



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

**ANNUAL REPORT**

**FOR THE YEAR ENDED 30 JUNE 2005**

# CORPORATE INFORMATION

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## CHAIRMAN'S REPORT

Dear Shareholder

The past year has been one of building on the initial exploration experience in the Kilkivan region and progressing ways of unlocking value for shareholders in the Company's other assets.

The primary objectives for exploration in the Kilkivan region remain as the definition of large gold or copper-gold porphyry deposits and high grade epithermal gold deposits. The exploration program undertaken to date, has continued to affirm the original regional mineral emplacement models proposed in the Company's 2003 prospectus.

As reported last year, initial efforts were directed at compiling the vast amounts of data, which had been gathered by many personnel and companies over the past century in the Kilkivan region. While existing data are progressively added, the database of historical information is largely complete. This year's efforts have been directed at following up potential targets and filling in the information gaps through detailed exploration fieldwork.

Some initial targets were drilled in the early part of the year. The drilling program added a significant amount of information below known epithermal deposits at the Shamrock Mine and Manumbar and on a porphyry deposit at Elginvale. Further evaluation and reassessment of the Manumbar deposits has identified a much larger area showing potential for high grade gold mineralisation, below banded quartz veins and breccias. The size of the Elginvale porphyry system has also been increased through fieldwork and shows promise for improvement of the known grade.

Efforts since then have been also been focused on defining new drilling targets through intensive field mapping and detailed stream soil and rock chip sampling, and subsequent analysis. A number of exciting new targets have been defined.

New epithermal gold zones have been identified at Almavale, Broadwater, Lord Nelson and White Rocks.

New large porphyry zones, have been defined at Mudlo, Gayndah, Tansey, Running Creek, Long Tunnel and Gibraltar Rock.

At a number of other prospects, including Sawpit, West Coast Creeks, Dranes Gully, Blarney and Erins, broad zones of disseminated mineralisation have been identified along the contacts between the intrusive porphyries and the host rocks. This style of mineralisation has not been recognised here previously.

These targets are ready to be drill tested in the coming year.

In addition, a 22 kilometre long belt of nickel bearing ultrabasic rocks has been identified in the Mount Mia to Mount Mudlo area at Kilkivan. This extensive area of nickeliferous and cobalt mineralisation had not been previously considered economic due to the metallurgy of the altered serpentinite host. A new mineral emplacement model for nickel and cobalt, and laboratory testing, which confirmed the potential viability of low temperature leaching, at atmospheric pressure, provides a more positive view of the economic potential of these nickel deposits. Further work is to be undertaken in the next 12 months.

Further, an investigation of the mined overburden at the Shamrock Mine has identified its suitability as a potential aggregate supply source for the local region. Evaluations of the commercial prospects of this resource are underway.

Significant effort has also undertaken to unlock value in two of the Company's other tenement areas.

The Company has announced an intention to separate its Solomon Island exploration areas into a float of Solomon Gold Plc on the London Alternative Investment Market. £632,000 seed capital has been raised and commitments for a large proportion of the planned £5 million float have been received from new investors. D'Aguilar holds 10.5 million shares in Solomon Gold for distribution to D'Aguilar Gold shareholders. This will be a large release of value to shareholders, with potential for upside growth, due to the high prospectivity of the gold copper exploration tenements on Guadalcanal.

The Company has also completed a scoping study, which supports further work progressing towards a full feasibility study of the Andurambah molybdenum project. This is a timely project with world molybdenum prices at record levels.

Immediate future plans for the Company include bringing the float process for Solomon Gold to a successful conclusion in November and to undertake drilling on highly prospective epithermal and porphyry gold targets in the Kilkivan region. Detailed drilling assessment of the nickel bearing serpentinites and progress towards a full feasibility

study of the Andurambah molybdenum deposit will also be major components of the work programme.

These activities are ambitious and expansive for D'Aguiar and require a substantial flow of operating capital. D'Aguiar has arranged the placement of 15,025,200 shares and 7,512,600 options at 15 cents per share to fund the forthcoming program.

The Company and supportive shareholders have also assisted in the placement of D'Aguiar Gold shares held by the Gympie Gold receiver to assist the capital raising. The placement of these shares removes a perceived market overhang originating from the Gympie Gold receivership.

The world outlook for copper, gold and nickel prices continue to remain strong and support further investment in the definition and commercialisation of economic deposits within your Company's asset base.

I would like to thank the Board, management and staff at Kilkivan and new staff in the Solomon Islands, for their continued contribution towards creating value for all shareholders in your Company.

The detailed evaluation of the Company's mineral prospects takes time and detailed work. Shareholders have provided patient and positive support during this period. The Board is grateful for this continued support

Chris Rawlings  
Chairman

## REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The past year of activity in D'Aguilar has focused the following key activities:

1. Definition of new gold and base metal mineral systems in the D'Aguilar Block, South East Queensland
2. \$2.25 million capital raising to fund extensive drilling campaign in the current year
3. Preparation for the spin-off of the Company's Solomon Islands Gold projects on the AIM market in London with a £5million capital raising.
4. Completion of the scoping study for the Company's Andurambah Molybdenum Project

### D'Aguilar Gold Project

The D'Aguilar gold project absorbed the bulk of the exploration effort during the year. The Company expended \$1.6million on exploration activities over 27 granted Exploration Permits for Minerals and 12 Mining Lease tenements covering some 4,135 km<sup>2</sup> on the D'Aguilar Block of South East Queensland. Applications for six Exploration Permits covered a further 1,034 km<sup>2</sup> were made during the year. During the year the Company took and had assayed 275 stream sediment samples, 2,132 soil samples and 1,352 rock chip samples. The Company drilled 11 holes for 1,105 metres of reverse circulation drilling and 215 samples and 1,750 metres of core drilling for 666 samples.

D'Aguilar has constructed an extensive database which comprehensively details every known element of the geology, geochemistry and geophysics of the area and provides a basis for the discovery of new mineral systems which would have otherwise remained undiscovered. The D'Aguilar exploration effort has been complemented by a Queensland Government initiative flying and processing 18,000 km<sup>2</sup> of new aeromagnetic data over the more interesting target areas. D'Aguilar expects to be able to utilise this data when it becomes available in October 2005. D'Aguilar expects to utilise the whole database strategy which it has developed on the D'Aguilar Block gold and copper project for regional exploration and orebody discovery in other parts of Australia in the future.

The Company's aim during the year on the D'Aguilar project was to gain a better understanding of the geology and mineralisation of the D'Aguilar Block as a whole and to define a set of thoroughly understood and priority ranked targets for the next stage of the program – a 10,000 meter drill program. The drilling contracts contain options for a further 10,000 metres in the event that rapid follow-up and initial resource drilling is required to appraise a discovery.

Review of the database after the collation of all available inputs revealed a number of deficiencies which had been overlooked by previous explorers in the area. First, a large area of no geochemical sampling or mapping was evident in the area north west of Kilkivan towards Tansey. Secondly, despite the presence of significant nickel anomalies in stream sediment data, no reconnaissance had ever been conducted to investigate the source and thirdly, no systematic large scale sampling programs had ever been conducted in the area between Kilkivan and Shamrock, where the frequency of high grade veins, the subject of past small scale mining operations, suggested the presence of a major mineralising system concealed by a blanket of altered volcanic and sedimentary rocks.

D'Aguilar's team of geologists and field hands infilled these data holes and have, as a result, outlined important new targets. Key advances were made during the year on the D'Aguilar project as a result:

#### *New Gold Zones*

##### ***1. Discovery of a new epithermal and copper gold porphyry field north west of the regional centre of Kilkivan.***

Detailed mapping and sampling by the geological team outlined a new trend of epithermal and porphyry gold mineralisation extending southwards from the ABC Mine near Tansey, 25 km north west of Kilkivan. Secondly a new 6 km long epithermal quartz vein system was located at Alnavale, together with copper – gold - molybdenum quartz vein stockworks at Wongella and White Rocks. An epithermal vein at White Rocks assayed up to 45 m @ 1.2g/t (grams per tonne) gold over the width of the system. In addition a new epithermal vein system was outlined at Back Creek and yielded 300ppb (parts per billion) gold in reconnaissance stream sampling. At Broadwater and Lord Nelson epithermal veins have yielded up to 2 g/t gold over a 1km length.

Within these epithermal vein systems, D'Aguilar has identified a typical mineral zonation in which the gold poor chalcidony (banded silica) at the top of the system passes downwards into quartz carbonate and sulphides carrying gold.

**Epithermal mineralisation** at all of these prospects is reminiscent of the style of banded quartz and calcite mineralisation from the Cracow (Newcrest Mining/Sedimentary Holdings) and Vera Nancy (Newmont) deposits, two of Queensland's largest epithermal gold deposits hosting in excess of 4 m oz of gold. Importantly, the mineralisation is also similar to the Company's Manumbar project area 35 km to the south. D'Aguilar has recognised a repetitive environment for this style of mineralisation and is targeting a significant discovery as a result.

D'Aguilar is encouraged by these discoveries as they are believed to indicate the tops of epithermal gold zones which are possibly gold rich at depths within 100 meters from surface. All of the targets referred to in this epithermal field will be drill tested in the current year.

At Tansey, D'Aguilar has located a new zone of **porphyry mineralisation** which appears to be genetically related to the epithermal quartz fields in the area. D'Aguilar sampling has outlined a zone of copper, gold and molybdenum anomalism with unclosed dimensions of 7km x 3km. The southern extensions pass under extensive alluvial cover.

In this portion of the D'Aguilar project area, the porphyry mineralisation is centred about a different, more oxidised style of intrusion which produces both copper and gold as opposed to the reduced intrusions that produce only gold further south in the D'Aguilar Block near Elginvale. Sampling by D'Aguilar at Tansey has returned up to 50m at 0.2 g/t gold and 750 ppm copper in low lying leached quartz monzonite porphyries. D'Aguilar's regional work now reveals that low lying eroded areas with poor outcrop frequently show magnetic features which are typical of mineralised porphyry systems and these regions will become increasingly important in D'Aguilar's ongoing exploration effort.

Also in this promising belt of oxidised copper rich and differentiated intrusives D'Aguilar has identified a copper porphyry target at Running Creek, 3km east north east of Mt Mudlo (20km north of Kilkivan) where drilling results from a previous operator in the 1960s revealed a copper oxide blanket in a supergene concentration zone. A single vertical drill hole returned 100 feet of mineralisation from surface @ 0.49% copper. This drill hole encountered 2.7% copper between 70 and 80 feet. A nearby hole returned 85 feet @ 0.33 % copper from surface. Both holes bottomed in copper mineralisation and neither hole was assayed for gold or molybdenum. D'Aguilar considers these results to present a high order target and will be drill testing this anomaly in the current year.

D'Aguilar believes that large copper gold porphyry exploration targets that potentially have a very high value have the best potential to make a significant economic impact on the Company. Australia's largest gold producer, Cadia – Ridgeway, is a copper gold mineralised quartz monzonite porphyry of this style.

The copper gold porphyries are associated with intrusive belts that have strong magnetic signatures, similar to areas to the north west of Tansey. D'Aguilar has applied for further exploration licences in that area to cover additional porphyry targets. These include the Gayndah porphyry covering an area of 6 km<sup>2</sup> and which has yielded rock chip results to 4 g/t gold in previous sampling programs.

## ***2. Discovery of extensive zones of alteration and mineralisation surrounding the key prospects at Sawpit - West Coast - Long Tunnel and the area between Kilkivan and the Shamrock Mine Exploration base.***

During the year D'Aguilar conducted detailed mapping and sampling programs over approximately 20 km<sup>2</sup> between Kilkivan and Shamrock, in areas showing up to 40ppb gold in stream sediment samples. These data and follow up mapping and sampling work by D'Aguilar has led to the discovery of extensive zones of alteration and mineralisation at Sawpit Creek and West Coast Creek, south of the historic Long Tunnel workings.

Several phases of broad spaced soil sampling, revealed broad zones of highly anomalous gold in soils in the Sawpit Creek and West Coast Creek areas south east of Kilkivan. The soil anomalies to date generally cover 3km<sup>2</sup> at greater than 10 ppb gold in soils in the case of each of these targets, and are coincident with strongly magnetic features interpreted to represent magnetic alteration and mineralised zones overlying mineralising intrusions.

Detailed mapping and rock chip sampling programs are in progress to determine if these zones are sufficiently coherent to support a significant ore discovery.

### ***Sawpit Creek***

At Sawpit Creek, gold in soil anomalism between 10 and 250 ppb gold open to the west and east has been defined over an area of 3 km<sup>2</sup>. Additional high order stream sediment anomalies to the south are being mapped and sampled on a reconnaissance basis to outline extensions to the Sawpit mineralisation. Follow up mapping and sampling over the main Sawpit anomaly discovered skarn style mineralisation in altered carbonate rich ultrabasic and volcanic rocks hosting up to 11 g/t gold in rock chip samples. The zone is adjacent to a mineralised intrusive system which also hosts sporadic gold values and is believed to be the source of the gold which has precipitated in the more receptive skarn altered basic volcanic rocks adjacent to and overlying the intrusive. Skarn style alteration of host rocks is typically characteristic of significant mineralising systems.

East north east trending quartz vein sets have been superimposed on the skarn mineralisation in the most anomalous areas. The best of these covers an area of 400x200 meters and ranges from 100 to 250 ppb gold in soils. Several other target areas showing gold in soil anomalism, skarn mineralisation and quartz veining have been identified for follow up mapping and sampling.

The discovery is particularly encouraging as the relationship between the mineralised intrusive, the overlying and adjacent skarn altered volcanics and sediments, and superimposed zones of quartz veining is repeated in a number of locations in the vicinity. It provides a repetitive exploration model for D'Aguilar to follow for the future in its broader project area.

To date, four additional discoveries (West Coast Creek, Blarney, Erins and Dranes Gully) have been made with similar characteristics and are being investigated with detailed mapping and sampling programs by D'Aguilar geological staff in the current year.

### ***West Coast Creek***

At West Coast Creek, D'Aguilar has defined a broad area of gold anomalism covering 3km<sup>2</sup> with over 40ppb gold in soils and rock chip results up to 2.6 g/t gold. The zone is part of the catchment area which has sourced in excess of 100,000 oz of gold, extracted during past alluvial mining operations. The geology of West Coast Creek is characterised by the complex intrusion of monzonite porphyry and trachyte dykes and plugs. Many of these are mineralised with gold grades up to 2.6 g/t gold. In areas where the drainage has eroded into the weathered bedrock the historic miners from 1852 have mined the weathered bed rock itself. The areas between creek beds have also been pitted and worked by prospectors and miners and these also expose brecciated mineralised skarn material. Reconnaissance rock chip channel sampling has returned 6 metres @ 7 g/t gold and 20 metres @ 1 g/t gold. Detailed mapping and sampling programs are underway in these areas to define drilling targets for the forthcoming drill program.

### ***Dranes Gully***

High order stream sediment anomalism in Dranes Gully, 4km west south west of Sawpit Creek led to the discovery of further skarn mineralisation. Limited follow up soil sampling outlined gold and silver trends that are locally strong. The silver forms an envelope around the gold. Several rock samples have been assayed returning up to 28.2 g/t Au and > 100g/t Ag within a calc silicate (skarn) breccia over 2m in width. Additional detailed mapping and sampling will be conducted in the current year.

### ***Blarney Skarn***

On the Black Snake Plateau, immediately south west of the historic Shamrock Mine, in a drainage hosting a 140 ppb gold in stream sampling from 1995 data, the soil sampling program has outlined a zone of soil anomalism over 1km<sup>2</sup> with consistently anomalous gold values from 10 to 63 ppb gold. The area is believed to be underlain by a mineralised copper - gold porphyry related to the Shamrock Mine copper - gold mineralisation 1km to the north east. The mineralised area is characterised by skarn altered sediments and volcanic rocks similar to the West Coast and Sawpit project areas. Numerous quartz veinlet systems cut the skarn, and these appear to be the same ENE trending set as those that carry the known mineralization (eg. Shamrock Mine) within the Black Snake Porphyry and its immediate contacts. The zones of veined skarn are believed to represent areas of buried copper - gold mineralization. The ENE veinlet trends have been the most productive locally, having been pitted and prospected by local historic miners

Detailed mapping and sampling is continuing in the current year to define drilling targets.

### ***Erin's Skarn***

A similar zone known as Erin's skarn parallel to the Shamrock was discovered some 1,200 metres south east of the Shamrock line of mineralisation. Erin's skarn prospect hosts historic diggings sporadically across a 200 m wide zone. The zone has sourced stream sediment anomalies of 16 and 41 ppb gold in Collins Creek and rock chip results in similar skarn material 1.5 km to the west returned 1.5 g/t gold and 126 g/t silver in the 1990s from a previous explorer. Soils results returned up to 100ppb gold in the area. Detailed mapping and sampling is continuing in the current year to define drilling targets.

#### ***3. Definition of a 22km belt of nickeliferous altered ultrabasic rocks.***

During the year D'Aguilar recognised two complex zones of altered and mineralised ultrabasic rocks. The western zone stretching from Mt Mia to Mt Mudlo in the north, a distance of some 30 km, has been investigated by D'Aguilar personnel and shown to be anomalous in Nickel for the entire length. The zone is duplicated in the east of the tenement package where the Company is yet to follow up anomalies exceeding 1,500ppm nickel in stream samples.

On the western Mia to Mudlo zone, the Company has carried out infill sampling which has defined a continuous zone of anomalous copper nickel and cobalt in altered serpentinite rocks between the Black Snake Porphyry and the Station Creek Adamellite

Previous drilling at the Black Snake laterite resource (150,000 tonnes at 1.0% Nickel and 0.1 % Cobalt, 2km east of the Shamrock base) showed the serpentinite underneath the laterite to contain up to 3% Ni in a possible supergene zone. Just 1 km north up to 0.74% Nickel, 0.12% Cobalt and 1.32 g/t gold has been discovered in surface soil sampling, and up to 0.5% Nickel has been returned from the Neurum area east of Mt Mudlo, north of Kilkivan. Additional mapping and sampling is under way in these areas. These results support and complement the prospect at Cobalt Lode some 3km to the north north west of the Black snake resource, where the anomalous area over 0.5% Ni and 400ppm cobalt covers 1km<sup>2</sup> and reaches up to 1.6% Ni in surface rock chips.

D'Aguilar has recognised millerite and pentlandite, two important nickel minerals in the zone. Geochemical zonation showing repetitive relationships between nickel cobalt copper and silver are providing direction to the D'Aguilar exploration effort on this target. D'Aguilar believes there are interesting similarities between the Allegiance Mining project at Avebury in Tasmania and the D'Aguilar Nickel project. D'Aguilar believes that sulphur sourced from nearby intrusions has scavenged the nickel, copper and cobalt from the surrounding serpentinite host, forming sulphide mineralisation in sheared and altered zones. Supergene enrichment has been superimposed, resulting in high near surface grades such as those encountered in the laterite resource drilling at Black Snake.

On the west side of the Black Snake porphyry the serpentinite also appears to be prospective for nickel and cobalt mineralisation. Mullock material from the Tableland mining operation will be subject to analysis and metallurgical tests to determine nickel and cobalt content and extractability.

Recent leach tests by Hydrometallurgical Laboratories for D'Aguilar have yielded 75% nickel and cobalt recovery under atmospheric acid leach conditions. European Nickel's Caldag project is in EPCM advanced development stage and is testimony to the potential viability of atmospheric acid leach processes and the application to mineralised serpentinite bodies as evident in the D'Aguilar project.

D'Aguilar intends to commence and complete a program of reverse circulation percussion drilling on the anomalous zones over 0.5 % Nickel in the 2005 to 2006 year.

#### ***4. Definition of a 20km<sup>2</sup> porphyry Copper Gold system at Gibraltar Rock***

During the year the Company defined a 20 km<sup>2</sup> mineralised porphyry system at Gibraltar Rock, east of Kilkivan. Gibraltar Rock yielded surface rock chip sampling up to 400 ppm copper in strongly weathered gossan zones which have not been drill tested by previous explorers. Previous explorers had encountered drill results of up to 0.5 % copper and significant molybdenum anomalies in holes at a depth of approximately 500 meters in a quartz monzonite porphyry forming part of the intrusive complex on the southern end of the Gibraltar prospect. The geochemical signature and presence of up to 20 meters of chalcocite copper mineralisation at a grade of 0.2 % copper, encountered during drilling by a previous explorer, underneath a surface anomaly of only 15 ppm copper indicates the potential for the presence of a much richer supergene copper blanket under widespread copper anomalies.

The Company intends to drill test the zone in the coming year.

## **5. Generation of a new mineralisation model for the Manumbar epithermal Goldfield, defining new drill targets**

During the year, a detailed mapping and sampling program defined a set of new drill targets at the Manumbar mine area. D'Aguilar staff outlined extensions to the mineralised system at Manumbar and proposed new controls to gold mineralisation. Previous models called for an increase in gold mineralisation at depth. D'Aguilar now believes that gold has been precipitated at Manumbar in a narrow vertical range which increases in depth to the north.

This vertical zonation is related to the temperature and pressure drops that were present within an ancient hot spring system and as a result tend to occur at a set depth below the ancient land surface. The high grade gold is generally present in a strongly defined vertical zone just below where the upper level chalcedony (a finer grained form of silica) veins pass down into quartz – calcite - adularia (a diagnostic pink potassium mineral) and very minor sulphide minerals.

This zonation is also typical of other epithermal systems in Queensland such as those at Cracow (Newcrest Mining and Sedimentary Holdings) and Vera Nancy (Newmont). At both Vera Nancy and Cracow, the gold ore lies at the quartz – carbonate transition underneath silver anomalous zones which like those at Manumbar, carry little or no gold.

At Manumbar, mapping has shown that the lavas that flowed along the old land surface have an overall very gentle, almost flat dip to the north and east of the open pits. Those areas to the north and east were therefore considered overly the prospective zone. Chalcedony dominated structures in this area were located and mapped out and sampled for gold and silver using the very sensitive cyanide leach technique. This indicated that the chalcedonic material to the north and east of Manumbar was distinctly anomalous in silver. The silver and gold anomalism was strongest where the chalcedony trends intersected.

Accordingly, new targets have been proposed in areas of structural intersections at depth and traceable at surface by weak gold and relatively strong silver anomalies and banded quartz and chalcedony veins and breccias.

These silver rich chalcedonic vein intersections have provided bullseye targets for drilling. Not all veins appear to be striking east south east, and therefore the previous NNE drillhole orientations adopted last year were not suitable for all targets. The most attractive immediate target lies on the north east side of the North Pit. It is also adjacent to an unclosed 6m @ 7g/t gold true width intersection in hole DP 28, drilled by D'Aguilar last year.

D'Aguilar intends to drill test new targets at Manumbar in the current year.

## **6. Recognition of replacement style gold mineralisation at Glastonbury**

At Glastonbury, the gold occurs within veins and cavities that occur around the base of jasperoid alteration. Jasperoid alteration is formed when carbonate rich rocks are replaced by silica that has been either mobilised by hot spring systems or by the residual fluids from calc – silicate skarn formation.

This style of mineralisation has similarities to that seen in several major gold deposits; notably the 60 million ounce Carlin system in Nevada, and the 170 million ounce Muruntau deposit in Uzbekistan. While the D'Aguilar deposits may not be as large, the geological knowledge gained from these foreign deposits can be applied locally.

At the Glastonbury mining centre on the east side of the D'Aguilar Block, the distribution of surface gold matches the positions of the open pit and underground workings. These gold structures were not targeted by the previous Gympie Gold drilling campaign.

During the year mapping and sampling programs at Glastonbury outlined an extensive zone immediately west of the historic mining activities.

The Glastonbury field is located on a regional west north west lineament which intersects the Gympie Gold field, Glastonbury, Sawpit Creek and the Mudlo to Tansey trend north west of Kilkivan. This lineament is thought to have been an important control to mineralisation in the area.

In the adjacent 8 km<sup>2</sup> area to the north and east there are numerous other jasperoids that are anomalous in gold silver antimony and arsenic. The largest of these jasperoids lie along ESE structures that are on strike from the largest deposits in the Gympie field. These jasperoids are believed to pass down into high grade gold deposits.

D'Aguilar intends to drill test six of the best targets at Glastonbury in the current year.

## **7. *Upgrading of the extensive Elginvale Gold system***

The previous D'Aguilar core drilling at Elginvale, 30 km south of the Shamrock exploration base encountered long intersections of low grade gold (drillhole DP029 0 to 236 m @ 0.2 g/t gold, including 68 m @ 0.55g/t gold from 83 metres depth) that could only be economically mined if blended with richer material. This core was valuable in that it demonstrated that there are two distinctly different styles of mineralisation. Firstly there is a fairly uniform style of disseminated gold over very large widths, and secondly, there are narrow veins of very high grade (approximately 18 g/t gold over 0.5 metres).

The presence of narrow rich veins offers an opportunity to locate zones of high grade material to lift the overall Elginvale grade. These veinlets are too sparsely distributed to have been encountered by the previous CRA auger geochemistry, which took a small sample of bedrock on lines 200 metres apart. During the year, D'Aguilar trialed a denser pattern using surface - based cyanide leach techniques which assays a larger, more representative sample.

This newer D'Aguilar sampling has confirmed that there are large areas of much better surface gold than those that were tested by the previous CRA and D'Aguilar drilling. In addition a new zone of anomalism over 40 ppb gold in soils has been defined to the east of the original grid area. The gold mineralisation is determined to be controlled by vertical fracturing and veining in strongly altered zones. At Ollenburgs, 4 km to the south and considered to be part of the Elginvale system, D'Aguilar sampling during the year outlined prospectivity for porphyry style gold mineralisation extending beyond the known workings.

These zones will be drill tested during the current year. Accordingly, Elginvale remains prospective for a large tonnage porphyry gold deposit, geologically similar to Cadia in NSW.

## **8. *King Creek***

During the year a significant gold-in-soil anomaly masked by alluvium was confirmed over an intrusive body covering approximately 1.5 km<sup>2</sup> at King Creek, on the western side of the D'Aguilar Block, north of Elginvale. The Company intends to drill test the prospect with shallow percussion holes this year. Previous sampling and drilling in the area has identified a number of prospective mineralised structures within the intrusion.

## **9. *Peenam***

The Peenam Prospect covers an area of intensely altered volcanic breccia within the Neara Volcanics of the Esk Trough in the same region as Elginvale. The prospect covers an area of approximately 4 km<sup>2</sup>. Past drilling by BHP encountered a best intercept of 106m @ 0.16 g/t Au from surface.

During the year a review of the BHP close spaced drilling results showed a stratabound gold horizon dipping gently to the east at shallow depth. The horizon was not closed off by the drilling nor did BHP's soil grid completely close off several gold anomalies on the east and west margins of the grid, with some values reaching 400 ppb Au, well away from drill holes and mapped breccias.

D'Aguilar extended the soil grids in the area of these unclosed anomalies and conducted follow up sampling around several moderately elevated stream sediment anomalies up to 4.7 ppb Au to the immediate south and upstream of the Peenam drainage system. Further work is warranted during the current year to define drill targets on the prospect.

## **10. *Breakneck Creek***

During the year the Company identified several targets for follow up mapping and sampling in historic data from Breakneck creek in the south east area of the D'Aguilar Block project near the town of Imbil.

The area has produced approximately 30,000 oz of alluvial gold and exhibits strong aeromagnetic signatures indicative of intrusive systems. The host rocks consist of Triassic volcanics and Devonian metamorphic rocks. An area of approximately 10 km<sup>2</sup> is anomalous between 2.6 to 51 ppb gold in bulk stream samples and 2 km<sup>2</sup> is over 8 ppb gold in streams and up to 106ppm gold in pan concentrates. Subject to access over forestry lands D'Aguilar intends to conduct detailed mapping and sampling programs over the entire anomalous area in the current year.

## **11. *Tewoo***

Interpretation of reconnaissance mapping and sampling by D'Aguilar during the year and previous CRA drilling results suggests a potentially mineralised zone occurs as a tabular stratabound silicified and pyritic body underlying a serpentinite cap at Tewoo 5 km north east of Manumbar.

Detailed geological mapping was completed over the most prospective area at the head of a broad drainage catchment area strongly anomalous in gold up to 28 ppb Au. Mapping identified a tightly folded package of host metamorphic rocks intruded to the northeast by a large Triassic granodiorite and within the prospect area by numerous EW trending monzonite and granodiorite dykes.

A number of quartz - pyrite veins and shears were identified within the serpentinite near the contact between the granodiorite and the greenstone unit which returned assays of up to 0.4 g/t Au. The mineralisation is accompanied by elevated arsenic (max 0.17% As) and tellurium (max 23.4 g/t Te), considered indicative of a significant mineralising system.

Subject to access over forestry lands, follow-up soil sampling on coherent ridge and spur anomalous gold-in-soil areas that returned up to 50 ppb gold will be undertaken during the current year.

## ***12. Woolooga***

The prospect area lies to the north of Gibraltar and hosts numerous disseminated gold occurrences in diorite and porphyry hosts. At **Itchy Quid**, small high grade workings lie within vein systems that also flank the base of a zone of jasperoid alteration, adjacent to a porphyry contact. In this area, the jasperoids are massive, forming hills over a 2km x 1km area. This massive type of jasperoid usually overlies calc silicate skarns.

The Itchy Quid area is therefore believed to be prospective for shallowly buried skarn mineralisation under the jasperoid. To date the best historical drilling results have come from this area (8m @ 7.7 g/t gold).

D'Aguilar intends to drill test targets defined during the mapping program in the current year.

## **Solomon Islands Gold Project**

### ***Spin-off of Solomon Gold Limited***

During the year D'Aguilar commenced the process of spinning off its wholly owned subsidiary Australian Resource Management (ARM) Pty Ltd ("ARM") as Solomon Gold Limited, a public company listed on the AIM market of the London Stock Exchange.

D'Aguilar's decision to implement a separate float for the Solomon Gold project was based upon the requirement for capital in excess of the D'Aguilar market capitalisation and the greater availability of capital in the United Kingdom for the required exploration program.

The spin-off is being effected by the distribution in specie of 10.5 million shares in Solomon Gold to D'Aguilar shareholders on a prorata entitlement basis and corresponding capital reduction in D'Aguilar, subject to shareholder approval on 14 October 2005. The last date for D'Aguilar shareholder beneficial entitlement to Solomon Gold shares pursuant to the spin-off is 8 November 2005.

Solomon Gold has engaged the London based firm of Williams de Broë to manage the seed and IPO raisings. Solomon Gold completed a seed capital raising of £632,000 (approx A\$1,500,000) in September 2005. The seed capital raising was priced at 10 pence for every Solomon Gold seed share and two free attaching D'Aguilar options exercisable at 20 cents and expiring 30 September 2008 (to be issued subject to D'Aguilar shareholder approval on 14 October 2005). Solomon Gold has already received commitments to £1,746,000 in the IPO at a price of 50 pence per share.

Title to the shares in Solomon Gold will be received by the beneficially entitled D'Aguilar shareholders within 6 months of the listing of Solomon Gold on the AIM market. D'Aguilar will retain a 1.0% Net Smelter Return Royalty in any future production from the tenements or any consequent title.

Solomon Gold has arranged access to key targets and a drilling rig and expects to be conducting drilling operations at the same time as the listing in November. Detail on the tenements and projects and the history of the Company in Solomon Islands is set out below.

### ***About the Solomon Islands Gold and Copper Projects***

The Solomon Island projects comprise approximately 654 km<sup>2</sup> of exploration licences and applications which ARM has held current since 1996 (SPL's 189,190, 191 and 195, and applications Kuma and Poleo) on the main island of Guadalcanal.

The post-IPO exploration and expenditure program over two years will involve the expenditure of approximately £3.5 million on field programs including in excess of 15,000 metres of drilling on the Company's key project areas, Mbetilonga and Hambusimaloso, Koloula and Sutakiki. ARM is well advanced in the establishment of a local operational capability on Guadalcanal. Drilling programs are scheduled to commence in late 2005, soon after the expected admission of Solomon Gold's shares to trading on AIM.

### ***Management and operations***

Solomon Gold has engaged experienced personnel many of whom are familiar with the project from the ARM 1997 campaign, to commence the exploration and establishment activities in Australia and Solomon Islands. Solomon Gold's familiarity with the project and operating requirements in Solomon Islands, gained through ARM having maintained the tenures for a considerable time, and strong relationships with the local landowners are expected to provide the basis for an efficient and swift program leading to early drilling activities. Solomon Gold technical staff and board are experienced with all aspects of south west Pacific exploration for copper gold porphyries and epithermal gold systems and mine development.

Importantly Solomon Gold has engaged Mr David Jelley as the General Manager of the project. Mr Jelley was Chief Geologist on the project from 1995 to 1998 when field work was suspended and returns as general Manager after six years as chief geologist rising to Exploration Manager for BeMaX Resources NL having been instrumental in the resource definition and feasibility stages of the Pooncarrie mineral sands project in New South Wales. Prior to the float of Solomon Gold the Company is engaged in the process of establishing operating capabilities in Solomon Islands, including drilling and helicopter support services.

### ***Geology and prospectivity***

Guadalcanal is located on the Pacific Rim of Fire, a geologically active zone in the southwest Pacific which hosts world class ore bodies (owned by other unrelated parties) such as Grasberg (Indonesia), Panguna (Bougainville), Ok Tedi, Lihir Island and Frieda (all in Papua New Guinea (PNG)). These ore bodies each contain more than 40 million ounces of combined gold equivalent copper and gold resources. The directors of Solomon Gold believe that geological similarities between these projects and the prospects on the Solomon Gold tenements on Guadalcanal provide the basis for the planned exploration programs to be funded by the capital raised in the pre-IPO private placement and further funds to be raised in the proposed Solomon Gold IPO. The tenements cover prospects for high tonnage, low grade copper gold porphyry systems and enriched copper oxide caps and epithermal gold vein systems similar, in the opinion of the directors of Solomon Gold, to those hosting world class gold and copper ore bodies in neighbouring PNG.

ARM explored the tenements from 1996 to 1998 and defined two core target areas during an extensive program of aeromagnetism, mapping soil and rock chip sampling and trenching, costing A\$3.5 million. The exploration programs outlined principal prospects at Mbetilonga, 16 km south of the capital Honiara and in the Koloula River and Suta Valleys to the south east of Honiara on the south coast and centre of the main island of Guadalcanal. Solomon Gold's exploration project area abuts the US\$90 million, 2 million oz proposed gold mine development at Gold Ridge operated by Australian Solomon Gold Pty Ltd, an unrelated private Australian consortium.

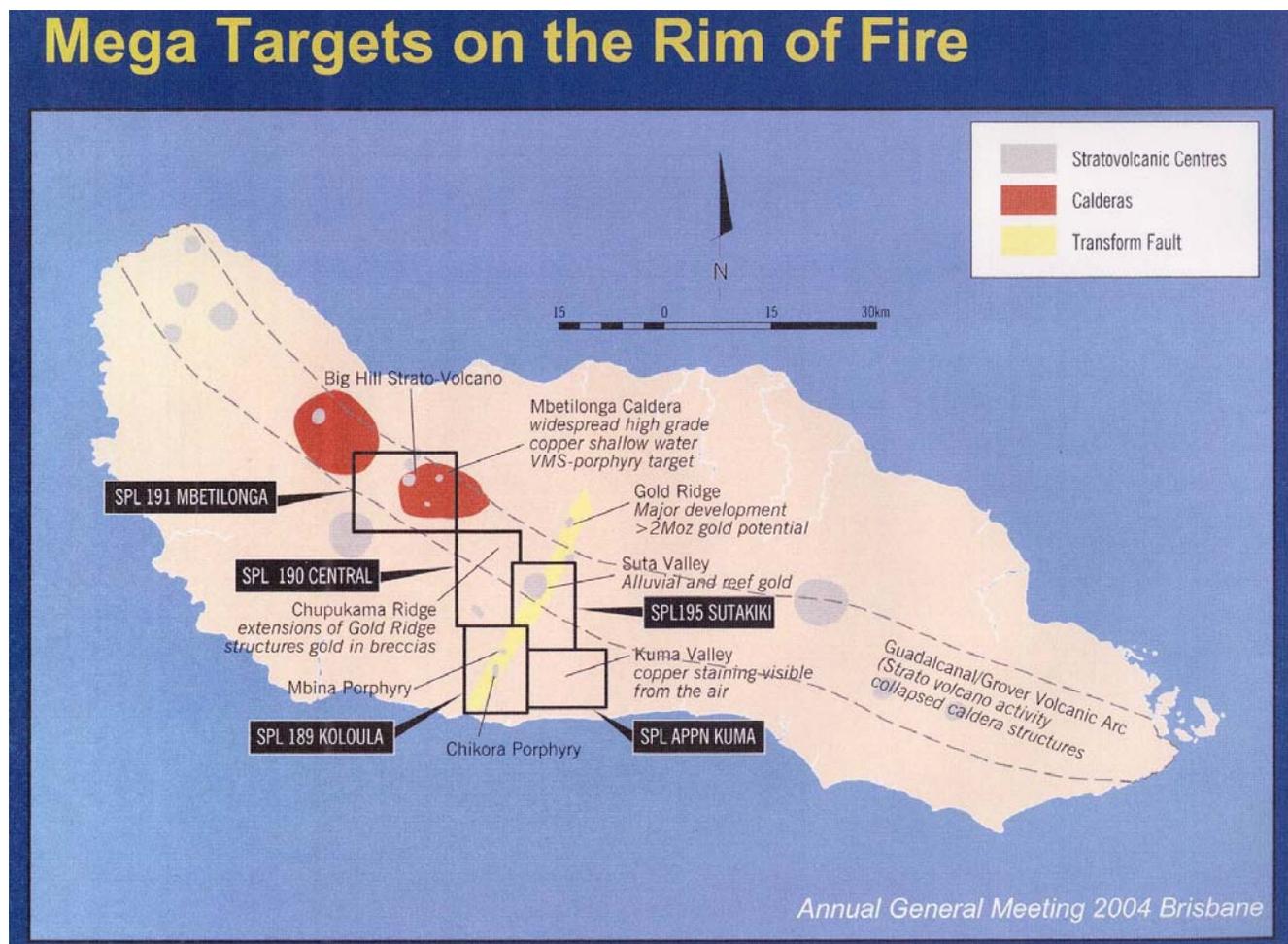
At Mbetilonga, a collapsed caldera over 60km<sup>2</sup> and underlying intrusive system hosts high grade surface copper mineralisation, including an area of approximately 3km<sup>2</sup> of soil sample results >0.1% copper at Hambusimaloso Creek. The area has yielded trench results in an oxide copper zone over 150 metres averaging 1.3 % copper and over 7% copper in some sections. The rich Hambusimaloso prospect in the Mbetilonga project area is geologically similar to the Nena 51 million tonnes 2.2% copper oxide deposit in PNG. Solomon Gold has targeted a high grade enriched oxide copper ore body at Hambusimaloso in addition to a low grade porphyry copper gold system up to 500 Mt.

At the northern end of the Koloula Valley, the ARM has previously outlined an intrusive complex shedding highly anomalous gold into the Suta River to the north and hosting localised gold rich phases in the Koloula Valley, yielding up to 7 g/t gold in channel samples

At Koloula, high tonnage copper-gold porphyry discoveries are targeted with intrusive related and epithermal gold orebodies also targeted in the altered gold rich haloes around the intrusive centres. Previous ARM results include vein systems assaying 72 g/t gold across 5 m, intrusives hosting 7.7 g/t in a 5m channel sample in the Koloula River and 125 m @ 0.5g/t gold and 0.23% copper in a continuous channel sample on the east side of the Mbina prospect. In the Sutakiki River headwaters, north of the divide to the head of the Koloula valley, Newmont Mining discovered in 1985,

float samples assaying 1.8g/t gold and up to 73 ppb gold in streams, concluding that the area at the head of the Koloula and Sutakiki Rivers had potential to host significant porphyry bulk tonnage style mineralization.

The intrusive complex is of similar dimensions as the Mbetilonga complex and is highly regarded as an early target for Solomon Gold.



### Andurambah Molybdenum Project

During the year D'Aguiar completed scoping studies on the Andurambah Molybdenum Project, 1½ hours west of Brisbane. The studies revealed a range of results which showed that at mid range estimates of capital and operating costs the project NPV was \$47 million. The project is most sensitive to Molybdenum prices which are currently US\$30/lb.

The study included digitisation of the existing drilling and assay data from campaigns by CRA and BHP in 1969 and 1983 respectively. Economic pit shell designs were created using a range of capital and operating costs. The most likely case indicated a two year payback at a capital cost of A\$40 million for a 2 mtpa 10 year open cut operation at a stripping ratio of approximately 0.9:1 (waste:ore) and a head grade of .078% Molybdenum plus copper and tungsten credits over the life of the project, based on the existing inferred resource.

The Company has identified several additional exploration targets in the vicinity of the existing resource and will investigate these areas to define additional resources for the project. D'Aguiar is also currently investigating long term concentrate sales opportunities for the project. During the current year, the Company is currently planning a program of additional work to further assess likely mining and processing costs and expects to implement further work programs to test the exploration potential and further assess feasibility for the development of the project.

## **Corporate**

During the year D'Aguilar completed an underwritten share Purchase Plan, raising \$1.3 million at a price of 7.5 cents per share. The funds were used to continue to develop mature drilling targets for the D'Aguilar Block Gold project and to prepare the Company's wholly owned subsidiary Australian Resource Management (ARM) Pty Ltd for float on the AIM Board of the London Stock Exchange as Solomon Gold Limited.

Since the year end the Company has secured, with the assistance of two shareholders, two large overhanging parcels of shares in the Company, totaling 10.9 million shares and these are being allocated at cost to a share placement of 15,025,200 shares and 7,512,600 free options (exercisable at 20 cents by 30 September 2008) at 15 cents per share to raise \$2.25 million. These funds are to be allocated primarily to funding the forthcoming drilling programs. D'Aguilar is now free of any significant share market overhang.

During the year the Company took steps to further secure the services of its excellent exploration team at D'Aguilar. 2,450,000 options exercisable at 13 cents per share were issued to key employees and consultants.

## DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2005.

### DIRECTORS

The following persons were directors of D'Aguilar Gold Ltd during the financial year end and up to the date of this report:

Christopher Rawlings  
Nicholas Mather  
Ian Levy  
Brian Moller  
Vincent Mascolo  
Damien Reynolds (resigned 19 November 2004)

**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 25 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 and the Australasian Institute of Mining and Metallurgy.

Dr Rawlings is Non-Executive Chairman of Australian Magnesium Corporation, director of Uniquest Pty Ltd and JK Tech Pty Ltd, is Chairman of Directors of Renison Consolidated Mines NL and Northern Energy Corporation Ltd and was recently appointed Chairman of Queensland Energy Resources Ltd.

During the past three years, Dr Rawlings has also served as a Director of the following listed companies:

- Gympie Gold Ltd
- Australian Magnesium Corporation Ltd\*
- Renison Consolidated Mines NL\*
- Northern Energy Corporation Ltd\*

\* denotes current directorship

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

Mr Mather was appointed on 26 October 2001. Nick Mather has 24 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, until October 2004, Mr Mather drove 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 was also a non-executive director of Ballarat Goldfields NL, having assisted that company in its re-emergence as a significant emerging gold producer.

During the past three years, Mr Mather has also served as a Director of the following listed companies:

- Ballarat Goldfields NL
- Arrow Energy NL
- Bow Energy Ltd\*

\* denotes current directorship

**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 28 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. He was recently appointed Chief Executive Officer of Allegiance Mining Ltd.

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 four years as Vice Chairman.

During the past three years, Mr Levy has also served as a Director of the following listed companies:

- Gympie Gold Ltd
- Gloucester Coal Ltd\*

\* denotes current directorship

**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. Until recently, he was currently Chairman of Gold Aura Limited, a Queensland based ASX listed company.

During the past three years, Mr Moller has also served as a Director of the following listed company:

- Gold Aura Ltd

**Vincent Mascolo**

**BEng Mining (Univ. Wollongong) 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.

## SECRETARY

Mr Duncan Cornish was the secretary of the Company during the period and until the date of this report.

### **Duncan Cornish (Company Secretary)** **BBus (Acctcy), ACA**

Mr Cornish has more than ten years experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst and Young and PriceWaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Mr Cornish is a Chartered Accountant. He holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants.

Mr Cornish is also company secretary of other ASX listed companies.

### **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 exercisable on or before 31 October 2005	\$0.20 options exercisable on or before 31 March 2006
Christopher Rawlings	1,338,501	-	812,537
Nicholas Mather	4,711,100	1,730,770	3,694,776
Ian Levy	350,000	-	450,037
Brian Moller	791,667	-	1,623,347
Vincent Mascolo	1,377,711	1,384,615	655,522

## 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, Navaho Mining Pty Ltd and Solomon Gold Limited, incorporated on 11 May 2005 in England.

### **Nature of operations and principal activities**

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

### **Employees**

As at 30 June 2005, the consolidated entity employed four full-time employees plus a further eight part-time and casual staff (2004: 4 full-time employees).

## REVIEW OF FINANCIAL CONDITION

### **Capital structure**

During the period, 17,193,600 shares were issued pursuant to a share purchase plan at 7.5 cents per share, raising \$1,289,520 (before costs).

At 30 June 2005, the Company had 74,505,639 ordinary shares, 28,656,000 listed options (31/03/06 @ \$0.20) and 4,500,000 unlisted options (31/10/05 @ \$ 0.20) on issue.

### **Treasury policy**

The Company does not have a formally established treasury function. The Board is responsible for managing the Company's currency risks and finance facilities. The Company does not currently undertake hedging of any kind.

## **Liquidity and funding**

The Company has sufficient funds to finance its operations and to allow the Company to take advantage of favorable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

## **OPERATING RESULTS**

For the year ended 30 June 2005, the consolidated loss from ordinary activities for the economic entity after providing for income tax was \$18,358 (2004: \$828,212 loss)

## **DIVIDENDS PAID OR RECOMMENDED**

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

## **REVIEW OF OPERATIONS**

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

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Comments regarding any significant changes in the state of affairs of the Company have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There were no other significant changes in the state of affairs of the Company during the year.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

D'Aguilar, through its wholly owned subsidiary Australian Resource Management (ARM) Pty Ltd (ARM), holds certain Solomon Islands exploration licences. On 9 August 2005 the Company announced that its wholly owned subsidiary, Solgold Limited ("Solgold"), has received commitments for a total of £460,000 by way of a pre-IPO private placement at a price of 10p per share. It is intended that Solgold will subsequently be demerged from D'Aguilar and obtain a listing on the AIM Market of the London Stock Exchange Plc ("AIM") in respect of which the pre-IPO investors have already committed to invest further funds of £1.35 million at a price of 50p per share.

D'Aguilar will transfer ownership of its wholly owned subsidiary ARM, which holds the Solomon Islands exploration licences, to Solgold in exchange for 10.5 million Solgold shares.

Further commentary regarding the above transaction is included in the Review of Operations and Future Developments within the Directors Report.

This proposed transaction will not impact upon the financial report as at 30 June 2005. There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2005.

## **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 the Annual Report under Review of Operations and Future Developments.

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 \$600,000 in respect of a possible 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 and secretary 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'Aguiar 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.

## **NON-AUDIT SERVICES**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are requested. During the year the Company obtained advice from the Company's auditor, Mr Tim Kendall from BDO Kendalls regarding the implementation of Australian Equivalent to International Financial Reporting Statements ("AIFRS"). The amount paid for the service was \$1,200. The directors are satisfied that the independence of the auditor was not compromised as the advice provided was only technical guidance and not quantification of the potential impacts of the implementation of AIFRS.

## **REMUNERATION REPORT**

### **Remuneration policy**

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Remuneration and Nomination Committee of the Board of Directors is responsible for determining the reviewing compensation arrangements for the directors and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of directors and executives are set out in this Remuneration Report.

The Company aims to reward the Executive Director and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director and Senior Management remuneration is separate and distinct.

### **Non-Executive Director remuneration**

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Company's specific 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 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.
- All directors have the opportunity to qualify for participation in the Directors' and Executive Officers' Option Plan, subject to the approval of shareholders.

The remuneration of Non-Executive Directors for the period ending 30 June 2005 is detailed in Table 1 of this Remuneration Report.

### **Executive Director and Senior Management remuneration**

The Company aims to reward the Executive Director and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward Executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Director and Senior Management may from time to time be fixed by the Board. The remuneration will comprise a fixed remuneration component and also may include offering specific short and long-term incentives, in the form of:

1. performance based salary increases and/or bonuses; and/or
2. the issue of options

All directors and executives have the opportunity to qualify for participation in the Directors' and Executive Officers' Option Plan, subject to the approval of shareholders. All employees have the opportunity to qualify for participation in the D'Aguilar Employee Share Option Plan.

The remuneration of the Executive Director and Senior Management for the period ending 30 June 2005 is detailed in Table 1 of this Remuneration Report.

### **Employment contracts**

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees. The current employment agreements with the Managing Director and the Company Secretary have three month notice periods. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have contracts of employment.

#### *Managing Director*

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.

Under the terms of the present contract:

- Both D'Aguilar Gold Ltd and Samuel Capital Ltd are entitled to terminate the contract upon giving three (3) months written notice.
- D'Aguilar Gold Ltd is entitled to terminate the agreement upon the happening of various events in respect of Samuel Capital Ltd's solvency or other conduct or if Nicholas Mather ceases to be a Director of D'Aguilar Gold Ltd.
- The contract provides for a six monthly review of performance by D'Aguilar Gold Ltd.

#### *Senior Management*

Employment contracts entered into with senior management contain the following key terms:

<b>Event</b>	<b>Company Policy</b>
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation / notice period	1 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (ie. 'golden handshakes')	None

**(a) Details of Specified Directors and Specified Executives**

(i) Specified directors

Christopher Rawlings	Chairman (non-executive)
Nicholas Mather	Managing Director
Ian Levy	Director (non-executive)
Brian Moller	Director (non-executive)
Damien Reynolds	Director (non-executive) resigned 19 November 2004
Vincent Mascolo	Director (non-executive)

(ii) Specified executives

Julius Marinelli	Exploration Manager
Duncan Cornish	Company Secretary and Financial Controller
Robyn Grayson	Geologist
Neil Wilkins	Geologist
Ron Cunneen	Ex-Exploration Manager

**(b) Remuneration of Specified Directors and Specified Executives**

The Specified Executives are also the five most highly paid executive officers of the consolidated entity for the year ended 30 June 2005.

**Table 1:**

	Salary & Fees	Primary Cash Bonus	Non-cash benefits	Post-Employment Superannuation	Retirement benefits	Equity Options	Other	Total
<b>Specified Directors</b>								
Christopher Rawlings								
2005	36,697	-	-	3,303	-	-	-	40,000
2004	36,697	-	-	3,303	-	-	-	40,000
Nicholas Mather								
2005	175,000	-	-	-	-	-	-	175,000
2004	175,000	-	-	-	-	-	-	175,000
Ian Levy								
2005	30,000	-	-	-	-	-	-	30,000
2004	30,000	-	-	-	-	-	-	30,000
Brian Moller								
2005	30,000	-	-	-	-	-	-	30,000
2004	30,000	-	-	-	-	-	-	30,000
Damien Reynolds								
2005	11,583	-	-	-	-	-	-	11,583
2004	30,000	-	-	-	-	-	-	30,000
Vincent Mascolo								
2005	30,000	-	-	-	-	-	-	30,000
2004	30,000	-	-	-	-	-	-	30,000
<b>Total Remuneration: Specified Directors</b>								
2005	313,280	-	-	3,303	-	-	-	316,583
2004	331,697	-	-	3,303	-	-	-	335,000
<b>Specified Executives</b>								
Julius Marinelli								
2005	96,135	5,000	-	2,096	-	-	-	103,231
2004	-	-	-	-	-	-	-	-
Duncan Cornish								
2005	75,600	-	-	-	-	-	-	75,600
2004	87,200	-	-	-	-	-	-	87,200
Robyn Grayson								
2005	52,422	3,000	-	5,012	-	-	-	60,434
2004	50,000	-	-	4,500	-	-	-	54,500
Neil Wilkins								
2005	57,490	-	-	-	-	-	-	57,490
2004	-	-	-	-	-	-	-	-
Ron Cunneen								
2005	40,509	-	-	3,646	-	-	-	44,155
2004	83,804	-	-	7,542	-	-	-	91,346
<b>Total Remuneration: Specified Executives</b>								
2005	322,156	8,000	-	10,754	-	-	-	340,910
2004	221,004	-	-	12,042	-	-	-	233,046

\* Group totals in respect of the financial year ended 30 June 2005 do not equal the sums of amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

**(c) Options issued as part of remuneration for the period ended 30 June 2005**

No options were granted as remuneration during the period ended 30 June 2005.

**(d) Shares issued on exercise of remuneration options**

There have been no shares issued during the year on exercise of remuneration of options.

**(e) Shareholdings of Specified Director and Specified Executives**

<i>Shares held in D'Aguilar Gold Ltd (number)</i>	<b>Balance 1 July 2004</b>	<b>Granted as Remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30 June 2005</b>
<b>Specified Directors</b>					
Christopher Rawlings	925,000	-	-	413,501	1,338,501
Nicholas Mather	811,100	-	-	3,900,000	4,711,100
Ian Levy	200,000	-	-	150,000	350,000
Brian Moller	625,000	-	-	166,667	791,667
Damien Reynolds	462,500	-	-	7,500	470,000
Vincent Mascolo	1,311,044	-	-	66,667	1,377,711
<b>Specified Executives</b>					
Julius Marinelli	-	-	-	-	-
Duncan Cornish	100,000	-	-	100,000	200,000
Robyn Grayson	-	-	-	-	-
Neil Wilkins	-	-	-	-	-
Ron Cunneen	-	-	-	-	-
Total	<b>4,434,644</b>	-	-	<b>4,804,335</b>	<b>9,238,979</b>

**(f) Option holdings of Specified Directors and Specified Executives**

**(Unlisted) options (\$0.20 @ 31/10/05)**

	<b>Balance 1 July 2004</b>	<b>Granted as Remuneration</b>	<b>On Exercise of Options</b>	<b>Net Change Other</b>	<b>Balance 30 June 2005</b>
<b>Specified Directors</b>					
Christopher Rawlings	-	-	-	-	-
Nicholas Mather	1,730,770	-	-	-	1,730,770
Ian Levy	-	-	-	-	-
Brian Moller	-	-	-	-	-
Damien Reynolds	1,384,615	-	-	-	1,384,615
Vincent Mascolo	1,384,615	-	-	-	1,384,615
<b>Specified Executives</b>					
Julius Marinelli	-	-	-	-	-
Duncan Cornish	-	-	-	-	-
Robyn Grayson	-	-	-	-	-
Neil Wilkins	-	-	-	-	-
Ron Cunneen	-	-	-	-	-
Total	<b>4,500,000</b>	-	-	-	<b>4,500,000</b>

## Listed Options (\$0.20 @ 31/3/06)

	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
<b>Specified Directors</b>					
Christopher Rawlings	694,969	-	-	117,568	812,537
Nicholas Mather	638,019	-	-	3,056,757	3,694,776
Ian Levy	332,469	-	-	117,568	450,037
Brian Moller	544,969	-	-	1,078,378	1,623,347
Damien Reynolds	463,719	-	-	-	463,719
Vincent Mascolo	655,522	-	-	-	655,522
<b>Specified Executives</b>					
Julius Marinelli	-	-	-	-	-
Duncan Cornish	282,469	-	-	78,367	360,836
Robyn Grayson	232,470	-	-	-	232,470
Neil Wilkins	-	-	-	-	-
Ron Cunneen	232,470	-	-	-	232,470
Total	<b>4,077,076</b>	-	-	<b>4,448,638</b>	<b>8,525,714</b>

### (g) Loans to Specified Director and Specified Executives

There were no loans to Specified Directors or Specified Executives during the period.

### (h) Other transactions to Specified Director and Specified Executives

Other transactions with Specified Directors are set out in Note 20. There were no other transactions or balances with Specified Executives during the period.

## DIRECTORS' MEETINGS

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

	Board		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Christopher Rawlings	12	12	1*	1*	1	1
Nicholas Mather	12	12	-	-	-	-
Ian Levy	12	12	-	-	1	1
Brian Moller	12	12	2	2	1	1
Damien Reynolds (resigned 19 November 2004)	4	2	1	1	1	1
Vincent Mascolo	12	12	2	2	1	1

\*Note: Dr Rawlings was appointed to the Audit & Risk Management Committee on 19 November 2004.

There was a total of 12 board meetings, 2 audit and risk management committee meetings and 1 remuneration and nomination committee meeting held during the financial year.

## SHARE OPTIONS

As at the date of this report (and at the balance date) there were 33,156,000 unissued ordinary shares under options as follows:

- 28,656,000 listed options to take up one ordinary share in D'Aguilar Gold Ltd at an issue price of 20 cents. The options expire 31 March 2006.
- 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.

## **AUDITORS INDEPENDENCE DECLARATION**

The Auditor Independence Declaration forms part of the Directors Report and can be found on page 26.

Signed in accordance with a resolution of the directors.

Nicholas Mather  
Director

Brisbane  
29 September 2005

## AUDITOR INDEPENDENCE DECLARATION

As lead auditor for the audit of D'Aguilar Gold Ltd for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contravention of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contravention of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of D'Aguilar Gold Ltd and the entities it controlled during the period.

Signed in Brisbane this 29th day of September 2005.

Tim Kendall  
A Member of the Firm  
BDO Kendalls

## 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 29 September 2005.

(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 exercisable on or before 31 October 2005		\$0.20 options exercisable on or before 31 March 2006	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	10	4,172	-	-	5	2,089
1,001 – 5,000	28	107,839	-	-	159	783,304
5,001 – 10,000	189	1,849,395	-	-	78	685,880
10,001 – 100,000	286	12,004,728	-	-	124	3,586,706
100,001 and over	83	60,539,505	3	4,500,000	48	23,645,021
Total	<u>596</u>	<u>74,505,639</u>	<u>3</u>	<u>4,500,000</u>	<u>414</u>	<u>28,656,000</u>

The number of shareholders holding less than a marketable parcel of shares is 22 (holding a total of 34,361 ordinary shares).

(b) Twenty largest holders

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

**Ordinary shares:**

1	Westpac Custodian Nominees Limited	10,513,060	14.1%
2	WPI Gold Ltd	8,000,050	10.7%
3	Gympie Gold Limited	5,250,000	7.0%
4	Tenstar Trading Limited	4,609,895	6.2%
5	Samuel Capital Limited	4,550,000	6.1%
6	Tricom Nominees Pty Ltd	1,999,280	2.7%
7	ANZ Nominees Limited	1,731,879	2.3%
8	Mr S and Mrs J Chiu-Yueh Hsu	1,401,941	1.9%
9	Vincent Mascolo	1,377,711	1.8%
10	Sopris Holdings Pty Ltd	1,375,000	1.8%
11	Arinside Pty Ltd	1,146,839	1.5%
12	Dr Christopher David Rawlings	983,334	1.3%
13	Abbotsleigh Pty Ltd	760,000	1.0%
14	Liam Rigney	746,608	1.0%
15	Sealth Pty Ltd	691,667	0.9%
16	Fortunato Pty Ltd	683,807	0.9%
17	Dr Robert Todd	675,000	0.9%
18	Agpro Pty Ltd	500,000	0.7%
19	Alfredo Marrocco	500,000	0.7%
20	Number One Auto Alley Pty Ltd	<u>500,000</u>	<u>0.7%</u>
	Top 20	<u>47,996,071</u>	<u>64.4%</u>
	Total	<u>74,505,639</u>	<u>100.0%</u>

**Options exercisable at \$0.20 on or before 31 March 2006:**

1	Tenstar Trading Limited	3,500,000	12.2%
2	Samuel Capital Limited	3,381,757	11.8%
3	Westpac Custodian Nominees Limited	3,150,811	11.0%
4	Brian Moller	1,000,000	3.5%
5	Tricom Nominees Pty Ltd	783,784	2.7%
6	Vincent Mascolo	655,522	2.3%
7	Abbotsleigh Pty Ltd	625,000	2.2%
8	Arinside Pty Ltd	548,649	1.9%
9	SC Biggs Pty Ltd	500,000	1.7%
10	Fortunato Pty Ltd	470,270	1.6%
11	Damien Reynolds	463,719	1.6%
12	Liam Rigney	450,794	1.6%
13	Justevian Pty Limited	450,037	1.6%
14	Bizzell Nominees Pty Ltd	440,000	1.5%
15	Dr Christopher David Rawlings	425,000	1.5%
16	Alfredo Marrocco	404,979	1.4%
17	Elizabeth Lee Nelson	387,537	1.4%
18	Mr Robert Todd	337,500	1.2%
19	Pine Mountain Pty Ltd	313,514	1.1%
20	Sealth Pty Ltd	<u>312,500</u>	<u>1.1%</u>
	Top 20	<u>18,601,373</u>	<u>64.9%</u>
	Total	<u>28,656,000</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>
RAB Special Situations (master) Fund Limited	9,763,060
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 ceased to be restricted securities are as follows:

Ordinary shares:

Date securities ceased to be restricted:	Number of restricted securities:
21 August 2005 (ASX restriction)	16,481,094

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

Date securities ceased 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 29 September 2005:

### Australia

Tenure Type, Name and Number	Current Holder	Registered % Interest of Holder	Date of Expiry
EPM 5187 Manumbar	D'Aguilar Gold Ltd	100%	24/01/05 See Notes 1 and 3
Portion of EPM 6031	See Note 5	See Note 5	06/08/06
EPM 9759 Kilkivan	D'Aguilar Gold Ltd	100%	3/01/06 See Note 3
EPM 9978 Monsildale	D'Aguilar Gold Ltd	100%	28/03/06
EPM 10135 Golden Spur	D'Aguilar Gold Ltd	100%	09/06/05 See Notes 1 and 3
EPM 10903 Elginvale No. 2	D'Aguilar Gold Ltd	100%	31/12/05 See Note 3
EPM 11122 Beenham Range	D'Aguilar Gold Ltd	100%	19/06/05 See Note 1
EPM 11192 Tableland	D'Aguilar Gold Ltd	100%	23/09/05 See Notes 1 and 3
EPM 11673 Kilkivan Project	Navaho Mining Pty Ltd	100%	12/05/05 See Note 1
EPM 12712 Court-Le-Roi	D'Aguilar Gold Ltd	100%	24/01/06 See Note 3
EPM 13359 Kilkivan North	Australian Resource Management (ARM) Pty Ltd See Note 7	100%	03/01/06
EPM 13360 Kilkivan East	Australian Resource Management (ARM) Pty Ltd See Note 7	100%	05/02/06
EPM 13361 Kilkivan West	Australian Resource Management (ARM) Pty Ltd See Note 7	100%	05/02/06
EPMA 13730 Rossmore	D'Aguilar Gold Ltd	100%	Under application
EPM 13833 Gympie	D'Aguilar Gold Ltd	100%	5/08/06
EPM 14034 Gibraltar Rock	Navaho Mining Pty Ltd	100%	20/10/08
EPM 14372 Tableland	D'Aguilar Gold Ltd	100%	24/01/10 See Note 4a
EPM 14373 Elginvale No 1	D'Aguilar Gold Ltd	100%	17/02/10 See Note 4a
EPMA 14375 Elginvale No 2	D'Aguilar Gold Ltd	100%	Under application See Note 4b
EPMA 14376 Manumbar	D'Aguilar Gold Ltd	100%	Under application See Note 4b
EPMA 14489 Aura	D'Aguilar Gold Ltd	100%	Under application
EPMA 14316 Mooroorerai	Navaho Mining Pty Ltd	100%	Under application
EPM 14553 Woolooga	Navaho Mining Pty Ltd	100%	12/09/09
EPMA 14560 Mount Kandanga	Navaho Mining Pty Ltd	100%	Under application
EPM 14561 Borumba Mountain	Navaho Mining Pty Ltd	100%	12/04/09
EPM 14563 North Monsildale	Navaho Mining Pty Ltd	100%	12/04/10
EPM 14666 Anduramba	D'Aguilar Gold Ltd	100%	27/10/09
EPM 14835 Biggenden North	D'Aguilar Gold Ltd	100%	11/04/08
EPM 14836 Wallaville South	D'Aguilar Gold Ltd	100%	03/03/08
EPM 14837 Wallaville	D'Aguilar Gold Ltd	100%	03/03/08
EPM 14838 Gin Gin	D'Aguilar Gold Ltd	100%	23/02/08
EPM 14881 Dovedale	D'Aguilar Gold Ltd	100%	03/03/10
EPM 14883 Planted Creek	D'Aguilar Gold Ltd	100%	03/03/08
EPM 15042 Boonara	D'Aguilar Gold Ltd	100%	23/05/10
EPM 15107 Running Creek 1	D'Aguilar Gold Ltd	100%	31/07/10
EPM 15108 Running Creek 2	D'Aguilar Gold Ltd	100%	Under Application
EPMA 15134 Gayndah	D'Aguilar Gold Ltd	100%	Under Application
ML 3678 United Reefs Gold Mine (Shamrock)	D'Aguilar Gold Ltd	100%	31/05/22
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

*Australia (continued):*

<b>Tenure Type, Name and Number</b>	<b>Current Holder</b>	<b>Registered % Interest of Holder</b>	<b>Date of Expiry</b>
ML 3753 Shamrock Tailings Extended	D'Aguilar Gold Ltd	100%	31/08/05 See Note 6
ML 6622 Golden Spur	D'Aguilar Gold Ltd	100%	31/07/09
ML 50059 Manumbar	D'Aguilar Gold Ltd	100%	31/12/08
ML 50099 Manumbar Extended	D'Aguilar Gold Ltd	100%	31/08/05 See Note 6
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*

<b>Tenure Type, Name and Number</b>	<b>Current Holder</b>	<b>Registered % Interest of Holder</b>	<b>Date of Expiry</b>
SPL 189 Koloula	Australian Resource Management (ARM) Pty Ltd	100%	24/09/06
SPL 190 Central Guadalcanal	Australian Resource Management (ARM) Pty Ltd	100%	24/09/06
SPL 191 Mbetilonga	Australian Resource Management (ARM) Pty Ltd	100%	24/09/06
SPL 195 Sutakiki	Australian Resource Management (ARM) Pty Ltd	100%	24/09/06

**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** These Tenements have been conditionally surrendered upon the successful granting of the EPM Applications referred to in Notes 4a and 4b.

**Note 4a** These Tenements have been granted and apply to ground over the conditionally surrendered EPM's referred to in Note 3.

**Note 4b** These Tenements have been applied for over the conditionally surrendered EPM's referred to in Note 3.

**Note 5** D'Aguilar Gold Ltd registered an agreement, dealing or other interest over six sub-blocks of EPM 6031, held by Gympie Eldorado Gold Mines Pty Ltd ("GEGM").

**Note 6** Renewal Applications have been lodged in respect of these Mining Leases.

**Note 7** An assignment of these tenements from Australian Resource Management (ARM) Pty Ltd to Navaho Mining Pty Ltd has been lodged

## CORPORATE GOVERNANCE STATEMENT

The board of directors of D'Aguilar Gold Ltd is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of D'Aguilar Gold Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

D'Aguilar Gold Ltd's Corporate Governance Statement is now structured with reference to the Australian Stock Exchange ("ASX") Corporate Governance Council's (the "Council") "Principles of Good Corporate Governance and Best Practice Recommendations", which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Encourage enhanced performance
Principle 9	Remunerate fairly and responsibly
Principle 10	Recognise the legitimate interests of stakeholders

A copy of the Ten Essential Corporate Governance Principles and the Best Practice Recommendations can be found on the ASX's website at [www.asx.com.au](http://www.asx.com.au).

Any departures to the Council's best practice recommendations as at the date of this report, or throughout the year ended 30 June 2005, are set out below.

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director on office at the date of the Annual Report is included in the Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the company and the individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company's loyalty.

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following directors were considered to be independent during the reporting period and as at the date of this report:

<b>Name</b>	<b>Position</b>
Christopher Rawlings	Chairman, Non-Executive Director
Ian Levy	Non-Executive Director
Vince Mascolo	Non-Executive Director

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following directors are not considered to be independent:

<b>Name</b>	<b>Position</b>	<b>Reason for non-compliance</b>
Nicholas Mather	Executive Director	Mr Mather is employed by the Company in an executive capacity
Brian Moller	Non-Executive Director	Mr Moller is a principal of a material professional advisor to the Company

Therefore the majority of the board were considered independent during the year ended 30 June 2005 and as at the date of this report. D'Aguilar Gold Ltd considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its board members. The directors noted above have been appointed to the board of D'Aguilar Gold Ltd due to their considerable industry and corporate experience.

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in office</b>
Christopher Rawlings	2 years, 4 months
Nicholas Mather	4 years, 11 months
Ian Levy	2 years, 7 months
Brian Moller	3 years, 1 month
Vincent Mascolo	2 years, 7 months

### **Remuneration and Nomination Committee**

The board has established a Remuneration and Nomination Committee, which meets at least annually to:

- Discharge the Board's responsibilities in relation to remuneration of the Company's executives; and
- Determine the state of director nominees for election to the Board, to identify and recommend candidates to fill casual vacancies.

The Remuneration and Nomination Committee comprises all four non-executive directors.

### **Audit and Risk Management Committee**

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

The Committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The members of the Audit and Risk Management Committee at the date of this report are:

- Vincent Mascolo
- Brian Moller
- Christopher Rawlings

While Messrs Moller and Mascolo were members of the committee during the reporting period, Dr Rawlings was appointed on 19 November 2004, replacing Mr Reynolds who resigned on the same day. Recommendation 4.3 requires that the composition of audit committees comprise a majority of independent directors and that the committee have at least three members. At all times during the year ended 30 June 2005, D'Aguilar Gold Ltd satisfied these requirements.

For additional details of directors' attendance at Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

### **Performance**

The Remuneration and Nominations Committee considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The performance of the board is reviewed annually and otherwise as required in conjunction with the regular meetings of the Board by the Chairman against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of D'Aguilar Gold Limited.

### **Remuneration**

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating director and key executives fairly and appropriately with reference to relevant and employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive director's and officer's emoluments to the company's financial and operations performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of D'Aguilar Gold Limited

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (non-director) executives during the year, and for all directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of D'Aguilar Gold Limited and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, subject to the Company's constitution and prior shareholder approvals, and the executive team. As noted above, the Board has established a Remuneration and Nomination Committee.

## Statements of Financial Performance for the year ended 30 June 2005

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from Ordinary Activities					
Interest received	2	80,782	115,545	80,592	115,507
Proceeds from sale of non-current assets		75,363	2,500	75,363	2,500
Gain on write back of provision		700,000	-	700,000	-
<b>Total Revenue from Ordinary Activities</b>		<b>856,145</b>	<b>118,045</b>	<b>855,955</b>	<b>118,007</b>
Expenses from Ordinary Activities					
Borrowing cost expenses	2	(94,775)	(113,319)	(94,775)	(113,319)
Employee benefits expenses		(235,014)	(247,764)	(235,014)	(247,764)
Depreciation and amortisation expenses	2	(40,102)	(142,775)	(40,102)	(142,775)
Legal expenses		(7,395)	(21,335)	(7,395)	(21,181)
Administration and consulting expenses		(467,247)	(405,571)	(467,289)	(402,793)
Other expenses from ordinary activities		(25,225)	(15,493)	(24,946)	(26,525)
Written down value of assets sold		(4,745)	-	(4,745)	-
<b>Total Expenses from Ordinary Activities</b>		<b>(874,503)</b>	<b>(946,257)</b>	<b>(874,265)</b>	<b>(955,357)</b>
<b>Profit/(loss) from ordinary activities before income tax expense</b>		<b>(18,358)</b>	<b>(828,212)</b>	<b>(18,311)</b>	<b>(837,350)</b>
Income tax expense relating to ordinary activities	3	-	-	-	-
<b>Net profit/(loss) attributable to members of D'Aguilar Gold Ltd</b>		<b>(18,358)</b>	<b>(828,212)</b>	<b>(18,311)</b>	<b>(837,350)</b>
<b>Total change in equity other than those resulting from transaction with owners as owners</b>	<b>18</b>	<b>(18,358)</b>	<b>(828,212)</b>	<b>(18,311)</b>	<b>(837,350)</b>
		<b>Cents</b>	<b>Cents</b>		
Basic Earnings Per Share	23	(0.0003)	(0.0161)		
Diluted Earnings Per Share	23	(0.0003)	(0.0161)		

The above statements of financial performance should be read in conjunction with the notes to the Financial Statements.

## Statements of Financial Position as at 30 June 2005

	Note	Economic Entity		Parent Entity	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>CURRENT ASSETS</b>					
Cash assets	4	889,699	2,116,209	884,395	2,116,209
Receivables	5	64,848	71,769	46,540	53,569
Other assets	6	24,700	36,882	24,700	36,882
Total Current Assets		979,247	2,224,860	955,635	2,206,660
<b>NON-CURRENT ASSETS</b>					
Other financial assets	7	492,310	453,312	474,807	453,312
Receivables	8	-	-	650,159	244,383
Investments in subsidiaries	9	-	-	79,468	79,467
Property, plant and equipment	10	201,166	191,495	198,595	191,495
Exploration Expenditure	11	4,067,265	2,513,849	3,384,489	2,238,251
Other		6,463	6,464	6,462	6,464
Total Non-Current Assets		4,767,204	3,165,120	4,793,980	3,213,372
<b>TOTAL ASSETS</b>		<b>5,746,451</b>	<b>5,389,980</b>	<b>5,749,615</b>	<b>5,420,032</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	129,146	292,173	101,503	291,465
Interest Bearing Liabilities	13	21,029	14,606	21,029	14,606
Provisions	14	10,684	12,688	10,684	12,688
Total Current Liabilities		160,859	319,467	133,216	318,759
<b>NON-CURRENT LIABILITIES</b>					
Interest Bearing Liabilities	15	64,193	52,649	64,193	52,649
Provisions	16	600,000	1,300,000	600,000	1,300,000
Total Non-Current Liabilities		664,193	1,352,649	664,193	1,352,649
<b>TOTAL LIABILITIES</b>		<b>825,052</b>	<b>1,672,116</b>	<b>797,409</b>	<b>1,671,408</b>
<b>NET ASSETS</b>		<b>4,921,399</b>	<b>3,717,864</b>	<b>4,952,206</b>	<b>3,748,624</b>
<b>EQUITY</b>					
Contributed equity	17	7,447,478	6,225,586	7,447,478	6,225,586
Accumulated losses	18	(2,526,080)	(2,507,722)	(2,495,273)	(2,476,962)
<b>TOTAL EQUITY</b>		<b>4,921,399</b>	<b>3,717,864</b>	<b>4,952,206</b>	<b>3,748,624</b>

The above statements of financial position should be read in conjunction with the notes to the Financial Statements..

## Statements of Cash Flows for the year ended 30 June 2005

	Note	Economic Entity		Parent Entity	
		2005 \$ Inflows/ (Outflows)	2004 \$ Inflows/ (Outflows)	2005 \$ Inflows/ (Outflows)	2004 \$ Inflows/ (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments to suppliers and employees (inclusive of goods and services tax)		(1,046,743)	(812,280)	(1,070,364)	(809,970)
Interest received		80,782	115,545	80,592	115,507
GST Refunds		167,947	130,542	164,979	130,161
Interest and other costs of finance paid		(94,782)	(121,466)	(94,782)	(121,466)
<b>Net cash outflow from operating activities</b>	24 (d)	<b>(892,796)</b>	<b>(687,659)</b>	<b>(919,576)</b>	<b>(685,768)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Security deposit (payments) / refunds		(38,998)	(2,125)	(21,495)	(2,125)
Proceeds from sale of property, plant and equipment	24 (a)	75,363	2,500	75,363	2,500
Payments for property, plant and equipment		(54,518)	(52,873)	(51,947)	(52,873)
Exploration and evaluation expenditure		(1,555,420)	(1,086,863)	(1,148,242)	(875,563)
Loans to subsidiaries		-	-	(405,776)	(211,434)
<b>Net cash outflow from investing activities</b>		<b>(1,573,573)</b>	<b>(1,139,361)</b>	<b>(1,552,097)</b>	<b>(1,139,495)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of securities		1,289,520	4,286,560	1,289,520	4,286,560
Capital raising expenses		(67,628)	(332,326)	(67,628)	(332,326)
Repayment of borrowings		17,967	-	17,967	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>1,239,859</b>	<b>3,954,234</b>	<b>1,239,859</b>	<b>3,954,234</b>
<b>Net increase/(decrease) in cash held</b>		<b>(1,226,510)</b>	<b>2,127,214</b>	<b>(1,231,814)</b>	<b>2,128,971</b>
Cash at the beginning of the financial year		2,116,209	(11,005)	2,116,209	(12,762)
<b>Cash at the end of the financial year</b>	24 (c)	<b>889,699</b>	<b>2,116,209</b>	<b>884,395</b>	<b>2,116,209</b>

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

## **Notes to the Financial Statements for the year ended 30 June 2005**

### **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 listed 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 Economic Entity to continue to adopt the going concern assumption will depend on a number of issues including, the successful raising, in the future, of necessary funding and sales of product.

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 2005

#### 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 Economic Entity contributes to employee superannuation funds which are charged as expenses when incurred. The Economic Entity'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 Economic Entity 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
Leased Plant and Equipment	20% - 33% Prime Cost
Computers and Office Equipment	33% Prime Cost
Furniture and Fittings	20% 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 Economic Entity 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 2005

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

(f) Investments in Subsidiaries

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.

(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) Revenue

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

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

(k) Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense. Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased property.

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

**Notes to the Financial Statements for the year ended 30 June 2005**

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<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	80,782	115,545	80,592	115,507
Expenses				
Movements in Provisions:				
Depreciation of Property, Plant & Equipment	40,102	142,775	40,102	142,775
Site Restoration		-		-
Borrowing cost expense – other corporations	-	1,483	-	1,483
Borrowing cost expense – directors	54,854	68,696	54,854	68,696
Borrowing cost expense – director related entities	39,921	43,140	39,921	43,140
Remuneration to Auditors:				
Audit/review	15,750	15,500	15,750	15,500
Other services	1,200	2,440	1,200	2,440
	<u>16,950</u>	<u>17,940</u>	<u>16,950</u>	<u>17,940</u>
Rental expenses on operating leases	17,126	15,125	17,126	15,125

**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% (2004:30%) on loss from ordinary activities before income tax	(5,507)	(248,463)	(5,493)	(251,205)
Tax effect of permanent differences	(31,061)	(21,708)	(31,061)	(21,754)
Tax effect of timing differences	(659,352)	(735,327)	(539,500)	(676,684)
Future income tax benefit not brought to account	695,920	1,005,498	576,054	949,643
Income Tax Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cumulative future income tax benefit not brought to account	1,823,681	1,591,484		
Cumulative deferred income tax liability not recognised	1,213,130	749,407		

No provision for income tax is required by the Economic Entity for the year.

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 2005**

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>NOTE 4 CASH ASSETS</b>				
Cash on hand and at bank	85,414	107,774	80,110	107,774
Cash on deposit	804,285	2,008,435	804,285	2,008,435
	889,699	2,116,209	884,395	2,116,209
<b>NOTE 5 RECEIVABLES (CURRENT)</b>				
Sundry debtors	14,663	12,556	14,663	12,556
GST receivable	31,877	41,013	31,877	41,013
Security deposit	18,308	18,200	-	-
	64,848	71,769	46,540	53,569
<b>NOTE 6 OTHER ASSETS</b>				
Prepayments – general	24,700	36,882	24,700	36,882
	24,700	36,882	24,700	36,882
<b>NOTE 7 OTHER FINANCIAL ASSETS</b>				
Cash on deposit (held as security for bank guarantee for security deposit)	314,000	316,125	314,000	316,125
Secured bonds	178,310	137,187	160,807	137,187
	492,310	453,312	474,807	453,312
<b>NOTE 8 RECEIVABLES (NON-CURRENT)</b>				
Loan to Australian Resources Management	-	-	411,140	165,194
Loan to Navaho Mining	-	-	239,019	79,189
	-	-	650,159	244,383
<b>NOTE 9 INVESTMENT IN SUBSIDIARIES</b>				
Shares in controlled entities - unlisted at cost (Note 21)	-	-	79,468	79,467
	-	-	79,468	79,467

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

**Notes to the Financial Statements for the year ended 30 June 2005**

	Economic Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>NOTE 10 PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Freehold Building</b>				
At cost	54,535	54,535	54,535	54,535
Accumulated depreciation	(14,063)	(12,699)	(14,063)	(12,699)
	<u>40,472</u>	<u>41,836</u>	<u>40,472</u>	<u>41,836</u>
<b>Plant and Equipment</b>				
At cost	1,902,011	1,993,359	1,851,394	1,942,742
Accumulated depreciation	(1,838,820)	(1,917,932)	(1,788,203)	(1,867,315)
	<u>63,191</u>	<u>75,427</u>	<u>63,191</u>	<u>75,427</u>
<b>Site Infrastructure</b>				
At cost	2,443,532	2,443,532	2,443,532	2,443,532
Accumulated depreciation	(2,443,532)	(2,443,532)	(2,443,532)	(2,443,532)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Leased Plant &amp; Equipment</b>				
At cost	115,307	81,469	115,307	81,469
Accumulated depreciation	(32,607)	(13,136)	(32,607)	(13,136)
	<u>82,700</u>	<u>68,333</u>	<u>82,700</u>	<u>68,333</u>
<b>Computers and Office Equipment</b>				
At cost	16,723	5,850	14,152	5,850
Accumulated depreciation	(3,815)	(784)	(3,815)	(784)
	<u>12,908</u>	<u>5,066</u>	<u>10,337</u>	<u>5,066</u>
<b>Furniture and Fittings</b>				
At cost	2,314	953	2,314	953
Accumulated depreciation	(420)	(120)	(420)	(120)
	<u>1,894</u>	<u>833</u>	<u>1,894</u>	<u>833</u>
Net Book value	<u>201,166</u>	<u>191,495</u>	<u>198,595</u>	<u>191,495</u>

(a) Movements in carrying amounts

Economic Entity:	Freehold Building	Plant & Equipment	Site Infrastructure	Leased Plant & Equipment	Computers & Office Equipment	Furniture & Fittings	Total
Balance at the beginning of the year	41,836	75,427	-	68,333	5,066	833	191,495
Additions	-	8,445	-	33,839	10,873	1,361	54,518
Disposals	-	(4,745)	-	-	-	-	(4,745)
Depreciation Expenses	(1,364)	(15,936)	-	(19,472)	(3,031)	(299)	(40,102)
Carrying amount at the end of the year	<u>40,472</u>	<u>63,192</u>	<u>-</u>	<u>82,700</u>	<u>12,908</u>	<u>1,894</u>	<u>201,166</u>
Parent Entity:	Freehold Building	Plant & Equipment	Site Infrastructure	Leased Plant & Equipment	Computers & Office Equipment	Furniture & Fittings	Total
Balance at the beginning of the year	41,836	75,427	-	68,333	5,066	833	191,495
Additions	-	8,445	-	33,839	8,302	1,361	51,947
Disposals	-	(4,745)	-	-	-	-	(4,745)
Depreciation Expenses	(1,364)	(15,936)	-	(19,472)	(3,031)	(299)	(40,102)
Carrying amount at the end of the year	<u>40,472</u>	<u>63,192</u>	<u>-</u>	<u>82,700</u>	<u>10,337</u>	<u>1,894</u>	<u>198,595</u>

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

**Notes to the Financial Statements for the year ended 30 June 2005**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 11</b>	<b>EXPLORATION EXPENDITURE</b>			
Exploration and Evaluation Expenditure				
Costs carried forward in respect of areas of interest still in the exploration and evaluation phase	4,067,265	2,513,849	3,384,489	2,238,251

**NOTE 12**      **PAYABLES (CURRENT)**

Trade and Other Creditors - unsecured	129,146	292,173	101,503	291,465
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**NOTE 13**      **INTEREST BEARING LIABILITIES (CURRENT)**

Lease Liability – secured	21,029	14,606	21,029	14,606
	<u>21,029</u>	<u>14,606</u>	<u>21,029</u>	<u>14,606</u>

Lease liabilities are secured over the assets to which they relate.

The gross value of these assets are \$115,307 (30 June 2004: \$81,469)

**NOTE 14**      **PROVISIONS (CURRENT)**

Employee Benefits	10,684	12,688	10,684	12,688
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As at 30 June 2005, the consolidated entity employed four full-time employees plus a further eight part-time and casual staff (2004: three full-time employees).

**NOTE 15**      **INTEREST BEARING LIABILITIES (NON-CURRENT)**

Lease Liability - secured	64,193	52,649	64,193	52,649
	<u>64,193</u>	<u>52,649</u>	<u>64,193</u>	<u>52,649</u>

**NOTE 16**      **PROVISIONS**

Site Restoration	600,000	1,300,000	600,000	1,300,000
Opening Balance	1,300,000	1,300,000	1,300,000	1,300,000
Provision reduced during the financial year	(700,000)	-	(700,000)	-
Closing Balance	<u>600,000</u>	<u>1,300,000</u>	<u>600,000</u>	<u>1,300,000</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 \$600,000 (2004:\$1,300,000). Further information regarding these contingent assets can be found in Note 26(a)

**NOTE 17**      **CONTRIBUTED EQUITY**

(a) Issued and paid up capital

Balance 1 July	6,225,586	1,071,931	6,225,586	1,071,931
Shares Issued	1,289,520	5,636,560	1,289,520	5,636,560
Costs of Issue	(67,628)	(482,905)	(67,628)	(482,905)
Paid up Capital 30 June	<u>7,447,478</u>	<u>6,225,586</u>	<u>7,447,478</u>	<u>6,225,586</u>

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

**Notes to the Financial Statements for the year ended 30 June 2005**

**NOTE 17 CONTRIBUTED EQUITY (continued)**

	2005		2004	
	Number of shares	\$	Number of shares	\$
Balance 1 July	57,312,039	6,225,586	29,812,039	1,071,931
Shares Issued During Year:				
- On 8 August 2003, 20,000,000 fully paid ordinary shares issued as a result of the initial public offering	-	-	20,000,000	4,000,000
- Costs associated with the initial public offering	-	-	-	(460,964)
- Shares issued to Gympie Gold Ltd for consideration for mining tenements	-	-	7,500,000	1,350,000
- On 29 December 2003 and 31 December 2003 a total of 28,656,000 options (\$0.20 @ 31-Dec-05) issued for \$0.01 each	-	-	-	286,560
- Costs associated with the option issue	-	-	-	(21,941)
- During February and March 2005, 17,193,600 shares issued for \$0.075 as a result of a share purchase plan	17,193,600	1,289,520	-	-
- Costs associated with the share purchase plan	-	(67,628)	-	-
<b>Balance 30 June</b>	<b>74,505,639</b>	<b>7,447,478</b>	<b>57,312,039</b>	<b>6,225,586</b>

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.

(b) Share Options

	Unlisted \$0.20 options exercisable on or before 31 October 2005	\$0.20 options exercisable on or before 31 March 2006
Balance at 30 June 2004	4,500,000	28,656,000
- Issued / cancelled/ exercised	-	-
<b>Balance as at 30 June 2005 (and date of this report)</b>	<b>4,500,000</b>	<b>28,656,000</b>

(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.

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2005

	Economic Entity		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
<b>NOTE 18 ACCUMULATED LOSSES</b>				
Accumulated losses attributable to members of D'Aguilar Ltd at beginning of the financial year	(2,507,722)	(1,679,510)	(2,476,962)	(1,639,612)
Operating Profit/(Losses) after income tax	(18,358)	(828,212)	(18,311)	(837,350)
Accumulated losses attributable to members of D'Aguilar Gold Ltd at the end of the financial year	(2,526,080)	(2,507,722)	(2,495,273)	(2,476,962)

### NOTE 19 DIRECTOR AND EXECUTIVE DISCLOSURES

Information about the remuneration of Directors and Executives which is currently required under Section 300A of the Corporations Act and under Accounting Standard AASB 1046 "Directors and Executives Disclosures by Disclosing Entities" is included in the Remuneration Report within the Director's Report. The Company has taken the relief provided by Corporations Amendments Regulations 2005 (No. 4) released on 5 July 2005.

### 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 Report within the Directors' Report.
- (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 \$90,000 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 \$56,315 for the provision of legal services to the Company during the year. The services were based on normal commercial terms and conditions.
- (iv) The Company has entered into Performance Bonds in relation to a possible environmental liability of the Company, which was \$1,300,000 between 1 July 2004 and 31 December 2004 and was reduced to \$600,000 on 31 December 2004. Samuel Capital Ltd, an entity associated with Nicholas Mather (a director), Vincent Mascolo (a director) and Damien Reynolds (a director up to 19 November 2004) had entered into Performance Bonds for \$500,000, \$400,000 and \$400,000 respectively in relation to the \$1,300,000 environmental liability of the Company up to 31 December 2004. On 31 December 2004, Samuel Capital Ltd, an entity associated with Nicholas Mather (a director) and Vincent Mascolo (a director) entered into Performance Bonds for \$300,000 each in relation to the 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 quarterly. Interest on the Bonds of \$39,921, \$34,927 and \$19,927 respectively was paid or payable during the period.
- (b) Share and Option transactions of Directors and Director-Related Entities are shown in the Remuneration Report within the Directors Report

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2005

#### 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	
			2005	2004	2005	2004
			\$	\$	%	%
Parent Entity:						
D'Aguilar Gold Ltd	Australia					
Controlled Entities:						
Australian Resource Management (ARM) Pty Ltd						
Management (ARM) Pty Ltd	Australia	Ordinary	10	10	100	100
Navaho Mining Pty Ltd	Australia	Ordinary	79,457	79,457	100	100
Solomon Gold Ltd	England	Ordinary	1	-	100	-
			<u>79,468</u>	<u>79,467</u>		

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

#### 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.

Economic Entity		Parent Entity	
2005	2004	2005	2004
\$	\$	\$	\$

#### NOTE 23 EARNINGS PER SHARE

(a)	Basic and diluted earnings per share - cents per share.	(0.0003)	(0.0161)	-	-
(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.	(18,358)	(828,212)	-	-
(d)	Weighted Average number of ordinary shares used in the calculation of basic earnings per share.	63,859,510	51,579,162	-	-

The share options included in Note 17(b) have not been included in the calculation of the weighted average number of ordinary shares used to calculate earnings per share as the options were considered to be non-dilutive.

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

**Notes to the Financial Statements for the year ended 30 June 2005**

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

**NOTE 24 CASH FLOWS INFORMATION**

(a) Fixed Assets acquired by finance leases

During the financial year, the Economic Entity acquired plant and equipment with the aggregate fair value of \$33,839 (2004: \$81,469) by means of finance lease agreements. These acquisitions are not reflected in the Statement of Cash Flows.

(b) Assets acquired by non-cash transactions

During the financial year ended 30 June 2004, the Economic Entity acquired mining tenements by the issue of 7,500,000 ordinary shares with a value of \$1,350,000.

(c) Reconciliation of Cash

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	85,414	107,774	80,110	107,774
Cash on deposit	804,285	2,008,435	804,285	2,008,435
	<u>889,699</u>	<u>2,116,209</u>	<u>884,395</u>	<u>2,116,209</u>

(d) Reconciliation of net cash outflows from operating activities to Profit/(loss) from ordinary activities after tax

Profit/(loss) from ordinary activities after tax	(18,358)	(828,212)	(18,311)	(837,350)
Add back/(deduct) items not involving cash flows:				
(Profit)/Loss on sales of fixed assets	(70,618)	4,311	(70,618)	4,311
Depreciation	40,102	142,775	40,102	142,775
Increase/(Decrease) in site restoration provision	(700,000)	-	(700,000)	-
Changes in assets and liabilities:				
- (Increase)/Decrease in receivables	19,103	(71,031)	19,211	(73,936)
- (Increase)/Decrease in other assets	2	(6,464)	1	(6,464)
- Increase/(Decrease) in payables	(163,027)	70,962	(189,961)	84,896
Net cash outflows from operating activities	<u>(892,796)</u>	<u>(687,659)</u>	<u>(919,576)</u>	<u>(685,768)</u>

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

**Notes to the Financial Statements for the year ended 30 June 2005**

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$

**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	3,163,723	604,208	983,187	347,926
- between one and five years	5,053,532	254,329	2,311,384	108,452
- greater than five years	33,180	-	33,180	-

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 or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

(b) Lease expenditure commitments

(i) *Operating leases (non-cancellable):*

Minimum lease payments				
- not later than one year	27,538	17,126	27,538	17,126
- later than one year and not later than five years	47,734	60,244	47,734	60,244
- later than five years	-	-	-	-
	<u>75,317</u>	<u>77,370</u>	<u>75,317</u>	<u>77,370</u>

(ii) *Finance leases:*

- not later than one year	27,115	19,457	27,115	19,457
- later than one year and not later than five years	71,110	59,073	71,110	59,073
- later than five years	-	-	-	-
Total minimum lease payments	<u>98,255</u>	<u>78,530</u>	<u>98,255</u>	<u>78,530</u>
- future finance charges	<u>(13,033)</u>	<u>(11,275)</u>	<u>(13,033)</u>	<u>(11,275)</u>
- lease liability	<u>85,222</u>	<u>67,255</u>	<u>85,222</u>	<u>67,255</u>
- current liability	21,029	14,606	21,029	14,606
- non-current liability	64,193	52,649	64,193	52,649
	<u>85,222</u>	<u>67,255</u>	<u>85,222</u>	<u>67,255</u>

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

### **Notes to the Financial Statements for the year ended 30 June 2005**

#### **NOTE 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

##### **(a) 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 reduced the provision in its accounts in respect of these contingent liabilities to \$600,000.

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 December 2004 between the Company and interests associated with two of the Directors of the Company ("the Bondholders"), the Bondholders have agreed to assume the responsibility for the discharge of \$600,000 in total of the environmental liability and restoration obligations of the Company in respect of its mining leases.

Samuel Capital Limited has taken \$300,000 of Bonds and is an entity associated with Mr Mather, a director. Vincent Mascolo, also a director of the Company, has also taken \$300,000 of the Bonds.

(b) The directors are otherwise satisfied that there are no other significant contingent assets or contingent liabilities.

#### **NOTE 27 EVENTS OCCURRING AFTER BALANCE DATE**

D'Aguilar, through its wholly owned subsidiary Australian Resource Management (ARM) Pty Ltd (ARM), holds certain Solomon Islands exploration licences. On 9 August 2005 the Company announced that its wholly owned subsidiary, Solomon Gold Limited ("Solgold"), has received commitments for a total of £632,000 by way of a pre-IPO private placement at a price of 10 p per share. It is intended that Solgold will subsequently be demerged from D'Aguilar and obtain a listing on the AIM Market of the London Stock Exchange Plc ("AIM") in respect of which the pre-IPO investors have committed to invest further funds of £1.746 million at a price of 50p per share.

D'Aguilar will transfer ownership of its wholly owned subsidiary ARM, which holds the Solomon Islands exploration licences, to Solgold in exchange for 10.5 million Solgold shares.

Further commentary regarding the above transaction is included in the Review of Operations and Future Developments within the Directors Report.

There have been no other events since the end of the financial year that impact upon the financial report as at 30 June 2005.

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

**Notes to the Financial Statements for the year ended 30 June 2005**

**NOTE 28 FINANCIAL INSTRUMENTS**

(a) Terms and Conditions relating to financial assets and liabilities:

Receivables – Trade debtors are non-interest bearing and are normally settled on 30 day terms.

Payables – Trade creditors are non-interest bearing and normally settled on 30 day terms.

Lease Liabilities – Finance leases have an average term of 3 years with the option to purchase the asset at the completion of the lease term. Secured lease liabilities are secured by a charge over the leased asset.

(b) 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:

	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total carrying amount as per the balance sheet</b>	<b>Weighted average effective interest rate</b>
	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
(i) Financial assets					
Cash Assets	85,414	804,285	-	889,699	4.90%
Other Financial Assets	-	314,000	178,310	492,310	2.60%
Receivables	-	-	64,848	64,848	-
<b>Total financial assets</b>	<b>85,414</b>	<b>1,118,285</b>	<b>243,158</b>	<b>1,446,857</b>	
(ii) Financial liabilities					
Payables	-	-	129,146	129,146	-
Interest Bearing Liabilities (Current)	-	21,029	-	21,029	8.00%
Interest Bearing Liabilities (Non-Current)	-	64,193	-	64,193	8.00%
<b>Total financial liabilities</b>	<b>-</b>	<b>85,222</b>	<b>129,146</b>	<b>214,368</b>	
<b>Net financial assets / (liabilities)</b>	<b>85,414</b>	<b>1,033,063</b>	<b>114,012</b>	<b>1,232,489</b>	
	<b>Floating interest rate</b>	<b>Fixed interest rate</b>	<b>Non-interest bearing</b>	<b>Total carrying amount as per the balance sheet</b>	<b>Weighted average effective interest rate</b>
	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
(i) Financial assets					
Cash Assets	-	2,116,209	-	2,116,209	4.83%
Other Financial Assets	-	316,125	137,187	453,312	2.61%
Receivables	-	-	71,769	71,769	-
<b>Total financial assets</b>	<b>-</b>	<b>2,432,334</b>	<b>208,956</b>	<b>2,641,290</b>	
(ii) Financial liabilities					
Payables	-	-	292,173	292,173	-
Interest Bearing Liabilities (Current)	-	14,606	-	14,606	8.00%
Interest Bearing Liabilities (Non-Current)	-	52,649	-	52,649	8.00%
<b>Total financial liabilities</b>	<b>-</b>	<b>67,255</b>	<b>292,173</b>	<b>359,428</b>	
<b>Net financial assets / (liabilities)</b>	<b>-</b>	<b>2,365,079</b>	<b>(83,217)</b>	<b>2,281,862</b>	

## D'Aguilar Gold Ltd and Controlled Entities

### Notes to the Financial Statements for the year ended 30 June 2005

#### NOTE 28 FINANCIAL INSTRUMENTS (continued)

##### (c) 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.

##### (d) Net Fair Values

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

#### NOTE 29 IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

D'Aguilar Gold Ltd is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian Equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. In 2005, the Company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result D'Aguilar Gold's Audit and Risk Management Committee addressed each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, D'Aguilar Gold's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when D'Aguilar Gold prepares its first fully AIFRS compliant financial report for the year ended 30 June 2005.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Audit and Risk Management Committee; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

##### (a) Reconciliation of equity as presented under AGAAP to that under AIFRS

No material impacts are expected to the equity presented under AGAAP on adoption of AIFRS.

##### (b) Reconciliation of net profit under AGAAP to that under AIFRS

No material impacts are expected to the net profit presented under AGAAP on adoption of AIFRS.

##### (c) Restated AIFRS Statement of Cash Flows for the period ended 30 June 2005

No material impacts are expected to the cashflows presented under AGAAP on adoption of AIFRS.

##### (d) Further key differences

Further key differences in accounting policy that have arisen or may arise from the adoption of AIFRS are listed below:

###### (i) Income Tax

AASB 112 "Income Tax" requires all income tax balances to be calculated using the comprehensive balance sheet liability method. Deferred tax items will be calculated by comparing the difference in carrying amounts to tax bases for all assets and liabilities and multiplying this by the tax rates expected to apply to the period when the asset is realised or the liability settled. Recognition of the resulting amounts are subject to some exceptions, but generally deferred tax balances must be calculated for each item in the statement of financial position. Deferred tax assets will only be recognised where there exists the probability that future taxable profit will be available to recognise the asset.

The application of AASB 112 "Income Tax" should not result in any significant adjustment to either tax assets and liabilities or net profit.

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

### **Notes to the Financial Statements for the year ended 30 June 2005**

#### **NOTE 29            IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)**

##### ***(ii) Property, Plant & Equipment***

Under AASB 116 "Property Plant & Equipment" an impairment test is required when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant and equipment which is impaired must be written down to its recoverable amount. The amount of the impairment write down for assets carried at cost will be expensed through the statement of financial performance.

Items of property, plant and equipment measured at fair value will still be carried at fair value, however the offsets of balances in the asset revaluation reserve under the new standards will be determined on an "asset by asset" basis rather than the current "class by class" treatment. This means that a change to profit or loss will occur where an impairment write down is necessary and there is no existing balance for that asset in the asset revaluation reserve.

All Company assets of property plant and equipment assets are tested to ensure the carrying amount is less than recoverable and write downs are made to reflect losses arising.

##### ***(iii) Share Based Payments***

The entity may engage in the practice of allocating to its employees share options as part of their remuneration packages under the Directors and Executive Officers Option Plan or the Employee Share Option Plan. AASB 2 "Share Based Payments" require that these payments and also payments made to other counterparties in return for goods and services shall be measured at the more readily determinable fair value of the good/service or the fair values of the equity instrument. Under the new standards this amount will be expensed in the statement of financial performance. Where the grant date and the vesting date are different the total expenditure calculated will be allocated between the two dates taking into account the terms and conditions attached to the instruments and the counterparties as well as management's assumptions about probabilities of payments and compliance with and attainment of the set out terms and conditions.

##### ***(iv) Exploration Expenditure***

Until such time as the International Accounting Standards Board (IASB) completes an extractive industries IFRS, the IASB has determined that national accounting standards will be grandfathered. Therefore, the Company will continue to apply the requirements of AASB 1022 "Accounting for the Extractive Industries".

## 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 2005 and of the performance for the year ended on that date of the Company and Economic Entity; and
- (2) the Managing Director and Chief Financial Officer have declared that:
  - (a) the financial records of the Company for the financial period have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial period comply with the Accounting Standards in Australia; and
  - (c) the financial statements and notes for the financial period give a true and fair view.
- (3) 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.

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

Nicholas Mather  
Director

Brisbane  
Dated this 29 September 2005

## 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, notes to the financial statements, the Remuneration Report contained in the Directors' Report for the purposes of complying with AASB 1041 Director and Executive Disclosure by Disclosing Entities 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 2005. The Consolidated entity comprises both the Company and the entities it controlled during that year.

The economic entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in the directors' report as permitted by the Corporations Regulations 2001.

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 and the remuneration disclosures comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001. 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 and whether the remuneration disclosures comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001.

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*. We confirm the independence declaration required by the Corporations Act 2001, provided to the directors of D'Aguilar Gold Ltd on 29 September 2005, would be in the same terms if provided to the directors as at the date of this audit report.

## **Audit opinion**

In our opinion:

1) the financial report of D'Aguilar Gold Ltd and Controlled Entities is in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and Consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

2) the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB1046 and the Corporations Regulations 2001.

## **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 or sale of goods.

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 29 September 2005