                        |
| 26 May 2004 (ASX restriction)            | 750,000                          |
| 21 August 2005 (ASX restriction)         | <u>16,481,094</u>                |
| Total                                    | <u>19,282,039</u>                |

Unlisted options exercisable at \$0.20 on or before 31 October 2005:

|                                         |                                  |
|-----------------------------------------|----------------------------------|
| Date securities cease to be restricted: | Number of restricted securities: |
| 21 August 2005 (ASX restriction)        | 4,500,000                        |

**(f) Business objectives**

The entity has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

## INTERESTS IN MINING AND EXPLORATION TENEMENTS

D'Aguilar Gold Ltd held the following interests in mining and exploration tenements as at 30 September 2003:

### *Australia*

| Tenure Type, Name and Number              | Current Holder                                          | Registered % Interest of Holder | Date of Expiry      |
|-------------------------------------------|---------------------------------------------------------|---------------------------------|---------------------|
| EPM 11673 Kilkivan Project                | Navaho Mining Pty Ltd                                   | 100%                            | 13/05/03            |
| EPM 5187 Manumbar                         | D'Aguilar Gold Ltd                                      | 100%                            | 24/01/02 See Note 2 |
| EPM 6939 Mt Coora                         | D'Aguilar Gold Ltd                                      | 100%                            | 12/06/02 See Note 2 |
| EPM 7682 Elginvale No. 1                  | D'Aguilar Gold Ltd                                      | 100%                            | 6/08/02 See Note 2  |
| EPM 9759 Kilkivan                         | D'Aguilar Gold Ltd                                      | 100%                            | 3/01/02 See Note 2  |
| EPM 9978 Monsildale                       | D'Aguilar Gold Ltd                                      | 100%                            | 24/03/02 See Note 2 |
| EPM 10135 Golden Spur                     | D'Aguilar Gold Ltd                                      | 100%                            | 09/06/02 See Note 2 |
| EPM 10903 Elginvale No. 2                 | D'Aguilar Gold Ltd                                      | 100%                            | 27/08/02 See Note 1 |
| EPM 11192 Tableland                       | D'Aguilar Gold Ltd                                      | 100%                            | 23/09/00 See Note 3 |
| EPM 12712 Court-le Roi                    | D'Aguilar Gold Ltd                                      | 100%                            | 24/01/05            |
| EPM 13359 Kilkivan N                      | Australian Resource Management (ARM) Pty Ltd            | 100%                            | 03/01/05            |
| EPM 13360 Kilkivan S                      | Australian Resource Management (ARM) Pty Ltd            | 100%                            | 05/02/05            |
| EPM 13361 Kilkivan W                      | Australian Resource Management (ARM) Pty Ltd            | 100%                            | 05/02/05            |
| EPMA 13730                                | D'Aguilar Gold Ltd                                      | 100%                            | Under application   |
| EPMA 14034                                | Navaho Mining Pty Ltd                                   | 100%                            | Under application   |
| ML 3678 United Reefs Gold Mine (Shamrock) | D'Aguilar Gold Ltd                                      | 100%                            | 31/05/02 See Note 1 |
| ML 3732 Jimmy Scrub                       | D'Aguilar Gold Ltd                                      | 100%                            | 31/01/10            |
| ML 3741 Shamrock Extended                 | D'Aguilar Gold Ltd                                      | 100%                            | 30/09/09            |
| ML 3748 Black Shamrock                    | D'Aguilar Gold Ltd                                      | 100%                            | 28/02/13            |
| ML 3749 North Chinaman                    | D'Aguilar Gold Ltd                                      | 100%                            | 31/07/07            |
| ML 3752 Shamrock Tailings                 | D'Aguilar Gold Ltd                                      | 100%                            | 31/01/10            |
| ML 3753 Shamrock Tailings Extended        | D'Aguilar Gold Ltd                                      | 100%                            | 31/08/05            |
| ML 6622 Golden Spur                       | D'Aguilar Gold Ltd                                      | 100%                            | 31/07/09            |
| ML 50059 Manumbar                         | D'Aguilar Gold Ltd and Australian Mineral Processes Ltd | 75% and 25% respectively        | 31/12/03            |
| ML 50099 Manumbar Extended                | D'Aguilar Gold Ltd and Australian Mineral Processes Ltd | 75% and 25% respectively        | 31/08/05            |
| ML 50148 Tableland                        | D'Aguilar Gold Ltd                                      | 100%                            | 30/04/14            |
| ML 50137 Long Tunnel                      | Navaho Mining Pty Ltd                                   | 100%                            | 31/08/09            |

### *Solomon Islands*

| Tenure Type, Name and Number | Current Holder                               | Registered % Interest of Holder | Date of Expiry |
|------------------------------|----------------------------------------------|---------------------------------|----------------|
| SPL 189 Koloula              | Australian Resource Management (ARM) Pty Ltd | 100%                            | 24/09/03       |
| SPL 190 Central Guadalcanal  | Australian Resource Management (ARM) Pty Ltd | 100%                            | 24/09/03       |
| SPL 191 Mbetilonga           | Australian Resource Management (ARM) Pty Ltd | 100%                            | 24/09/03       |
| SPL 195 Sutakiki             | Australian Resource Management (ARM) Pty Ltd | 100%                            | Note 4         |

*Gympie Tenements Being Acquired (in Australia)*

| <b>Tenure Type, Name and Number</b> | <b>Current Holder</b>              | <b>Registered % Interest of Holder</b> | <b>Date of Expiry</b> |
|-------------------------------------|------------------------------------|----------------------------------------|-----------------------|
| EPM 13833                           | Gympie Eldorado Gold Mines Pty Ltd | 100%                                   | Application Status    |
| EPM 11122                           | Gympie Eldorado Gold Mines Pty Ltd | 100%                                   | 19/06/03              |
| Portion of EPM 6031                 | Gympie Eldorado Gold Mines Pty Ltd | 100%                                   | 06/09/04              |

**Note 1** A Renewal Application has been lodged in respect of this Tenement.

**Note 2** A Renewal Application has been lodged in respect of this Tenement. The Application was lodged outside of the 28-day period but still prior to expiry.

**Note 3** A Renewal Application has been lodged in respect of this Tenement. The Application was lodged outside the prescribed time periods. The DNRM have advised that there is a backlog of Renewal Applications for this Tenement and that they are all currently being considered by the DNRM.

**Note 4** Due to civil unrest in the country at the present time this Tenement has been suspended.

## **CORPORATE GOVERNANCE STATEMENT**

The directors are responsible for protecting the rights and interests of the shareholders through the implementation of sound strategies and action plans and development of an integrated framework of controls over the Company's resources, functions and assets.

### **Composition of the Board**

The Board comprises six directors. The names, qualifications and relevant experience of each Director are set out in the Directors' Report. The Board consists of one executive director and five non-executive directors.

The Company's Constitution provides that it shall at all times have at least three and not more than nine Directors. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company's activities determined within the limitation imposed by the Constitution.

### **Board Membership**

The Board has no nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

### **Appointment and retirement of non-executive directors**

The Company's Constitution provides that Directors are subject to retirement by rotation, by order of length of appointment. Retiring directors are eligible for re-election by shareholders at the annual general meeting of the Company.

### **Duties of Directors**

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other Boards. Accordingly, Directors wishing to accept appointment to other Boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

### **Compensation Arrangements**

The maximum aggregate amount payable to non-executive Directors as Directors' fees has been set at \$185,000. The Constitution provides that Director's fees can only change pursuant to a resolution at a general meeting. Further details regarding the remuneration of the board are included in the Directors' Report.

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

### **Audit Governance**

The board as part of its overall function has the 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. This included the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board is also responsible for the nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

During the financial period, there was not a separate audit committee established as the board included the audit governance issues in their general responsibilities. Subsequent to the end of the financial year, a separate audit committee was established which consists of the following members:

- Brian Moller (Audit Committee Chairman)
- Damien Reynolds

The role of the audit committee is to:

- assess the appropriateness of the accounting policies, practices and disclosures and whether the quality of financial reporting is adequate;
- review the scope and results of internal, external and compliance audits;
- maintain open lines of communication between the Board and external auditors and the Company's compliance officers;
- review and report to the Board on the annual report and financial statements;
- assess the adequacy of the Company's internal controls and make informed decisions regarding compliance policies, practices and disclosures; and
- nominate the external auditors.

### **Occupational Health and Safety Committee**

The Board does not presently have an occupational health and safety committee but the Board intends to establish such a committee.

### **Environment Committee**

The Board does not presently have an environment committee but the Board intends to establish such a committee.

### **Internal Management Controls**

The Company's main assets are located in Australia. Control over the operations is exercised by the Managing Director and the Exploration Manager.

The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

### **Identifying Significant Business Risks**

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's shares, however, the Directors recognise that mineral exploration is inherently risky.

### **Board Responsibilities**

As the board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

Responsibility for the operation and administration of the consolidated entity is delegated by the board to the Managing Director and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive team.

The board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure that this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- board approval of a strategic plan, which will encompass the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the board being actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- the ability for directors to seek independent professional advice at the Company's expense, in the furtherance of their duties.

### **Monitoring of the Board's Performance and Communication to Shareholders.**

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairman.

The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report, which is distributed to all shareholders;
- announcements to the market via the Australian Stock Exchange; and
- the annual general meeting and other meetings so called to obtain approval for the board action as appropriate.

## Statements of Financial Performance for the year ended 30 June 2003

|                                                                                                 | Note      | Economic Entity    |              | Parent Entity      |                    |
|-------------------------------------------------------------------------------------------------|-----------|--------------------|--------------|--------------------|--------------------|
|                                                                                                 |           | 2003<br>\$         | 2002<br>\$   | 2003<br>\$         | 2002<br>\$         |
| Revenue from Ordinary Activities                                                                |           |                    |              |                    |                    |
| Operating revenue                                                                               |           | 1,850              | -            | 1,850              | 12,432             |
| Interest received                                                                               | 2         | 13,641             | -            | 13,586             | 15,030             |
| Proceeds from sale of non-current assets                                                        |           | -                  | -            | -                  | 377,478            |
| Significant Item – Net write-up of fixed assets on reversion from fair value to cost basis      |           | -                  | -            | -                  | 808,533            |
| Gain on debt forgiveness                                                                        |           | 3,860,273          | -            | 3,860,273          | -                  |
| <b>Total Revenue from Ordinary Activities</b>                                                   |           | <b>3,875,764</b>   | <b>-</b>     | <b>3,875,709</b>   | <b>1,213,473</b>   |
| Expenses from Ordinary Activities                                                               |           |                    |              |                    |                    |
| Borrowing cost expenses                                                                         | 2         | (8,298)            | -            | (8,088)            | (391)              |
| Employee benefits expenses                                                                      |           | (229,671)          | -            | (229,671)          | (134,059)          |
| Depreciation and amortisation expenses                                                          | 2         | (417,881)          | -            | (417,881)          | (470,108)          |
| Site Restoration expenses                                                                       | 2         | (600,000)          | -            | (600,000)          | (280,000)          |
| Legal expenses                                                                                  |           | (126,414)          | -            | (111,490)          | (74)               |
| Administration and consulting expenses                                                          |           | (232,232)          | -            | (203,019)          | (271,800)          |
| Other expenses from ordinary activities                                                         |           | (236,294)          | -            | (240,688)          | (500,530)          |
| <b>Total Expenses from Ordinary Activities</b>                                                  |           | <b>(1,850,790)</b> | <b>-</b>     | <b>(1,810,837)</b> | <b>(1,656,962)</b> |
| <b>Profit/(loss) from ordinary activities before income tax expense</b>                         |           | <b>2,024,974</b>   | <b>-</b>     | <b>2,064,872</b>   | <b>(443,489)</b>   |
| Income tax expense relating to ordinary activities                                              | 3         | -                  | -            | -                  | -                  |
| <b>Net profit/(loss) attributable to members of D'Aguilar Gold Ltd</b>                          |           | <b>2,024,974</b>   | <b>-</b>     | <b>2,064,872</b>   | <b>(443,489)</b>   |
| <b>Total change in equity other than those resulting from transaction with owners as owners</b> | <b>18</b> | <b>2,024,974</b>   | <b>-</b>     | <b>2,064,872</b>   | <b>(443,489)</b>   |
|                                                                                                 |           | <b>Cents</b>       | <b>Cents</b> |                    |                    |
| Basic Earnings Per Share                                                                        | 23        | 12.51              | -            |                    |                    |

The above statements of financial performance should be read in conjunction with the accompanying notes.

## Statements of Financial Position as at 30 June 2003

|                                      | Note | Economic Entity  |            | Parent Entity    |                    |
|--------------------------------------|------|------------------|------------|------------------|--------------------|
|                                      |      | 2003<br>\$       | 2002<br>\$ | 2003<br>\$       | 2002<br>\$         |
| <b>CURRENT ASSETS</b>                |      |                  |            |                  |                    |
| Cash assets                          | 4    | 8,812            | -          | 5,371            | -                  |
| Receivables                          | 5    | 37,620           | -          | 16,515           | -                  |
| Inventories                          | 6    | -                | -          | -                | 16,580             |
| Other assets                         | 7    | 226,116          | -          | 226,116          | -                  |
| <b>Total Current Assets</b>          |      | <b>272,548</b>   | <b>-</b>   | <b>248,002</b>   | <b>16,580</b>      |
| <b>NON-CURRENT ASSETS</b>            |      |                  |            |                  |                    |
| Other financial assets               | 8    | 451,187          | -          | 451,187          | 544,861            |
| Receivables                          | 9    | -                | -          | 32,949           | -                  |
| Investments in subsidiaries          | 10   | -                | -          | 79,467           | -                  |
| Property, plant and equipment        | 11   | 220,953          | -          | 220,953          | 634,299            |
| Other                                | 12   | 64,298           | -          | -                | -                  |
| <b>Total Non-Current Assets</b>      |      | <b>736,438</b>   | <b>-</b>   | <b>784,556</b>   | <b>1,179,160</b>   |
| <b>TOTAL ASSETS</b>                  |      | <b>1,008,986</b> | <b>-</b>   | <b>1,032,558</b> | <b>1,195,740</b>   |
| <b>CURRENT LIABILITIES</b>           |      |                  |            |                  |                    |
| Payables                             | 13   | 289,726          | -          | 282,106          | 43,595             |
| Borrowings                           | 14   | 19,817           | -          | 18,133           | 86,916             |
| <b>Total Current Liabilities</b>     |      | <b>309,543</b>   | <b>-</b>   | <b>300,239</b>   | <b>130,511</b>     |
| <b>NON-CURRENT LIABILITIES</b>       |      |                  |            |                  |                    |
| Borrowings                           | 15   | 7,022            | -          | -                | 3,860,273          |
| Provisions                           | 16   | 1,300,000        | -          | 1,300,000        | 700,000            |
| <b>Total Non-Current Liabilities</b> |      | <b>1,307,022</b> | <b>-</b>   | <b>1,300,000</b> | <b>4,560,273</b>   |
| <b>TOTAL LIABILITIES</b>             |      | <b>1,616,565</b> | <b>-</b>   | <b>1,600,239</b> | <b>4,690,784</b>   |
| <b>NET ASSETS</b>                    |      | <b>(607,579)</b> | <b>-</b>   | <b>(567,681)</b> | <b>(3,495,044)</b> |
| <b>EQUITY</b>                        |      |                  |            |                  |                    |
| Contributed equity                   | 17   | 1,071,931        | -          | 1,071,931        | 209,440            |
| Accumulated losses                   | 18   | (1,679,510)      | -          | (1,639,612)      | (3,704,484)        |
| <b>TOTAL EQUITY</b>                  |      | <b>(607,579)</b> | <b>-</b>   | <b>(567,681)</b> | <b>(3,495,044)</b> |

The above statements of financial position should be read in conjunction with the accompanying notes.

## Statements of Cash Flows for the year ended 30 June 2003

|                                                                              | Note          | Economic Entity                      |                                      | Parent Entity                        |                                      |
|------------------------------------------------------------------------------|---------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                                                                              |               | 2003<br>\$<br>Inflows/<br>(Outflows) | 2002<br>\$<br>Inflows/<br>(Outflows) | 2003<br>\$<br>Inflows/<br>(Outflows) | 2002<br>\$<br>Inflows/<br>(Outflows) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |               |                                      |                                      |                                      |                                      |
| Receipts from customers                                                      |               | 1,850                                | -                                    | 1,850                                | 12,432                               |
| Payments to suppliers and employees<br>(inclusive of goods and services tax) |               | (859,522)                            | -                                    | (822,673)                            | (503,360)                            |
| Interest received                                                            |               | 13,641                               | -                                    | 13,586                               | 15,030                               |
| GST Refunds                                                                  |               | 56,208                               | -                                    | 51,402                               | -                                    |
| Interest and other costs of finance paid                                     |               | (8,298)                              | -                                    | (8,088)                              | (391)                                |
| <b>Net cash outflow from operating activities</b>                            | <b>24 (b)</b> | <b>(796,121)</b>                     | <b>-</b>                             | <b>(763,923)</b>                     | <b>(476,289)</b>                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |               |                                      |                                      |                                      |                                      |
| Security deposit refunds                                                     |               | 93,674                               | -                                    | 93,674                               | -                                    |
| Payments for Investment                                                      |               | -                                    | -                                    | -                                    | (11,751)                             |
| Proceeds from sale of property, plant and<br>equipment                       |               | -                                    | -                                    | -                                    | 377,478                              |
| Payments for property, plant and equipment                                   |               | (4,535)                              | -                                    | (4,535)                              | (620)                                |
| Exploration and evaluation expenditure                                       |               | -                                    | -                                    | -                                    | -                                    |
| Payment for equity in unlisted entities                                      |               | -                                    | -                                    | -                                    | -                                    |
| Loans to subsidiaries                                                        |               | -                                    | -                                    | (32,949)                             | -                                    |
| Loans to associated entities                                                 |               | (7,261)                              | -                                    | (1,137)                              | -                                    |
| <b>Net cash outflow from investing activities</b>                            |               | <b>81,878</b>                        | <b>-</b>                             | <b>55,053</b>                        | <b>365,107</b>                       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  |               |                                      |                                      |                                      |                                      |
| Proceeds from issue of securities                                            |               | 783,024                              | -                                    | 783,024                              | -                                    |
| Proceeds from borrowings                                                     |               | -                                    | -                                    | -                                    | 126,442                              |
| Repayment of borrowings                                                      |               | (79,024)                             | -                                    | (86,154)                             | (15,160)                             |
| <b>Net cash inflow/(outflow) from financing<br/>activities</b>               |               | <b>704,000</b>                       | <b>-</b>                             | <b>696,870</b>                       | <b>111,282</b>                       |
| <b>Net increase/(decrease) in cash held</b>                                  |               | <b>(10,243)</b>                      | <b>-</b>                             | <b>(12,000)</b>                      | <b>100</b>                           |
| Cash at the beginning of the financial year                                  |               | (762)                                | -                                    | (762)                                | (862)                                |
| <b>Cash at the end of the financial year</b>                                 | <b>24 (a)</b> | <b>(11,005)</b>                      | <b>-</b>                             | <b>(12,762)</b>                      | <b>(762)</b>                         |

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

## **Notes to the Financial Statements for the year ended 30 June 2003**

### NOTE 1 SUMMARY 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 has been prepared on an accruals basis and is based on the historical cost convention of accounting and does not purport to show current 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 accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the Economic Entity of D'Aguilar Gold Ltd and controlled entities, and D'Aguilar Gold Ltd as an individual Parent Entity. D'Aguilar Gold Ltd is a public company, incorporated and domiciled in Australia.

The financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent upon the success of capital raising.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

#### (a) Principles of Consolidation

A controlled entity is any entity controlled by the Company. Control exists where the Company has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 21 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) Exploration and Evaluation 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.

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.

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.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2003

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

##### (c) Employees Benefits

###### (i) *Salaries, Wages, Annual Leave and Long Service Leave*

Liabilities for salaries, wages and annual leave are recognised, and are measured as the amount unpaid at the reporting date at amounts expected to be paid when the liability is settled plus on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

###### (ii) *Superannuation*

The Company contributes to employee superannuation funds which are charged as expenses when incurred. The Company's contributions to the funds are in accordance with employees' contracts of employment and relevant legislation.

##### (d) Property, Plant and Equipment

Property, plant and equipment are brought to account on the cost basis, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful life to the Company commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of assets are:

| Class of Fixed Assets | Depreciation Rate           |
|-----------------------|-----------------------------|
| Freehold building     | 2.5% Prime Cost             |
| Plant and Equipment   | 10% - 35% Diminishing Value |
| Site Infrastructure   | 10% - 25% Prime Cost        |

The gain or loss on disposal of all fixed assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the profit from ordinary activities before income tax of the Company in the year of disposal. Any realised revaluation increment relating to the disposed asset which is included in the asset revaluation reserve is transferred to retained earnings at the time of disposal.

##### (e) 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 and taxable income 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 are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2003

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

(f) Investments

Investments are brought to account on the costs basis. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flow from investments have not been discounted to their present value in determining the recoverable amounts, except where stated.

(g) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The comparatives include only the financial position and results of D'Aguilar Gold Pty Ltd.

(h) Goods & Services Tax

All receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST. The net amount of GST receivable from or payable to the Australian Taxation Office at balance date is included in either current assets or current liabilities, as appropriate, in the Statement of Financial Position. All other items in the Statement of Financial Position are stated exclusive of GST. All elements in the Statement of Financial Performance are stated exclusive of GST.

(i) Restoration, Rehabilitation and Environmental Expenditure

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The cost of mining stocks includes direct material, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

(k) Revenue

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

**D'Aguilar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

|                                                                                             | Economic Entity |      | Parent Entity |         |
|---------------------------------------------------------------------------------------------|-----------------|------|---------------|---------|
|                                                                                             | 2003            | 2002 | 2003          | 2002    |
|                                                                                             | \$              | \$   | \$            | \$      |
| <b>NOTE 2 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES</b>                                        |                 |      |               |         |
| Profit/(loss) from ordinary activities before income tax expense has been determined after: |                 |      |               |         |
| Revenue                                                                                     |                 |      |               |         |
| Interest Received                                                                           | 13,641          | -    | 13,586        | 15,030  |
| Expenses                                                                                    |                 |      |               |         |
| Movements in Provisions:                                                                    |                 |      |               |         |
| Depreciation of Property, Plant & Equipment                                                 | 417,881         | -    | 417,881       | 470,108 |
| Site Restoration                                                                            | 600,000         | -    | 600,000       | 280,000 |
| Borrowing cost expense                                                                      |                 |      |               |         |
| Interest paid to other corporations                                                         | 8,298           | -    | 8,088         | 391     |
| Remuneration to Auditors:                                                                   |                 |      |               |         |
| Audit/review                                                                                | 31,305          | -    | 31,305        | -       |
| Other services                                                                              | 6,000           | -    | 6,000         | -       |

**NOTE 3 INCOME TAX**

The prima facie income tax on the loss from ordinary activities is reconciled to the income tax provided in the financial statements as follows:

|                                                                                                        |             |          |             |           |
|--------------------------------------------------------------------------------------------------------|-------------|----------|-------------|-----------|
| The prima facie income tax benefit (30%) (2002:30%) on loss from ordinary activities before income tax | 607,492     | -        | 619,462     | (133,047) |
| Tax effect of permanent differences                                                                    | (1,136,741) | -        | (1,136,741) | -         |
| Other non-allowable items                                                                              | 180,000     | -        | 180,000     | 155,372   |
| Capital loss not subject to income tax                                                                 | -           | -        | -           | 29,024    |
| Revaluations of fixed assets                                                                           | -           | -        | -           | (242,560) |
| Other                                                                                                  | -           | -        | -           | (1,922)   |
| Future income tax benefit not brought to account                                                       | 349,249     | -        | 337,279     | 193,133   |
| Income Tax Expense                                                                                     | <u>-</u>    | <u>-</u> | <u>-</u>    | <u>-</u>  |

No provision for income tax is required by the Economic Entity for the year. The estimated income tax losses available and exploration and allowable capital expenditure are as follows:

The future income tax benefit arising from the preceding items will only be obtained if:

- (a) the Economic Entity continues to comply with the relevant provisions of the income tax legislation;
- (b) it earns sufficient assessable income to enable benefits to be realised; and
- (c) there are no changes in tax legislation adversely affecting the Economic Entity in realising the benefits.

Accordingly, the Directors believe it is prudent that the future income tax benefit described above not be brought to account until the Economic Entity generates future income streams.

There are no franking credits available to shareholders of the Parent Entity.

**D'Aguilar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

|                                                               | Economic Entity |      | Parent Entity |         |
|---------------------------------------------------------------|-----------------|------|---------------|---------|
|                                                               | 2003            | 2002 | 2003          | 2002    |
|                                                               | \$              | \$   | \$            | \$      |
| <b>NOTE 4 CASH ASSETS</b>                                     |                 |      |               |         |
| Cash on hand and at bank                                      | 8,812           | -    | 5,371         | -       |
| <b>NOTE 5 RECEIVABLES</b>                                     |                 |      |               |         |
| Sundry debtors                                                | 7,322           | -    | 1,137         | -       |
| GST receivable                                                | 15,298          | -    | 15,378        | -       |
| Security deposit                                              | 15,000          | -    | -             | -       |
|                                                               | 37,620          | -    | 16,515        | -       |
| <b>NOTE 6 INVENTORIES</b>                                     |                 |      |               |         |
| Stock relating to processing activities                       | -               | -    | -             | 16,580  |
| <b>NOTE 7 OTHER ASSETS</b>                                    |                 |      |               |         |
| Prepayment (IPO costs to be charged against equity)           | 226,116         | -    | 226,116       | -       |
| <b>NOTE 8 OTHER FINANCIAL ASSETS</b>                          |                 |      |               |         |
| Cash on deposit                                               | 314,000         | -    | 314,000       | 314,000 |
| Secured bonds                                                 | 137,187         | -    | 137,187       | 230,861 |
|                                                               | 451,187         | -    | 451,187       | 544,861 |
| <b>NOTE 9 RECEIVABLES</b>                                     |                 |      |               |         |
| Loan to Australian Resources Management                       | -               | -    | 31,419        | -       |
| Loan to Navaho Mining                                         | -               | -    | 1,530         | -       |
|                                                               | -               | -    | 32,949        | -       |
| <b>NOTE 10 INVESTMENT IN SUBSIDIARIES</b>                     |                 |      |               |         |
| Shares in controlled entities<br>- unlisted at cost (Note 21) | -               | -    | 79,467        | -       |

**D'Aguilar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

|                                              | Economic Entity |          | Parent Entity  |                |
|----------------------------------------------|-----------------|----------|----------------|----------------|
|                                              | 2003            | 2002     | 2003           | 2002           |
|                                              | \$              | \$       | \$             | \$             |
| <b>NOTE 11 PROPERTY, PLANT AND EQUIPMENT</b> |                 |          |                |                |
| Freehold Building                            |                 | -        |                |                |
| At cost                                      | 54,535          |          | 54,535         | 50,000         |
| Accumulated depreciation                     | (11,335)        | -        | (11,335)       | (10,000)       |
|                                              | <u>43,200</u>   | <u>-</u> | <u>43,200</u>  | <u>40,000</u>  |
| Plant and Equipment                          |                 | -        |                |                |
| At cost                                      | 1,983,999       |          | 1,933,382      | 1,933,382      |
| Accumulated depreciation                     | (1,843,996)     | -        | (1,793,379)    | (1,614,196)    |
|                                              | <u>140,003</u>  | <u>-</u> | <u>140,003</u> | <u>319,186</u> |
| Site Infrastructure                          |                 | -        |                |                |
| At cost                                      | 2,443,532       |          | 2,443,532      | 2,443,532      |
| Accumulated depreciation                     | (2,405,782)     | -        | (2,405,782)    | (2,168,419)    |
|                                              | <u>37,750</u>   | <u>-</u> | <u>37,750</u>  | <u>275,113</u> |
| Net Book value                               | <u>220,953</u>  | <u>-</u> | <u>220,953</u> | <u>634,299</u> |

(a) Movements in carrying amounts

| Parent Entity:                         | Freehold Building | Plant & Equipment | Site Infrastructure | Total          |
|----------------------------------------|-------------------|-------------------|---------------------|----------------|
| Balance at the beginning of the year   | 40,000            | 319,186           | 275,113             | 634,299        |
| Additions                              | 4,535             | -                 | -                   | 4,535          |
| Depreciation Expenses                  | (1,335)           | (179,183)         | (237,363)           | (417,881)      |
| Carrying amount at the end of the year | <u>43,200</u>     | <u>140,003</u>    | <u>37,750</u>       | <u>220,953</u> |

**NOTE 12 OTHER ASSETS**

|                                                                                                                                                     |        |   |   |   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------|---|---|---|
| Exploration and Evaluation Expenditure<br>Costs carried forward in respect of areas of<br>interest still in the exploration and evaluation<br>phase | 64,298 | - | - | - |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------|---|---|---|

**NOTE 13 PAYABLES**

|                           |         |   |         |        |
|---------------------------|---------|---|---------|--------|
| Unsecured Liabilities     |         |   |         |        |
| Current                   |         |   |         |        |
| Trade and Other Creditors | 289,726 | - | 282,106 | 43,595 |

**D'Aguilar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

|                                       | Economic Entity |          | Parent Entity |               |
|---------------------------------------|-----------------|----------|---------------|---------------|
|                                       | 2003            | 2002     | 2003          | 2002          |
|                                       | \$              | \$       | \$            | \$            |
| NOTE 14                               | BORROWINGS      |          |               |               |
| Bank Overdraft                        | 19,817          | -        | 18,133        | 762           |
| Hire Purchase Liability               | -               | -        | -             | 2,660         |
| Loan – Australian Resource Management | -               | -        | -             | 83,494        |
|                                       | <u>19,817</u>   | <u>-</u> | <u>18,133</u> | <u>86,916</u> |

|                                  |              |          |          |                  |
|----------------------------------|--------------|----------|----------|------------------|
| NOTE 15                          | BORROWINGS   |          |          |                  |
| Loan – Western Pacific Gold Inc. | 7,022        | -        | -        | 3,860,273        |
|                                  | <u>7,022</u> | <u>-</u> | <u>-</u> | <u>3,860,273</u> |

|                                                |                  |          |                  |                |
|------------------------------------------------|------------------|----------|------------------|----------------|
| NOTE 16                                        | PROVISIONS       |          |                  |                |
| Site Restoration                               | 1,300,000        | -        | 1,300,000        | 700,000        |
| Opening Balance                                | 700,000          | -        | 700,000          | 420,000        |
| Provision recognised during the financial year | 600,000          | -        | 600,000          | 280,000        |
| Closing Balance                                | <u>1,300,000</u> | <u>-</u> | <u>1,300,000</u> | <u>700,000</u> |

In relation to this liability, the Company has the benefit of an indemnity from Maxe-tec Australia Limited in respect of certain liabilities. In addition the Company has secured performance bonds to the value of \$1,300,000. Further information regarding these contingent assets can be found in Note 26(b)

|                         |                            |          |                  |                |
|-------------------------|----------------------------|----------|------------------|----------------|
| NOTE 17                 | CONTRIBUTED EQUITY         |          |                  |                |
| (a)                     | Issued and paid up capital |          |                  |                |
| Balance 1 July          | 209,440                    | -        | 209,440          | 209,440        |
| Shares Issued           | 862,491                    | -        | 862,491          | -              |
| Costs of Issue          | -                          | -        | -                | -              |
| Paid up Capital 30 June | <u>1,071,931</u>           | <u>-</u> | <u>1,071,931</u> | <u>209,440</u> |

|                                                                                                 | 2003              |                  | 2002             |                |
|-------------------------------------------------------------------------------------------------|-------------------|------------------|------------------|----------------|
|                                                                                                 | Number of shares  | \$               | Number of shares | \$             |
| Balance 1 July                                                                                  | 3,200             | 209,440          | 3,200            | 209,440        |
| Shares Issued During Year:                                                                      |                   |                  |                  |                |
| - Seed capital                                                                                  | 17,825,000        | 783,000          | -                | -              |
| - Consideration for 100% of the issued capital of Navaho Mining Pty Ltd                         | 1,986,989         | 79,480           | -                | -              |
| - Consideration for 100% of the issued capital of Australian Resources Management (ARM) Pty Ltd | 50                | 10               | -                | -              |
| - Pre seed capital raising issue of shares to Western Pacific Gold Inc.                         | 9,996,800         | 1                | -                | -              |
| Balance 30 June                                                                                 | <u>29,812,039</u> | <u>1,071,931</u> | <u>3,200</u>     | <u>209,440</u> |

Ordinary shares participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of shares held. At shareholders 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.

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2003

|  | Economic Entity |      | Parent Entity |      |
|--|-----------------|------|---------------|------|
|  | 2003            | 2002 | 2003          | 2002 |
|  | \$              | \$   | \$            | \$   |

#### NOTE 17 CONTRIBUTED EQUITY (continued)

##### (b) Share Options

During the year, 4,500,000 options to acquire one ordinary share in D'Aguilar Gold Ltd on or before 31 October 2005 at an exercise price of 20 cents each were issued (2002: Nil).

##### (c) Directors' and Executive Officers' Option Plan

The Company has established the Directors' and Executive Officers' Option Plan (the "Plan"). Board members and other executive officers selected by the Board are entitled to participate in the Plan. The exercise price of the options to be issued shall be set at a price to be determined by the Board, but not less than a premium of 10% to the prevailing average market price of the shares in the Company on the ASX at the time of issue. A maximum number of options equal to 5% of the capital at the time may be issued under the Plan. When issued, the shares carry full dividend and voting rights. At the balance date, no options have been issued under the Directors' and Executive Officers' Option Plan.

##### (d) Employee Share Option Plan

The Company has established the D'Aguilar Employee Share Option Plan ("ESOP") to assist in the retention and motivation of employees by providing them with the opportunity to acquire shares. Any employees selected by the Board are entitled to participate in the ESOP. The exercise price of the options to be issued shall be set at a price to be determined by the Board, but not less than a premium of 10% to the prevailing average market price of the shares in the Company on the ASX at the time of issue. A maximum number of options equal to 5% of the capital at the time may be issued under the Plan. When issued, the shares carry full dividend and voting rights. At the balance date, no options have been issued under the ESOP.

#### NOTE 18 ACCUMULATED LOSSES

|                                                                                                   |             |   |             |             |
|---------------------------------------------------------------------------------------------------|-------------|---|-------------|-------------|
| Accumulated losses attributable to members of D'Aguilar Ltd at beginning of the financial year    | (3,704,484) | - | (3,704,484) | (6,636,387) |
| Transfer from asset revaluation reserve                                                           | -           | - | -           | 3,375,392   |
| Operating Profit/(Losses) after income tax                                                        | 2,024,974   | - | 2,064,872   | (443,489)   |
| Accumulated losses attributable to members of D'Aguilar Gold Ltd at the end of the financial year | (1,679,510) | - | (1,639,612) | (3,704,484) |

|                                                                                                                                                                                     | Economic Entity |            | Parent Entity |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------|---------------|------------|
|                                                                                                                                                                                     | 2003<br>\$      | 2002<br>\$ | 2003<br>\$    | 2002<br>\$ |
| NOTE 19          REMUNERATION OF DIRECTORS                                                                                                                                          |                 |            |               |            |
| Directors' Remuneration                                                                                                                                                             |                 |            |               |            |
| Income paid or payable, or otherwise made available to all Directors of each entity in the Economic Entity by the entities of which they were a director and any related parties. * | 185,553         | -          | -             | -          |
| Income paid or payable, or otherwise made available to all Directors of the parent entity and any related parties. *                                                                | -               | -          | 185,553       | -          |

Number of Directors of the Company where income from the Company and any related parties was within the following bands \*:

|                       | 2003<br>No. | 2002<br>No. |
|-----------------------|-------------|-------------|
| \$ 0 - \$ 9,999       | 1           | -           |
| \$ 10,000 - \$ 19,999 | 1           | -           |
| \$ 20,000 - \$ 29,999 | 3           | -           |
| \$ 90,000 - \$ 99,999 | 1           | -           |

\* Note : This income includes all income, including directors fees and any other consulting fees, paid to both executive and non-executive directors. Further breakdown of the composition of the total income is set out in the Directors' Report.

The names of Directors of the Company who have held office at any time during the financial year:

Dr Christopher Rawlings  
Nicholas Mather  
Ian Levy  
Brian Moller  
Damien Reynolds  
Vincent Mascolo

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2003

#### NOTE 20 RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

##### a) Transactions with Directors and Director-Related Entities

- (i) D'Aguilar Gold Ltd has an agreement with Samuel Capital Ltd, an entity associated with Nicholas Mather (a director), and Nicholas Mather for the provision of certain consultancy services. Samuel Capital will provide Nicholas Mather as the Managing Director of D'Aguilar Gold Ltd for a base fee of \$175,000 per annum, with provision for adjustment based on semi-annual review by the Board on the basis of a minimum 25 hours per week. These amounts are included in the Remuneration of Directors and Executives note (Note 19).
- (ii) D'Aguilar Gold Ltd has an agreement with Samuel Capital Ltd, an entity associated with Nicholas Mather (a director) whereby Samuel Capital Ltd will provide administration and management services to the Company. Samuel Capital Ltd will also provide office facilities to the Company under a non-exclusive licence to occupy. Samuel Capital Ltd will be reimbursed for the costs it incurs in providing these services plus a 10% margin, and in any event, not more than \$7,500 per month. Samuel Capital Ltd was paid \$75,000 for the provision of administration, management and office facilities to the Company during the year.
- (iii) Mr Brian Moller (a director), is a partner in the firm Hopgood Ganim Lawyers. Hopgood Ganim were paid \$191,490 for the provision of legal services to the Company during the year. The services were based on normal commercial terms and conditions.
- (iv) Samuel Capital Ltd, a entity associated with Nicholas Mather (a director), Vincent Mascolo (a director) and Damien Reynolds (a director) have entered into Performance Bonds for \$500,000, \$400,000 and \$400,000 respectively in relation to environmental liability of the Company. Under the terms of the Bonds, the Bondholders are entitled to an annual fee of 10% of the amount provided for under the Bond payable quarter in advance. The Bondholders have also been granted in total 4,500,000 options (Samuel Capital Ltd: 1,730,770; Vincent Mascolo: 1,384,615; Damien Reynolds: 1,384,615) to subscribe for shares at an exercise price of \$0.20 per share exercisable at any time on or before 31 October 2005. No interest on the Bonds was paid in the period.
- (v) Samuel Capital Ltd, an entity associated with Nicholas Mather, Vince Mascolo and Brian Moller each entered into sub-underwriting agreements in respect of the initial public offering of the Company on ordinary commercial terms and were entitled to receive fees of 5% of the amounts sub-underwritten by them.

##### (b) Share Transactions of Directors and Director-Related Entities

- (i) Directors and Director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the Company:

|                   | <b>Number of Shares and Options</b> |                    |
|-------------------|-------------------------------------|--------------------|
|                   | <b>30 June 2003</b>                 | <b>1 July 2002</b> |
| - Ordinary Shares | 3,773,544                           | -                  |
| - Options         | 4,500,000                           | -                  |

- (ii) There were no Ordinary Shares or Options to acquire Ordinary Shares acquired by Directors or their Director-related entities from the Company during the year except as follows:

|                         |           |   |   |
|-------------------------|-----------|---|---|
| Dr Christopher Rawlings | 800,000   | # | - |
| Nicholas Mather         | 650,000   | ^ | - |
| Ian Levy                | 200,000   | # | - |
| Brian Moller            | 500,000   | ^ | - |
| Damien Reynolds         | 312,500   | ^ | - |
| Vincent Mascolo         | 1,311,044 | * | - |

The movement in ordinary shares and options held is the result of:

# Shares acquired from an existing shareholder

^ Seed capital acquired for \$0.04

\* Shares issued at \$0.04 as partial consideration of Navaho Mining Pty Ltd

**D'Aguilar Gold Ltd and Controlled Entities****Notes to the Financial Statements for the year ended 30 June 2003**

## NOTE 21 INVESTMENT IN CONTROLLED ENTITIES

## Details of Controlled Entities

| Name of Entity                               | Country of Incorporation | Class of Shares | Cost of Parent Entity's Investment |      | Equity Holding |      |  |
|----------------------------------------------|--------------------------|-----------------|------------------------------------|------|----------------|------|--|
|                                              |                          |                 | 2003                               | 2002 | 2003           | 2002 |  |
|                                              |                          |                 | \$                                 | \$   | %              | %    |  |
| Parent Entity<br>D'Aguilar Gold Ltd          | Australia                |                 |                                    |      |                |      |  |
| Controlled Entities                          |                          |                 |                                    |      |                |      |  |
| Australian Resource Management (ARM) Pty Ltd | Australia                | Ordinary        | 10                                 | -    | 100            | -    |  |
| Navaho Mining Pty Ltd                        | Australia                | Ordinary        | <u>79,457</u>                      | -    | 100            | -    |  |
|                                              |                          |                 | <u>79,467</u>                      |      |                |      |  |

All controlled entities are directly controlled by D'Aguilar Gold Ltd

## Controlled Entities Acquired:

## Navaho Mining Pty Ltd

By an Agreement dated 30 September 2002 the Company acquired Navaho Mining Pty Ltd. The consideration paid to the shareholders of Navaho was the issue of 1,986,989 shares in the Company.

## Australian Resource Management (ARM) Pty Ltd

By an Agreement dated 7 October 2002, between Western Pacific Gold Inc and the Company, the Company acquired 100% of the share capital in Australian Resource Management (ARM) Pty Ltd in consideration for the issue of 50 Shares in the Company.

## NOTE 22 SEGMENT INFORMATION

The Economic Entity operates predominantly in one business and geographical segment being in the mining industry in Australia. No revenue from this activity has been earned to date as the Economic Entity is still in the exploration and evaluation stage.

**D'Aguiar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

|                                                                                                                                                                                                     | Economic Entity  |          | Parent Entity    |                  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------|------------------|------------------|
|                                                                                                                                                                                                     | 2003             | 2002     | 2003             | 2002             |
|                                                                                                                                                                                                     | \$               | \$       | \$               | \$               |
| <b>NOTE 23 EARNINGS PER SHARE</b>                                                                                                                                                                   |                  |          |                  |                  |
| (a) Basic earnings per share<br>- cents per share.                                                                                                                                                  | 0.1251           | -        | -                | -                |
| (b) It is considered that the potential ordinary shares are not dilutive due to the operating profit and, therefore, no separate calculation has been made for diluted negative earnings per share. | -                | -        | -                | -                |
| (c) Earnings used in the calculation of earnings per share.                                                                                                                                         | 2,024,974        | -        | -                | -                |
| (d) Weighted Average number of ordinary shares used in the calculation of basic earnings per share.                                                                                                 | 16,185,006       | -        | -                | -                |
| <b>NOTE 24 CASH FLOWS INFORMATION</b>                                                                                                                                                               |                  |          |                  |                  |
| <b>(a) Reconciliation of Cash</b>                                                                                                                                                                   |                  |          |                  |                  |
| For the purposes of the Statements of Cash flows, cash includes cash on hand, cash at bank and bank overdraft.                                                                                      |                  |          |                  |                  |
| Cash on hand and at bank                                                                                                                                                                            | 8,812            | -        | 5,371            | -                |
| Bank Overdraft                                                                                                                                                                                      | (19,817)         | -        | (18,133)         | (762)            |
|                                                                                                                                                                                                     | <u>(11,005)</u>  | <u>-</u> | <u>(12,762)</u>  | <u>(762)</u>     |
| <b>(b) Reconciliation of net cash outflows from operating activities to Profit/(loss) from ordinary activities after tax</b>                                                                        |                  |          |                  |                  |
| Profit/(loss) from ordinary activities after tax                                                                                                                                                    | 2,024,974        | -        | 2,064,872        | (443,489)        |
| Add back/(deduct) items not involving cash flows:                                                                                                                                                   |                  |          |                  |                  |
| Gain on sale of fixed assets                                                                                                                                                                        | -                | -        | -                | 97,018           |
| Loss on sales of fixed assets                                                                                                                                                                       | -                | -        | -                | (104,750)        |
| Write up of fixed assets                                                                                                                                                                            | -                | -        | -                | (808,533)        |
| Debts forgiveness                                                                                                                                                                                   | (3,860,273)      | -        | (3,860,273)      | -                |
| Depreciation                                                                                                                                                                                        | 417,881          | -        | 417,881          | 470,108          |
| Changes in assets and liabilities:                                                                                                                                                                  |                  |          |                  |                  |
| - (Increase)/Decrease in receivables                                                                                                                                                                | (15,298)         | -        | (15,378)         | -                |
| - (Increase)/Decrease in inventories                                                                                                                                                                | 16,580           | -        | 16,580           | 28,065           |
| - (Increase)/Decrease in other assets                                                                                                                                                               | (226,116)        | -        | (226,116)        | -                |
| - Increase/(Decrease) in payables                                                                                                                                                                   | 246,131          | -        | 238,511          | 11,699           |
| - Increase/(Decrease) in site restoration                                                                                                                                                           | 600,000          | -        | 600,000          | 280,000          |
| - Increase/(Decrease) in employee provisions                                                                                                                                                        | -                | -        | -                | (6,407)          |
| Net cash outflows from operating activities                                                                                                                                                         | <u>(796,121)</u> | <u>-</u> | <u>(763,923)</u> | <u>(476,289)</u> |

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2003

|                                                                                                                                                                                                                                                       | Economic Entity |      | Parent Entity |         |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------|---------------|---------|
|                                                                                                                                                                                                                                                       | 2003            | 2002 | 2003          | 2002    |
|                                                                                                                                                                                                                                                       | \$              | \$   | \$            | \$      |
| NOTE 25                                                                                                                                                                                                                                               |                 |      |               |         |
| COMMITMENTS FOR EXPENDITURE                                                                                                                                                                                                                           |                 |      |               |         |
| (a) Future Exploration                                                                                                                                                                                                                                |                 |      |               |         |
| The Economic Entity has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Economic Entity. |                 |      |               |         |
| The commitments to be undertaken are as follows:                                                                                                                                                                                                      |                 |      |               |         |
| Payable - within one year                                                                                                                                                                                                                             | 323,178         | -    | 151,984       | 483,000 |
| - between one and five years                                                                                                                                                                                                                          | 261,534         | -    | -             | -       |

There are currently no minimum expenditure requirements for the Company's Solomon Island tenements. All of the Company's other EPM's are in Queensland. To keep EPM's in good standing in Queensland, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

### NOTE 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### (a) Contingent liability - Maxetec Australia Limited

At the time of the purchase by Western Pacific Gold Inc of D'Aguilar Gold Ltd, in addition to the purchase price then paid by Western Pacific Gold Inc, Western Pacific Gold Inc agreed to make certain bonus payments to Maxe-tec Australia Limited in the event that a bankable feasibility study was completed on the D'Aguilar Gold Project within 30 months of completion of the purchase being on or about 11 January 2004. At present, were that to occur, Western Pacific Gold Inc would be obliged to pay \$750,000 to Maxe-tec Australia Limited at its election either way by way of cash or the issue of Western Pacific Gold Inc shares to that value.

D'Aguilar Gold Ltd has agreed to assume responsibility for this payment if and when an obligation to make the payment arises. Under such arrangements, D'Aguilar Gold Ltd has informed Western Pacific Gold Inc that it would presently propose to seek to make any such payment should it ever arise, by cash.

#### (b) Contingent Assets - Provision for Rehabilitation Costs

The Company has conducted an extensive review of the environmental status of the Mining Leases with a view to making an assessment of the appropriate provision it should make in its accounts for future liabilities in respect of rehabilitation and restoration.

In the course of this exercise, advice was received from different parties providing estimations on the potential costs for future rehabilitation and restoration. Based on this information, the Company has made provision in its accounts in respect of these contingent liabilities (\$1,300,000).

The Company also has the benefit of an indemnity from Maxe-tec Australia Limited in respect of liabilities in respect of facts or circumstances arising to 30 October 2001, when Western Pacific Gold Inc acquired D'Aguilar from Maxe-tec. Maxe-tec disputes its liability under this indemnity. In the event that at some future time the Company is required to discharge these liabilities it intends to call upon Maxe-tec to perform under the indemnity. If Maxe-tec fails or refuses to perform, the Company may be required to enforce the indemnity.

The Directors have also taken steps to enter into agreements with third parties to accept responsibility for a portion of the present liability of the company in respect of the rehabilitation costs. Pursuant to Deeds entered into in May 2003 between the Company and interests associated with three of the Directors of the Company ("the Bondholders"), the Bondholders have agreed to assume the responsibility for the discharge of \$1,300,000 in total of the environmental liability and restoration obligations of the Company in respect of its mining leases.

Samuel Capital Limited has taken \$500,000 of Bonds and is an entity associated with Mr Mather, a director. Vincent Mascolo and Damien Reynolds, both directors of the Company, have taken \$400,000 of the Bonds, respectively.

**D'Aguilar Gold Ltd and Controlled Entities**

**Notes to the Financial Statements for the year ended 30 June 2003**

| Economic Entity |      | Parent Entity |      |
|-----------------|------|---------------|------|
| 2003            | 2002 | 2003          | 2002 |
| \$              | \$   | \$            | \$   |

**NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE**

D'Aguilar Gold Ltd issued a prospectus for the issue of up to 20,000,000 shares to be offered for subscription at 20 cents each to raise up to \$4,000,000. Having closed the Initial Public Offering fully subscribed (\$4,000,000) on 8 August 2003, the Company was admitted to the Australian Stock Exchange ("ASX") on 19 August 2003. Official quotation of the Company's shares on the ASX commenced on 21 August 2003.

**NOTE 28 FINANCIAL INSTRUMENTS**

**(a) Interest Rate Risk**

The Economic Entity's exposure to interest rate risk which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities is as follows:

|                         | Weighted Avg |      | Floating  |      | Non Int Bearing |      | Total   |      |
|-------------------------|--------------|------|-----------|------|-----------------|------|---------|------|
|                         | Int Rate     |      | Int Rates |      |                 |      |         |      |
|                         | 2003         | 2002 | 2003      | 2002 | 2003            | 2002 | 2003    | 2002 |
|                         | %            | %    | \$        | \$   | \$              | \$   | \$      | \$   |
| Cash                    | -            | -    | -         | -    | 8,812           | -    | 8,812   | -    |
| Receivables (Current)   | -            | -    | -         | -    | 37,609          | -    | 37,609  | -    |
| Payables                | -            | -    | -         | -    | 289,726         | -    | 289,726 | -    |
| Borrowing (Current)     | -            | -    | -         | -    | 19,817          | -    | 19,817  | -    |
| Borrowing (Non-Current) | -            | -    | -         | -    | 7,022           | -    | 7,022   | -    |

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions, as disclosed in the statement of financial position and notes to the financial statements.

The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic Entity.

**(c) Net Fair Values**

The net fair values for all assets and liabilities approximates their carrying value.

## **DIRECTORS' DECLARATION**

The Directors of the Company declare that:

- (1) the financial statements and notes to the financial statements:
  - (a) comply with Australian Accounting Standards, the Corporations Act 2001, and the Corporations Regulations 2001.
  - (b) give a true and fair view of the financial position as at 30 June 2003 and of the performance for the year ended on that date of the Company and Economic Entity; and
- (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.

As set out in Note 1 the financial statements have been prepared on a going concern basis. The ability of the Economic Entity to maintain continuity of normal business activities and to pay its debts and when they fall due is dependent upon the success of capital raising.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

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

Brian Moller  
Director

Brisbane  
Dated this 30th day of September 2003

## INDEPENDENT AUDIT REPORT

Independent audit report to members of D'Aguilar Gold Ltd and Controlled Entities

### Scope

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

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both D'Aguilar Gold Ltd (the Company) and its controlled entities (the Consolidated entity), for the year ended 30 June 2003. 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 judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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*.

## **D'Aguilar Gold Ltd and Controlled Entities**

### Audit opinion

In our opinion, the financial report of D'Aguilar Gold Ltd and Controlled Entities is in accordance with: the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's and Consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
- complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- other mandatory financial reporting requirements in Australia.

### Emphasis of Matter Regarding Going Concern

Without qualification to the opinion expressed above attention is drawn to the following matter. As set out in Note 1 the financial statements have been prepared on a going concern basis. The ability of the Economic Entity to maintain continuity of normal business activities and to pay its debts and when they fall due is dependent upon the success of capital raising.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the Company's plans not eventuate.

**BDO Kendalls**  
**Chartered Accountants**

**T J Kendall**  
Partner

Brisbane  
Dated this 30th day of September 2003

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