



GTN RESOURCES LIMITED

ACN 004 681 734

Level 9, 1 York Street
Sydney NSW 2000

APPENDIX 4E PRELIMINARY FINAL REPORT

For the year ended 30 June 2005
GTN Resources Ltd and its Controlled Entities

ABN 40 004 681 734

Results for announcement to the market

		2005	2004
		\$	\$
Revenues from ordinary activities	Down 29% to	949,764	1,341,905
Profit / (Loss) from ordinary activities after tax attributable to members		11,795	(417,165)
Profit / (Loss) for the period attributable to members		11,795	(417,165)
Dividends			
	Amount per share	Franked amount per share at 30% tax	
Final dividend declared subsequent to 30 June 2005	None	None	

Analysis of Results

Sapphires

Financial Performance

The full year result was a profit of \$11,795 (2004: \$417,165 loss). The consolidated entity's core activity during the year, the rough sapphire business declined slightly in profitability due to the continued depression of sapphire prices and the lower grade of material mined throughout the year. Revenue from sapphire sales decreased from \$1,166,682 during 2004 to \$544,727 this year.

Rough Sapphire Market

International markets for sapphire remain severely depressed. The continued strength of the Australian Dollar against the Thai baht has added further difficulties to a market already suffering from US buyer resistance to Thai cut material due to diffusion scandals and a renewed influx of good quality cheap sapphire from Madagascar, China and Vietnam. Sapphire markets have been depressed for over four years and it appears unlikely that any improvements in the market conditions will be experienced in the immediate future.

Weean (GTN 50%)

Plant throughput during the year increased by 42% to 22,800bcm and the production of sapphire bearing material was up by 10% to 825kg reflecting both the higher throughput and lower grade of material processed during this year. The joint venture agreement entered into with an Inverell based miner in May 2003 remained in force until 30 April 2005 when the Weean operation was sold to GTN's joint venture partner, Wilsons Gems and Investments Pty Limited.

Yarrandoo Project (GTN 74.5%)

No progress occurred with the Yarrandoo Project during the year due to the depressed market and no approaches were made to try and reach an agreement with the landowner on development issues.

Sapphire Exploration

All exploration tenements have been previously relinquished.

Cut Stone

GTN decided to discontinue all activity in the cut stone market and at year end most of the stock (cut and rough) associated with this business had been sold.

Copper

GTN retains its investment in GTN Copper Technology but is not currently promoting or assessing opportunities in the copper industry, which would be appropriate for the application of the Intec hydrometallurgical process. GTN Copper Technology owns licences and options to acquire licences for the use of the Intec process.

Acquisition of Australian Tungsten Pty Ltd

In August 2004, the company entered into an option agreement with the owners of Australian Tungsten Pty Ltd ("ATPL"), owner of the King Island Scheelite mine retention leases and mine redevelopment project. GTN undertook a Pre-Feasibility Study to evaluate the ATPL proposal to redevelop the King Island Scheelite mine. The Pre-Feasibility Study outcome was positive and the Board resolved to exercise the option to acquire ATPL.

At a General Meeting of shareholders on 24 May 2005, shareholders approved the acquisition of ATPL. ATPL is now a 100% owned subsidiary of GTN Resources Ltd.

Consideration for the acquisition of Australian Tungsten Pty Ltd was 11 million fully paid ordinary GTN shares, taking the issued capital of GTN to 30,689,713 fully paid ordinary shares. The vendors of ATPL were also issued 16 million Converting Performance Shares that convert to fully paid ordinary shares on achievement of certain milestones.

Bankable Feasibility Study

GTN expects that a Bankable Feasibility Study will be complete by the end of the March quarter, 2006, with Financial Close scheduled for the June quarter. Mine development is scheduled to commence in the September quarter, 2006, with first production of tungsten concentrate expected in early 2007.

This Bankable Feasibility Study will include a detailed Development Proposal and Environmental Management Plan (DPEMP) required to obtain the relevant permits. The company will also work closely with the King Island community to ensure that the impacts of the mine development are positive for the island.

Project Management

The company appointed Mr Rob Yeates as Project Manager for the Bankable Feasibility Study phase of the project. Mr Yeates is a mining engineer with a strong background of relevant experience.

Geology and Drilling Programme

The drilling program to confirm mineralisation tonnes and grade estimates commenced in late May. A second objective of the drilling program is to establish whether or not additional lower grade material may exist within the open pit mine envelope that can be processed through the mill.

Nine fully cored holes totalling approximately 900 m had been completed by 30 June 2005.

Market Development

Tungsten prices escalated substantially since GTN first negotiated the option to acquire ATPL. Tungsten prices are quoted in US\$ per metric tonne unit – mtu. An mtu is one hundredth of a tonne. In August 2004, when GTN first secured an option to acquire Australian Tungsten Pty Ltd, the scheelite concentrate price was quoted by Metal Pages at US\$60 to US\$65 per mtu. On 24 May 2005, the date of the General Meeting of shareholders, the Metal Pages quote was US\$235 to US\$240 per mtu, some US\$160 per mtu above the long term price used by Resource Equity Consultants Pty Ltd (“REC”) for its valuation. The price has since retracted to the current level of US\$152 to US\$160 per mtu.

As part of the Pre-Feasibility Study, GTN completed a review of the supply and demand outlook for tungsten. As with many other commodities, there is strong global demand growth for tungsten. Chinese output has dominated tungsten supply over the past 15 years. However declining ore grades in China and rapidly growing internal demand have led to a situation where supplies entering the western markets from China are rapidly declining. There are few western mines able to take up the shortfall, leading to the current tight supply situation. GTN’s review of supply and demand indicates that the sustainable long term price for WO₃ may be around US\$100 per mtu. The review showed that the redeveloped King Island scheelite project should be well placed on the supply cost curve, being one of the lower cost sources of tungsten on both an operating and capital cost basis.

Visits to the mine site have been made by several major global tungsten concentrate buyers.

Development Approval

The government approval process was initiated with the submission to Department of Industry Water and Environment in Tasmania of a Notice of Intent for mine redevelopment. The preparation of the Development Proposal and Environmental Management Plan required to obtain relevant approvals to proceed with development is progressing.

Land Acquisition

Since 30 June 2005, GTN has entered into an agreement to acquire a 5 hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned open pit mine and the Grassy township.

Project Economics

As part of information provided to GTN shareholders with the Notice of Meeting for the 24 May 2005 General Meeting of Shareholders, GTN engaged REC to prepare an Independent Expert Report on the King Island scheelite project. REC estimated total operating costs of A\$39.50 per tonne of material processed. This results in an estimated cost per mtu of WO₃ sold of A\$54. REC assessed the current fair market value of the project at A\$18.5 million, based on a long term WO₃ price of US\$72 per mtu. REC also noted that the value of the project was very sensitive to the life of mine WO₃ price, with each US\$10 per mtu increase in price increasing the value of the project by approximately A\$12.9 million.

STATEMENT OF FINANCIAL PERFORMANCE

GTN RESOURCES LTD AND ITS CONTROLLED ENTITIES

FOR THE YEAR ENDED 30 JUNE 2005

	Notes	Consolidated	
		2005	2004
		\$	\$
Revenue from sale of goods		544,727	1,166,682
Other revenues from ordinary activities		<u>405,037</u>	<u>175,223</u>
Total revenue from ordinary activities	2	949,764	1,341,905
Expenses from ordinary activities	3	(937,969)	(1,756,811)
Borrowing costs		-	(2,259)
Share of net profits of associates accounted for using the equity method	5	<u>-</u>	<u>-</u>
Profit / (Loss) from ordinary activities before related income tax expense	3	11,795	(417,165)
Income tax expense relating to ordinary activities	6	<u>-</u>	<u>-</u>
Net loss		<u>11,795</u>	<u>(417,165)</u>
		Cents	Cents
Basic earnings / (loss) per share	11	0.06	(2.12)
Diluted earnings / (loss) per share	11	<u>0.06</u>	<u>(2.12)</u>

The statement of financial performance is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
GTN RESOURCES LTD AND ITS CONTROLLED ENTITIES
AS AT 30 JUNE 2005

	Notes	Consolidated	
		2005	2004
		\$	\$
Current Assets			
Cash assets		2,263,720	2,418,848
Receivables		154,080	22,517
Inventories		28,049	421,663
Other		-	266
Total Current Assets		2,445,849	2,863,294
Non-Current Assets			
Receivables		23,840	158,211
Investments accounted for using the equity method	5	100,000	100,000
Property, plant and equipment		4,004	36,233
Exploration, evaluation and development expenditure		808,664	249,276
Intangibles		6,942,949	-
Other		1,398	1,850
Total Non-Current Assets		7,880,855	545,570
Total Assets		10,326,704	3,408,864
Current Liabilities			
Payables		355,781	87,871
Provisions		47,084	229,109
Total Current Liabilities		402,865	316,980
Total Liabilities		402,865	316,980
Net Assets		9,923,839	3,091,884
Equity			
Contributed equity	7	19,941,867	13,121,707
Accumulated losses	8	(10,018,028)	(10,029,823)
Total equity		9,923,839	3,091,884

The statement of financial position is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

GTN RESOURCES LTD AND ITS CONTROLLED ENTITIES

For the year ended 30 JUNE 2005

	Notes	Consolidated	
		2005	2004
		\$	\$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		612,296	1,226,953
Cash payments in the course of operations		(550,368)	(1,318,915)
Interest received		106,202	119,085
Borrowing costs paid		-	(2,259)
Net Cash Flows Provided by Operating Activities		<u>168,330</u>	<u>24,864</u>
Cash Flows From Investing Activities			
Proceeds on disposal of non-current assets		3,200	54,371
Payments for property, plant and equipment		-	(3,636)
Proceeds from sale of controlled entity		140,000	-
Payments for investment in controlled entity		(123,327)	-
Payments for deferred exploration & evaluation		(343,131)	-
Net Cash Flows (Used In) / Provided by Investing Activities		<u>(323,258)</u>	<u>50,735</u>
Net (Decrease) / Increase in Cash Held		(155,128)	75,559
Cash at the beginning of the financial year		<u>2,418,848</u>	<u>2,343,249</u>
Cash at the end of the financial year		<u>2,263,720</u>	<u>2,418,848</u>

The statement of cashflows is to be read in conjunction with the accompanying notes.

NOTES TO FINANCIAL INFORMATION

1. Accounting Policies

Basis of preparation

This report has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

The accounting policies have been applied consistently to each entity in the consolidated entity and are consistent with those of the previous year.

NOTES TO FINANCIAL INFORMATION

	Consolidated	
	2005	2004
	\$	\$
2. Revenue from Ordinary Activities		
Revenue from sale of goods	544,727	1,166,682
Other revenues:		
<i>From operating activities</i>		
Rendering of services	790	-
Interest received - other parties	111,047	119,085
<i>From outside operating activities</i>		
Proceeds from sale of non-current assets	3,200	54,371
Proceeds from sale of controlled entity	290,000	-
Other	-	1,767
Total revenue from ordinary activities	949,764	1,341,905
3. Profit / (Loss) from ordinary activities, before related income tax		
Expenses from ordinary activities were arrived at as follows:		
Changes in inventories of finished good	327,582	645,916
Consumables	57,066	37,829
Consultants	72,426	298,831
Due Diligence	-	308,183
Employee benefits	104,803	98,119
Insurance	37,928	52,598
Equipment hire & contracting	11,533	19,361
Repairs & maintenance	20,276	21,038
Depreciation & amortisation	24,772	76,696
Write down of capitalised development	71,080	-
Written down value of plant and equipment sold	-	24,409
Cost of controlled entity disposed	242,833	-
Other expenses from ordinary activities (net of recoveries)	(32,330)	173,831
	937,969	1,756,811

NOTES TO FINANCIAL INFORMATION

	Consolidated	
	2005	2004
	\$	\$
3. Profit / (Loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Cost of sales	422,725	719,186
Rental expense on operating leases	-	24,429
Net gains on disposal of non current assets		
Plant and equipment	(3,200)	(29,962)
Other financial assets	-	-
Controlled entity	(47,167)	-
Write down of:		
Plant and equipment	-	69
Exploration and development expenditure	71,080	-
Depreciation and amortisation		
Plant and equipment	24,772	76,627
Borrowing costs:		
Other parties	-	2,259
		<hr/>
4. Net tangible asset backing		
NTA backing per ordinary share	<hr/> \$0.10	<hr/> \$0.16

NOTES TO FINANCIAL INFORMATION

5. Investments accounted for using the equity method

Details of Investment in Associates are as follows:

Name	Reporting Date	Ownership Interest		Investment Carrying Amount	
		2005	2004	2005	2004
		%	%	\$	\$
GTN Copper Technology	30 June	36.3	36.3	<u>100,000</u>	<u>100,000</u>

Results of Associates

GTN Copper Technology Ltd did not trade throughout the financial year.

6. Income Tax Expense

	Consolidated	
	2005	2004
	\$	\$
Prima facie income tax benefit calculated at 30% on profit/(loss) from ordinary activities	3,539	(129,149)
Increase/(decrease) in income tax expense due to:		
- Legal expenses	15,542	92,455
- Other	-	-
- Recoupment of tax losses not previously brought to account	(19,081)	-
- Deferred tax assets not brought to account	-	36,694
Income tax expense attributable to loss from ordinary activities	<u>-</u>	<u>-</u>

7. Contributed Equity

	Consolidated	
	2005	2004
	\$	\$
Share capital		
30,689,713 (2004: 19,689,713) ordinary shares - Fully paid	19,941,707	13,121,707
8,000,000 (2004: Nil) First Tranche Closing Performance Shares - Fully paid	80	-
8,000,000 (2004: Nil) Second Tranche Closing Performance Shares - Fully paid	80	-
	<u>19,941,867</u>	<u>13,121,707</u>
Ordinary Shares		
Movement during the year		
Balance at beginning of year	13,121,707	13,121,707
Share issues		
11,000,000 shares to acquire 100% of ATPL	6,820,000	-
	<u>19,941,707</u>	<u>13,121,707</u>

NOTES TO FINANCIAL INFORMATION

7. Contributed Equity (Continued)

	Consolidated	
	2005	2004
	\$	\$
First Tranche Closing Performance Shares		
Movement during the year		
Balance at beginning of year	-	-
Shares issues		
8,000,000,000 shares to acquire 100% of ATPL	80	-
	<u>80</u>	<u>-</u>
Second Tranche Closing Performance Shares		
Movement during the year		
Balance at beginning of year	-	-
Shares issues		
8,000,000,000 shares to acquire 100% of ATPL	80	-
	<u>80</u>	<u>-</u>

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Closing Performance Shares

The First Tranche Closing Performance Shares (CPS) issued to the vendors of ATPL are exercisable at any time during the period commencing with achievement of the funding and financing arrangements for the King Island Scheelite project (Financial Close). The Second Tranche CPS issued to the vendors of ATPL are exercisable at any time during the period after Financial Close and a minimum of 2 years from the date of issue.

Holders of CPS have:

- No right to any dividend prior to conversion into ordinary shares;
- The right to be notified by GTN of Financial Close within 5 Business Days of Financial Close;
- The right on redemption and the right on winding up or reduction of capital pari passu with any other Closing Performance Shares and pari passu with ordinary shares of GTN to the repayment of the Initial Subscription Amount for the Closing Performance Shares;
- No right to participate in the surplus profits or assets of GTN;
- The right to receive all notices, audited accounts and the reports which the holders of ordinary shares are entitled to receive;
- The right to attend any general meeting of GTN, but not to vote or to move or second any resolution or speak at any meeting except in respect of a resolution which directly affects any of the rights, privileges or conditions attaching to the Closing Performance Shares or the exercise and enjoyment of such rights, privileges or conditions, in the event of which each Closing Performance Share shall confer on its holder one vote on a show of hands and one vote on a poll;

7. Contributed Equity (Continued)

- (g) Ordinary shares issued on conversion of the Closing Performance Shares will rank pari passu in all respects with other ordinary shares of GTN. GTN will apply for quotation on the ASX of all ordinary shares of GTN issued on conversion of Closing Performance Shares;

8. Accumulated losses

Accumulated losses at the beginning of the year	(10,029,823)	(9,612,658)
Profit/(Loss) for the year	11,795	(417,165)
Accumulated losses at the end of the year	<u>(10,018,028)</u>	<u>(10,029,823)</u>

9. Dividends

There were no dividends paid during the current or previous years.

NOTES TO FINANCIAL INFORMATION

10. Details of controlled entities

Control Gained Over Entities During the Period

	<i>Australian Tungsten Pty Ltd</i>
Name of entity	
Date control acquired, i.e. date from which profit(loss) has been calculated	31 May 2005
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period <i>since the date on which control was acquired</i>	-
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the <i>whole of the previous corresponding period</i>	-

Loss of Control of Entities During the Period

	<i>Great Northern NSW Pty Ltd</i>
Name of entity	
Date of loss of control, i.e. date until which profit(loss) has been calculated	27 June 2005
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period <i>to the date on which control was lost</i>	43,880
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the <i>whole of the previous corresponding period</i>	123,685
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	47,167

NOTES TO FINANCIAL INFORMATION

11. Earnings per shares (EPS)

	2005	2004
	\$	\$
<hr/>		
Earnings reconciliation		
Net Profit/(Loss) basic and diluted earnings	11,795	(417,165)
	<hr/>	
	2005	2004
	Number	Number
Weighted average number of shares used as a denominator		
Basic earnings per share	20,801,735	19,689,713
Diluted earnings per share	20,801,735	19,689,713

12. Segment Reporting

Business and geographical

The consolidated entity operated entirely in the field of mineral mining and exploration within Australia.

13. Contingent Liabilities

Details of contingent liabilities where the probability of future payments is not considered remote are set out below:

Environmental

The consolidated entity provides for all known environmental liabilities. While the directors believe that, based upon current information its provisions for environmental rehabilitation are adequate there can be no assurance that new material provisions will not be required as a result of new information or regulatory requirements with respect to known sites or identification of new remedial obligations at other sites.

The Environmental Protection Agency (EPA) issued a request in November 2004 for further analysis of the mill site at Herberton in Queensland, the location of a former tin mine operation by the consolidated entity. Following testing, it was determined that further rehabilitation of the site was required. The consolidated entity has yet to finalise the rectification required with the EPA and local council. Although a reliable estimate of the contingent liability is not yet available, the Directors believe that the cost of such work should not exceed \$200,000.

Rehabilitation

The consolidated entity has certain commitments imposed by the New South Wales Department of Mineral Resources (DMR) to perform minimum exploration work on tenements. These obligations may be varied from time to time, are subject to approval and are expected to be fulfilled in the normal course of operations.

NOTES TO FINANCIAL INFORMATION

13. Contingent Liabilities (continued)

The consolidated entity has provided bank guarantees totalling \$23,840 (2004: \$158,211) to the DMR as mining security deposits.

14. Events subsequent to balance date

Since the financial year end, GTN has entered into an agreement to acquire a 5 hectare block of land immediately on the northern boundary of the mine lease to ensure that an appropriate buffer zone is in place between the planned open pit mine and the Grassy township.

Other than the matter noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

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

The consolidated entity has established a process to manage the transition to AIFRS, to assess the impact of the transition to AIFRS and to achieve compliance AIFRS reporting for the financial year commencing 1 July 2005. It is expected to have full compliance in place by the 31 December 2005 half-year end and 30 June 2006 financial year.

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

The major differences between AGAAP and AIFRS, based on current understanding and best estimates, are summarised below. Continuing release of new information, exposure drafts, amendments etc, by the regulatory bodies overseeing the AIFRS and development of best practice principals with time, may lead to re-interpretations and adjustments to these initial determinations in the future.

NOTES TO FINANCIAL INFORMATION

15. International Financial Reporting Standards

Business Combinations

The classification and accounting treatment of business combinations which occurred prior to transition date have not been re-stated in preparing the transition balance sheet, as is permitted by the election available under AASB1.

No adjustments are anticipated to arise for the Company or consolidated entity on transition to AIFRS in relation to the Australian Tungsten Pty Ltd business combination which occurred after 1 July 2004.

Property, plant & equipment

Under AIFRS, the Group has elected to measure property, plant and equipment at cost.

Under AIFRS, the consolidated entity is required to include in the cost of an asset an initial estimate of the cost of dismantling and removing an item and restoring the site upon which it is located. There was no equivalent requirement under AGAAP to include such rehabilitation costs in the initial cost of Property, plant & equipment.

Where there is a constructive obligation to rehabilitate at the end of useful life/mine life, the cost of the asset at acquisition needs to be grossed up by the value of the obligation discounted back to acquisition date. Accumulated depreciation is then calculated on this amount from acquisition to transition date.

No adjustment is expected at transition for the Company or consolidated entity.

Impairment

The Group has reviewed all assets for impairment under the requirements of AIFRS and no adjustments were identified at transition date or at 30 June 2005.

Intangible Assets

Intangible assets will be amortised on a straight line basis over the estimated useful life of the asset from the date they become available for use. At transition the Company and consolidated entity did not have any intangible assets.

In the comparative year the Company acquired ATPL and recognised an intangible asset "King Island tenement" on initial consolidation. Under AIFRS, with the exception of tax, no adjustment is expected to the carrying value of this asset. Refer to the commentary below for an outline of the impact of the new taxation standard.

NOTES TO FINANCIAL INFORMATION

15. International Financial Reporting Standards (continued)

The intangible has not been amortised as the project is not yet in production. When production commences, the intangible will be amortised over the life of the mine. No impact on the results for the year ended 30 June 2005 for either the Company or consolidated entity is expected.

Exploration and Evaluation Expenditure

Under AIFRS, an asset relating to exploration and expenditure can only be recognised if the rights to tenure are current and:

- The expenditures are expected to be recouped; or
- The activities have yet to reach a stage to reasonably assess the existence of economically recoverable reserves and active and significant operations are continuing.

All expenditure on sapphire and tungsten tenements have been incurred subsequent to the grant of the tenement. There are no adjustments anticipated for the Company or consolidated entity at transition date or in the comparative year.

Income Tax

On transition to AIFRS the balance sheet method of tax effect accounting will be adopted, rather than the income statement method currently applied under AGAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax will be recognised in the income statement except to the extent that it related to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences will not be provided for: the initial recognition of assets and liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided will be based on the expected manner of realization of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax

15. International Financial Reporting Standards (continued)

assets will be reduced to the extent it is no longer probable that the related tax benefit will be realised.

As a consequence of the complexity of tax issues management is still reviewing the expected impact of these adjustments across the group

Restoration provision

Under current Australian GAAP, provisions are made for mine rehabilitation and restoration on an incremental basis during the course of the mine life. The provision is determined on an undiscounted basis based on current costs, current legal requirements and current technology.

Under AIFRS, the present value of restoration obligations is recognised at commencement of the mining project where a legal or construction obligation exists at that time. The provision is recognised as a non-current liability with a corresponding asset recognised in relation to the mine site. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates, and timing or amount of the costs to be incurred. As the assets are not revalued any changes in the liability are added or deducted from the related asset, other than the unwinding of the discount which is recognised as interest in the income statement as it occurs.

If the change in liability results in a decrease in the liability that exceeds the carrying amount of the asset, the asset is written down to nil and the excess is recognised immediately in profit or loss. If the change in liability results in an addition to the cost of the asset, the recoverability of the new carrying amount is considered. Where there is an indication that the new carrying amount is not fully recoverable an impairment test is performed.

Under AIFRS at transition no adjustment was required to be made to the restoration provision recognised under Australian GAAP as the present value of the provision had been recorded in the financial statements. No asset was recognised on transition as mining had ceased in all areas except Weean. At Weean no asset was recognised as wash is excavated using open cut mining methods and the provision for rehabilitation is recorded as the disturbance is incurred.

Financial Instruments

The consolidated entity intends to apply the AASB1 exemption not to restate comparative information in relation to AASB1 32 "Financial Instruments: Disclosure and Presentation" and AASB139 "Financial Instruments Recognition Measurement". Accordingly, no adjustment to the comparative results or statement of financial position is expected.

ANNUAL MEETING

The annual meeting will be held as follows:

Place Level 9 1 York Street Sydney NSW

Date 15 November 2005

Time 2.00 PM

Approximate date the annual report will be available: September 2005.

COMPLIANCE STATEMENT

1. This report gives a true and fair view of the matters disclosed.
2. This report is based on accounts in the process of being audited.
3. The Company has an Audit Committee.

Name: Ray Soper
 Director

Date: 13 September 2005