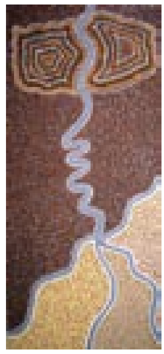
Tennant Creek Gold LIMITED

Annual Report 2006



CORPORATE DIRECTORY

DIRECTORS

John W Barr (Chairman)
Neil G Biddle (Managing Director)
Michael P Bowen (Non-Executive Director)
Terence N Smith (Non-Executive Director)

COMPANY SECRETARY

Damian P Delaney

REGISTERED OFFICE

Level 1, 282 Rokeby Road
Subiaco Western Australia 6008

PO Box 1126
Subiaco Western Australia 6904

Telephone: (08) 9327 0900
Facsimile: (08) 9327 0901
Website: www.tennantcreekgold.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
45 St George's Terrace
Perth Western Australia 6000

Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

AUDITORS

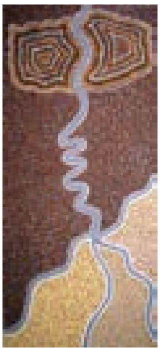
KPMG

HOME STOCK EXCHANGE

Australian Stock Exchange
Code: TNG

INTERNATIONAL STOCK EXCHANGE

Frankfurt Stock Exchange
Code: HJI



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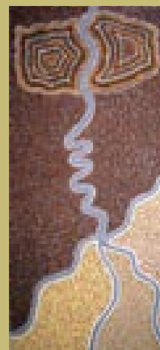


REVIEW OF OPERATIONS

OVERVIEW

The 2005/06 financial year represented another year of strong corporate and exploration activity for Tennant Creek Gold.

The Company continues to have a strong balance sheet, a quality asset base and a portfolio of investments in active listed exploration and development companies.

The following important milestones were achieved during the year:

- Exploration expenditure in excess of $700,000 was spent.
- RAB Special Situations (Master) Fund Limited exercised options resulting in a capital raising of $780,000 and that fund increasing its shareholding to 19.5%.
- A well received option issue was made to shareholders resulting in a capital raising of over $1 million.
- The Manbarrum project titles were granted and the AAPA issued a Clearance Certificate. An amended Clearance certificate was issued in August this year and drilling commenced in September.
- The royalty from mining at the Cawse Extended Nickel Project continued.
- The Company increased its shareholding in Batavia Mining Ltd which is progressing the Gullewa Gold-Copper Project.
- The Company maintained its shareholding in Thor Mining PLC which is progressing the Molyhil Tungsten-Molybdenum Project. Thor has recently acquired a portfolio of Uranium tenements, in the Northern Territory of Australia.
- The sale of several assets were announced including:
  - The Red Rock Shareholding
  - The Duplex Hill Tenements
  - The Spring Hill Tenements – conditional

The Company remains well placed to focus on the exploration of its portfolio of projects in Australia. In the 2006/07 year exploration will be particularly focused at the Manbarrum Project.

The Company continues to take a positive view on the outlook for commodity markets, underpinned by continuing strong levels of demand from evolving economies.

The Board endeavours to be accessible to all shareholders and stakeholders and encourages interested parties to contact the Company directly or via our website at www.tennantcreekgold.com.au. Shareholders and investors are invited to register on the website to receive regular news via email.

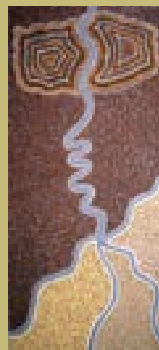
PROJECTS

Manbarrum Lead-Zinc-Silver Project

The Manbarrum project is the flagship exploration project of the Company. The formal grant of title over the Project in 2005 represented a key milestone together with the issue of the Clearance Certificate by AAPA, and the amended certificate in August 2006.

As a result of these milestones being achieved and after waiting for the extended wet season to abate, and cultural issues to pass, exploration commenced.

Manbarrum is located 70 kilometres north-east of Kununurra in the Northern Territory. The granted tenements consist of an Exploration Licence and an Authority to Prospect under Section 178 covering a combined area of over 200 square kilometres. An additional Exploration Licence has been applied for and completes coverage of the Bonaparte Shelf Margin where numerous gravity anomalies have identified stratigraphic and structural targets within the prospective Burt Range Formation.



REVIEW OF OPERATIONS

PROJECTS (Continued)

Geology and Mineralisation

The Manbarrum Project is located on the eastern margin of the Bonaparte Gulf Basin where Devonian-Carboniferous marine sediments unconformably overlie faulted Proterozoic basement. Three Palaeozoic units are recognised in the area: Devonian Cockatoo Group, Lower Carboniferous Burt Range Formation and Milligans formation.

Milligans Formation black shales and siltstones locally cap the dolomitised Burt Range Formation carbonates and in conjunction with north-south trending syn-depositional growth faults provide a prospective setting for Mississippi Valley Type (MVT) base metal sulphide deposits.

Burt Range Formation dolomites reflect a regressive sedimentary cycle that became progressively more arenaceous. Two Members are recognised locally: Clb2 the younger dolomite and aranaceous dolomite and; Clb1 the older silty dolomite.

The younger Clb2 Member is the better host to mineralisation as it is more subject to brittle failure and associated vuggy porosity, and is closer to the impervious Milligans Formation caprock.

Background

The Manbarrum Project area was previously explored by major mining companies Aquitaine (1972-82), BHP Billiton-St Joe then BHP-Triako (1982-93) and BHP-Triako-Delta Gold (1994-98).

Aquitaine carried out a substantial exploration program during the 1970s after the early discovery of significant Pb-Zn-Ag mineralisation at Sandy Creek. Because of the comparative ease of locating mineralisation at Sandy Creek, there was a lack of systematic grass-roots geochemical and geophysical exploration elsewhere particularly in the extensive areas of sandy soil cover surrounding the very limited outcrop.

While a considerable amount of reconnaissance drilling was completed much of it was planned with inadequate geological control and a high percentage of the holes were drilled in unprospective footwall rocks or were not deep enough to reach the prospective mineralised target zone.

There has been no major exploration conducted since Aquitaine, however valuable additions to the regional grass-roots data were made by BHP-St Joe 1982-84 and Delta Gold, 1994-98.

Logistics

The Manbarrum Project is located 70km north-east of Kununurra via a regularly maintained road and in a logistically favourable area.

The Project is only 110km from the Port of Wyndham by the shortest road haul distance and 180km from Wyndham by the principal roads in the area.

The Weaber gas field is located 8km from the Sandy Creek mineralisation and is a potential source of cheap mine power.

REVIEW OF OPERATIONS

PROJECTS (Continued)

Land Access

The Project lies within the Legune Station Pastoral Lease and within a regional Registered Native Title Claim by the Miriuwung and Gajerrong peoples.

Land Access in the Northern Territory is constrained by the requirements of the Aboriginal Heritage Act whereby a current Clearance Certificate must be obtained prior to commencement of exploration. A Clearance Certificate was issued to TNG by the Aboriginal Areas Protection Authority (AAPA) in February 2006. The Certificate conditions allowed access to the entire project area for the initial exploration program but curtailed drilling activities in broad areas around the hills.

Field work since early June has confirmed all exploration targets lie beneath the pervasive sandy soil cover and are well clear of the hills which occupy only a limited area. Consultation with the Traditional Owners has further confirmed the soil covered areas of the Project have no special cultural or heritage significance.

The Traditional Owners of Manbarrum have unanimously supported exploration proposals by TNG and jointly with TNG requested AAPA to amend the conditions of the Clearance Certificate to provide a less restrictive protective zone around the hills. This process was finalised in August with issue of the amended certificate.

Tennant Creek Magnetite Gold-Copper-Bismuth Projects

TNG has an interest in several granted mining and exploration tenements in the immediate vicinity of the town of Tennant Creek. These tenements contain first order Tennant Creek-style magnetic ironstone targets with the potential to host gold, and gold-copper-bismuth deposits.

An offer for these tenements is currently under consideration.

Explorer, Rover and McClaren Creek Gold-Copper-Bismuth Prospects

TNG has an interest in a granted exploration licence 50km south of the Tennant Creek Township in Central Australia. The exploration licence covers an area of in excess of 1,354 square kilometres and contains 38 first order Tennant Creek-style magnetic ironstone targets with the potential to host gold, and gold-copper-bismuth deposits.

Prospects are hosted within the Warramunga Formation and have the same magnetic trend and magnitude as some of the world-class gold and gold-copper-bismuth deposits in the Tennant Creek Inlier.

During the quarter the Desertex JV was terminated and 3 exploration licence applications named Rover and McClaren Creek East and West were returned to TNG. These tenements adjoin the Explorer tenement.

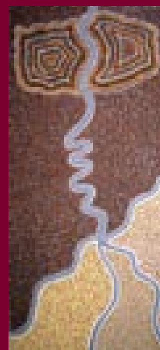
TNG will seek to expedite the grant of the Desertex tenements which together with Explorer will form a large acreage exploration project in a highly prospective and under explored area.

Melville Island

This exploration application covers 1,445 sq km of the northern part of Melville Island, 125km north of Darwin. There is bauxitic laterite development over Tertiary Van Diemen sandstone within the application area. The tenement currently is subject to moratorium by the Tiwi Land Council.

Croker Island

This application covers some 220 sq km of the northern part of Croker Island located 240 km northeast of Darwin. Bauxitic laterite development over Cretaceous Bathurst Island Formation sediments has occurred in the application area.



REVIEW OF OPERATIONS

PROJECTS (Continued)

Spring Hill

Spring Hill is located approximately 200 kilometres south of Darwin in the historic Pine Creek gold field in the Northern Territory. The area includes a JORC compliant Indicated Resource of 3.6 million tonnes at 2.34 g/t Au for 274,000 ounces of contained gold.

In April TNG sold the Spring Hill tenements to Pan Resources Ltd for $2,850,000. This sale is conditional upon Pan Resources Ltd gaining admission to the London Stock Exchange before 31 December 2006. The consideration is for $600,000 in cash and the balance in shares in Pan Resources Ltd upon listing. The sale has not been recognised at 30 June 2006.

Mount Peake

Mount Peake is located in the Arunta Province 80 kilometres north east of Alice Springs.

Airborne magnetic surveys have indicated possible ultramafic intrusion hosted nickel targets.

Tanami East

Tanami East, also known as Goddard's Prospect, hosts significant malachite mineralisation outcropping over a strike length of 1,200 metres. Numerous values over 1% Cu and 100 ppb Au were obtained from rock chip samples carried out during the 1970s and the area is considered to have exploration potential for copper-gold deposits.

Other Northern Territory Tenements

TNG holds several other prospects in the Northern Territory. These prospects are in various stages of exploration and have not been specifically mentioned as only minor work was completed during the year.

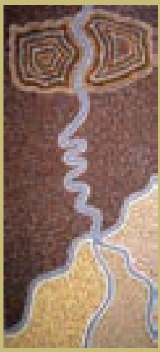
Western Australia - Nickel production at Cawse Extended

The OM Group Inc. (OMG) owns and manages the Cawse Nickel-Cobalt Operation with OMG and TNG jointly owning the adjacent Cawse Extended Project. TNG's interest in the Cawse Extended Project is 20% free-carried to production, convertible at TNG's election to a 2% net smelter return.

TNG has also entered into a separate agreement with OMG for a wet tonne royalty payment, which replaces the current agreement only for ore mined from the Unicorn Pit and transported to the Cawse ROM pad. The Agreement has been structured to allow for variations in the nickel price and the AUD/USD exchange rate such that the wet tonne payment is variable within the range AU$0.50/wt and AU$0.90/wt.

Mining at Unicorn commenced in 2003 and, to date, total royalty income of $555,915 has been received. TNG has been advised by OMG that mining at the Unicorn Pit will continue until May 2007 with a progressive reduction in tonnes mined.

TNG believes that Cawse Extended will continue to be an important ore source for OMG.



REVIEW OF OPERATIONS

PROJECTS (Continued)

Other Western Australian Tenements

TNG holds an interest in two other tenement groups, however, in each case, the Company does not contribute towards exploration expenditure as the projects are subject to joint venture or options for sale. These projects include Kintore East and McTavish.

On 14 May 2006 the Duplex Hill tenements, which were subject to an option were sold for $80,000.

CORPORATE & INVESTMENT ACTIVITIES

TNG holds investments in Thor Mining PLC (THR – listed on the AIM market of the London Stock Exchange and recently completing a dual listing on the ASX via a $10.0 million IPO) and Batavia Mining Limited (BTV - listed on the ASX). TNG continues to focus on these two investments.

Batavia Mining Limited (ASX code "BTV")

TNG holds approximately 81 million shares in Batavia representing approximately 14% of the issued capital. The value of this investment at year end is approximately $4 million.

Batavia has recently completed a major infill and extensional drill program at its 100% owned Deflector Gold-Copper project. A resource upgrade has recently been announced and the Bankable Feasibility Study is expected to be completed during the December Quarter.

The Batavia web page is www.bataviamining.com.au.

Thor Mining PLC (ASX code "THR")

TNG holds 15 million shares in Thor, representing approximately 11.5% of the issued capital. The value of this investment at year end was approximately $3.0 million.

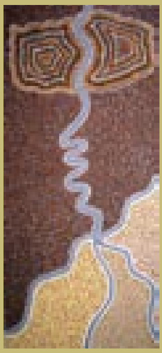
Thor is currently completing a Definitive Feasibility Study in respect to the Moyhil Tungsten-Molybdenum Project. It recently announced the acquisition of several groups of tenements prospective for uranium, together with an underwritten $10m issue, and a listing on the ASX.

The Thor website is www.thormining.com

Red Rock Resources Plc (AIM code "RRR")

In order to enable the Company to focus on its key projects, a decision was made to sell certain tenements, and in September 2005 a transaction was concluded with Red Rock Resources PLC for several tenements prospective for iron ore. Consideration for the sale was 19 million ordinary fully paid shares in Red Rock.

These shares were subsequently sold for $670,000.



CORPORATE GOVERNANCE

INTRODUCTION

Tennant Creek Gold Limited ("**Company**") has adopted a philosophy which is a commitment to the highest standards of Corporate Governance. The Company is committed to the pursuit of achieving the best value for their shareholders through their efforts in exploration and exploitation of the Company's tenement assets. Detailed information of the Company's corporate governance practices is set out on the Company's website at www.tennantcreekgold.com.au.

CORPORATE GOVERNANCE DISCLOSURE

The Code on Corporate Governance requires that every public company disclose its compliance with each principle of the Code. During the financial year 2005/06 ("**Reporting Period**") the Company has complied with each of the *Ten Essential Corporate Governance Principles and Best Practice Recommendations* as published by the ASX Corporate Governance Council, other than in relation to the matters specified below.

Recommendation 2.1, 2.2

2.1 Majority of the Board should be Independent Directors

Mr Terence N Smith has been appointed as an independent director. The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's history. The Company considers that each of the non-independent directors possess skills and experience suitable for building the Company. The Board intends to reconsider its composition as the Company's operations evolve, and appoint further independent directors as appropriate.

2.2 The Chairman should be an Independent Director

Mr John W Barr is the Chairman and is considered an executive of the board. The board considers that the expertise and dedication of Mr John W Barr gives constructiveness and organisation to the board and its functions.

Recommendation 2.4

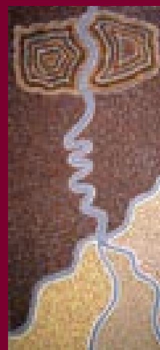
A separate Nomination Committee has not been formed

The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.

Recommendation 4.3

The Audit Committee does not consist of all non-executive directors

The role of the Audit Committee is carried out by Mr John W.Barr, Mr Michael P Bowen, Mr Terence N Smith, and Mr Damian P Delaney of which only two members are non-executive directors. The Board considers that given the financial expertise of the members that the Company is well serviced by their expertise.



CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Recommendation 8.1

Non-disclosure of the process of evaluating the board

The process for evaluation of the Board, individual directors and key executives was not disclosed. However, an evaluation of the Board, directors and key executives does occur on an ongoing basis by the Board as a whole.

Recommendation 9.2

There was no separate Remuneration Committee

The full Board carried out the functions of the Remuneration Committee. All matters of remuneration were determined by the Board in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no directors participated in any deliberation regarding their own remuneration or related issues.

Skills, experience, expertise and term of office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

Mr Terence N Smith is independent in accordance with the criteria set out in Box 2.1 of the ASX Principles and Recommendations.

Statement concerning availability of independent professional advice

Subject to the approval of the chairman, an individual director may engage an outside adviser at the expense of Tennant Creek Gold Limited for the purposes of seeking independent advice in appropriate circumstances.

Names of nomination committee members and their attendance at committee meetings

The full Board carries out the functions of the Nomination Committee. The Board did not convene formally as the Nomination Committee during the Reporting Period, but rather, discussed relevant issues on an as-required basis.

Names and qualifications of audit committee members

The full Board performs the functions of the Audit Committee. Mr John W Barr, Mr Michael P Bowen, Mr Terence N Smith and Mr Damian P Delaney are financially literate. Mr Barr, Mr Bowen, Mr Terence N.Smith and Mr Damian P.Delaney possess financial expertise by virtue of their academic qualifications.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DISCLOSURE (CONTINUED)

Number of audit committee meetings and names of attendees

During the Reporting Period Mr Damian P.Delaney met with the external auditors in respect of the half year and full year financial reports.

During the Reporting Period an evaluation of the Board was conducted as an informal review during regular meetings of the Board. The executive directors were reviewed on an individual basis by the Chairman.

Company's remuneration policies

All of the directors received a separate directors' fee of $30,000 per annum, plus statutory superannuation.

In addition:

- Kensington Consulting Pty Ltd of which Mr John W Barr is a director, receives a consulting fee for Mr Barr's services;
- Hatched Creek Pty Ltd of which Mr Neil G Biddle is a director, receives consulting fees for Mr Biddle's services; and
- Hardy Bowen, of which Mr M Bowen is a partner, receives legal fees for services provided to Tennant Creek Gold Limited.

There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of key performance indicators.

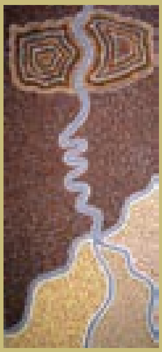
Remuneration of directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

Names of remuneration committee members and their attendance at committee meetings

The full Board carried out the function of the Remuneration Committee. During the Reporting Period, the Board did not convene formally as the Remuneration Committee, but rather, dealt with remuneration-related issues on an as-required basis during regular meetings of the Board.

Existence and terms of any schemes for retirement benefits for non-executive directors

There are no retirement benefits for non-executive directors.



DIRECTORS' REPORT

The Directors present their report together with the financial report of Tennant Creek Gold Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

John W Barr CA, FAICD
Chairman

Mr John W Barr was appointed in December1998. He is a Chartered Accountant and Fellow of the Australian Institute of Company Directors. He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development in respect to several commodities including gold, platinum, nickel and copper.

Mr Barr has managed his own consultancy business since 1987 which specialises in the management of public companies including advice on capital raisings, mergers and acquisitions, negotiating onshore and offshore acquisitions and joint ventures, negotiating commodity based funding, and compliance with corporate and stock exchange requirements.

During the last three years Mr Barr has served as a director of the following listed companies:

- Batavia Mining Limited, appointed June 2003 ceasing July 2005; and
- Thor Mining PLC appointed April 2005.

Neil G Biddle B.App.Sc(Geology), M.Aus.IMM
Managing Director

Mr Neil G Biddle was appointed in December 1998. He is a geologist and company director with over 17 years professional and management experience in listed public companies involved in mining and exploration and was formerly managing director of Border Gold Ltd (1995-1999) and Consolidated Victorian Mines NL (1991-1995).

During the last three years Mr Biddle has served as a director of Batavia Mining Limited since April 2005. Previously a director of Batavia Mining Limited from June 2003 to February 2004.

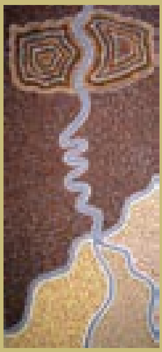
Michael P Bowen B.Juris, LLB, BCom
Non-Executive director

Mr Michael P Bowen was appointed in January 2004. He graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as barrister and solicitor of the Supreme Court of Western Australia and is an Associate and Certified Practising Accountant of the Australian Society of Accountants.

Mr Bowen is a partner of the law firm Hardy Bowen, practising primarily corporate, securities, commercial and mining law.

During the last three years Mr Bowen has served as a director of the following listed companies:

- IMF (Australia) Ltd since August 2001;
- Medical Corporation Australasia Limited since October 2004;
- Brandrill Limited, appointed March 2001 ceasing October 2003;
- Vietnam Industrial Investments Limited since October 2004.



DIRECTORS' REPORT

DIRECTORS (Continued)

Terence N Smith Dip.Bus
Independent Non-Executive Director

Mr Terence N Smith was appointed in July 2004. He is one of the founding partners of the Smith Coffey Group which has provided taxation, accounting and financial advice to clients in Perth for 34 years. He has a wide range of business skills in the areas of financial planning and corporate management. Mr Terence N Smith holds a number of directorships in a number of companies in the wine industry.

Mr Terence N Smith also serves on the board of Batavia Mining Limited, an ASX listed company; appointed 30 September 2005.

Damian P Delaney CA (SA)
Chief Financial Officer and Company Secretary

Mr Damian Delaney is a Chartered Accountant with many years experience working with international listed companies.

Mr Delaney commenced his career in South Africa, before taking up a series of positions in the United Kingdom. He has held a number of senior CFO and Finance Director positions in the UK.

Mr Delaney manages all aspects of the Company's financial, ASX reporting, regulatory and IT operations. He is also CFO and Company Secretary for Batavia Mining Limited and Thor Mining PLC.

DIRECTORS MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of meetings held during the time the Director held office	Number of meetings attended
John W Barr	9	8
Neil G Biddle	9	6
Michael P Bowen	9	8
Terence N Smith	9	9

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year were the review of advanced exploration projects for acquisition; the management of its exploration properties; management of the Company's interest in the Cawse Extended Project and the management of its investments in Batavia Mining Limited and Thor Mining PLC.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

DIRECTORS' REPORT

REVIEW AND RESULTS OF OPERATIONS

The operating loss of the consolidated entity after income tax for the year was $229,085 (2005: $3,756,427).

A review of the operations during the financial year is set out on pages 2 to 6.

DIVIDENDS

No dividends were paid during the year and the directors do not recommend payment of a dividend.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year or to the date of this report.

REMUNERATION REPORT

1. Principles of Remuneration

This report details the amount and nature of remuneration of each director of the Company and the executives receiving the highest remuneration.

Key management personnel have authority and responsibility for planning and controlling the activities of the Company and the consolidated entity, including directors of the Company and other Executives. Key management personnel includes the five most highly remunerated s300A directors and executives for the Company and the consolidated entity.

Remuneration Policy – audited

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director and executive objectives with shareholder and businesses objectives.

The remuneration policy, setting the terms and conditions for the executive directors and other executives has been developed by the board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a base fee of $30,000 per annum. Shareholders have approved Directors fees of an amount of up to $200,000 in aggregate per annum. Superannuation contributions of 9% are paid on these fees as required by law.

Directors and executives receive either a salaryplus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board performing the role of the remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may receive options.

REMUNERATION REPORT (Continued)

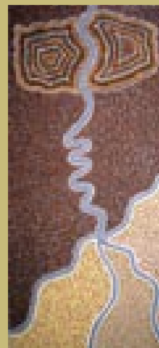
2. Directors and Executives officers remuneration (Company and Consolidated) – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and relevant group executives who receive the highest remuneration and other key management personnel are:

Directors Remuneration for the year ended 30 June 2006

Company and Consolidated		Short Term		Post Employment	Long Term		
		Salary & Fees	Other	Super	Share-based Payment Options[1]	Total	Value of options as a proportion of remuneration %
Directors							
John W Barr	2006	113,000	-	2,700	-	115,700	-
Chairman	2005	83,400	-	2,700	130,500	216,000	60%
Neil G Biddle	2006	132,820	-	2,700	-	135,520	-
Managing Director	2005	184,500	-	2,700	-	187,200	-
Michael P Bowen	2006	111,602	-	-	-	111,602	-
Non-executive	2005	73,072	-	-	78,300	151,372	52%
Terence N Smith	2006	30,000	-	2,700	-	32,700	-
Non-executive	2005	30,000	-	2,700	78,300	111,000	71%
Total	2006	387,422	-	8,100	-	395,522	
	2005	370,972	-	8,100	287,100	666,172	

[1] Options have been valued at $0.0522 per option using the Black-Scholes calculation for the May 2005 issue.



REMUNERATION REPORT (Continued)

2. Directors and Executives officers remuneration (Company and Consolidated) – audited (continued)

Remuneration of the 3 named executives who received the highest remuneration for the year ended 30 June 2006

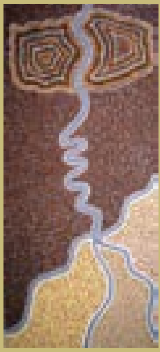
Company and Consolidated		Short Term		Post Employment	Long Term			
		Salary & Fees	Other	Super	Share-based Payment Options[4]	Share-based Payment Options[5]	Total	Value of options as a proportion of remuneration %
Executives								
Damian P Delaney	2006	26,766	-	2,409	-	47,133	76,308	62%
CFO and Company Secretary[1]	2005	-	-	-	-	-	-	
Chris Bath	2006	20,490	5,307*	1,844	-	-	27,641	19%
Company Secretary[2]	2005	40,265	15,485*	3,624	83,520	-	165,690	74%
Pedro Kastellorizos	2006	22,920	-	2,063	-	-	24,983	
Exploration Director[3]	2005	70,937	-	3,144	-	-	85,479	13%
Total	2006	70,176	5,307	6,316	-	47,133	128,932	
	2005	111,202	15,485	6,768	83,520	-	251,169	

[1] Appointed Company Secretary 2 November 2005
[2] Resigned 30 September 2005
[3] Resigned 3 January 2006
[4] Options have been valued at $0.0522 per option using the Black-Scholes calculation for the May 2005 issue.
[5] Options have been valued at $0.101 per option using the Black-Scholes calculation for the May 2006 Issue
* Includes the provision of a motor vehicle

The fair value of the options are calculated at the date of grant using the Black-Scholes model and, except for the July 2004 options are allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is a portion of the fair value of the options allocated to this reporting period. The terms 'director' and 'executive' have been treated as mutually exclusive for the purposes of this disclosure.

The following factors and assumptions were used in determining the fair value of options on grant date.

Grant Date	Expiry Date	Fair Value per Option	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk free interest rate	Dividend yield
28 July 2004	31 May 2007	$0.05699	$0.15	$0.125	70.00%	6.10%	Nil
2 June 2005	31 May 2007	$0.05220	$0.15	$0.150	56.12%	5.27%	Nil
25 May 2006	31 May 2007	$0.10100	$0.15	$0.230	60.00%	5.64%	Nil



REMUNERATION REPORT (Continued)

3. Options granted as part of remuneration – audited

During the year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and Executives:

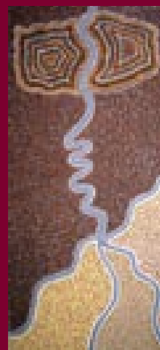
Director/Officer	Number of Options granted during 2006[2]	Grant Date	Number of options vested during 2006[2]	Fair value of option at grant date[3]	Exercise price per option	Expiry date of options
Damian P Delaney[1] CFO/Company Secretary	1,400,000	25 May 2006	466,667	$0.101	$0.15	31 May 2007

[1] Appointed Company Secretary 2 November 2005
[2] 466,667 options were exercisable at 30 June 2006. Balanced become vested October 2006 and January 2007.
[3] Options have been valued at $0.101 per option using the Black-Scholes calculation.

Options granted in the financial year were approved by shareholders at a General Meeting held 1 March 2006. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

Director/Officer	Number of Options granted during 2005	Grant Date	Number of options vested during 2005	Fair value of option at grant date	Exercise price per option	Expiry date of options
John W Barr	500,000[1]	28 July 2004	500,000	$0.05699	$0.15	31 May 2007
Neil G Biddle	5,000,000[1]	28 July 2004	5,000,000	$0.05699	$0.15	31 May 2007
Michael P Bowen	500,000[1]	28 July 2004	500,000	$0.05699	$0.15	31 May 2007
Terence N Smith	500,000[1]	28 July 2004	500,000	$0.05699	$0.15	31 May 2007
Chris Bath[2]	400,000[1]	28 July 2004	400,000	$0.05699	$0.15	31 May 2007
Pedro Kastellorizos[3]	200,000[1]	28 July 2004	200,000	$0.05699	$0.15	31 May 2007
John W Barr	2,500,000	2 June 2005	2,500,000	$0.05220	$0.15	31 May 2007
Michael P Bowen	1,500,000	2 June 2005	1,500,000	$0.05220	$0.15	31 May 2007
Terence N Smith	1,500,000	2 June 2005	1,500,000	$0.05220	$0.15	31 May 2007
Chris Bath[2]	1,600,000	2 June 2005	1,600,000	$0.05220	$0.15	31 May 2007

[1] As the July 2004 option issue vested in July, and as this date is before 1 January 2005, the Company elected to take the AASB1 exemption not to apply the recognition and measurement requirements of AASB2 to these options. Therefore, there is no AIFRS implication of these share option issues in 2005. Options have been valued at $0.05699 per option using the Black-Scholes calculation for the July 2004 issue. These amounts are not recognised as an expense and as such do not form part of remuneration.
[2] Resigned 30 September 2005
[3] Resigned 3 January 2006



REMUNERATION REPORT (Continued)

4. Modification of terms of equity-settled share-based payment transaction – audited

At a General Meeting held 1 March 2006, the shareholders approved the variation of 14,550,000 options expiring 31 May 2007, exercisable at $0.15. The terms were varied from being a non-transferable, unlisted option to transferable options and listed on the ASX. There was no change in the fair value of the options as a result of this variation.

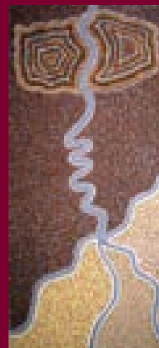
5. Exercise of options granted as compensation – audited

During the year the following shares were issued on the exercise of options previously granted as remuneration: (2005:Nil)

2006	Number of shares	Amount Paid $/share
Directors		
John W Barr	1,700,000	$ 0.15
Neil G Biddle	1,500,000	$ 0.15
Michael P Bowen	650,000	$ 0.15
Terence N Smith	-	-
Executives		
Damian P Delaney[3]	-	-
Chris Bath[1]	1,200,000	$ 0.15
Pedro Kastellorizos[2]	200,000	$ 0.15

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Appointed Company Secretary 4 November 2005

There are no amounts unpaid on the shares issued as a result of the exercise of the options in 2005 or 2006



DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

6. Analysis of options and rights over equity instruments granted as compensation – unaudited

Details of the resting profile of the options granted as remuneration to each director of the Company and relevant group executive who receive the highest remuneration is detailed below:

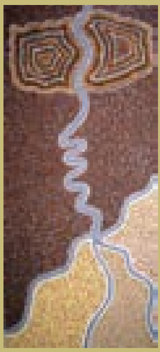
	Options Granted					Value yet to Vest $	
	Number	Date[1]	% vested In year	Forfeited in Year (a)	Financial years in which grant vests	Min (b)	Max (c)
Directors							
John W Barr	500,000	28 July 2004	100%	-	2005	-	-
	2,500,000	2 June 2005	100%	-	2005	-	-
Neil G Biddle	5,000,000	28 July 2004	100%	-	2005	-	-
Michael P Bowen	500,000	28 July 2004	100%	-	2005	-	-
	1,500,000	2 June 2005	100%	-	2005	-	-
Terence N Smith	500,000	28 July 2004	100%	-	2005	-	-
	1,500,000	2 June 2006	100%	-	2005	-	-
Executives							
Damian P Delaney[2]	466,667	25 May 2006	33.3%	-	2006	-	-
	466,667	25 May 2006	33.3%	-	2007	-	47,133
	466,666	25 May 2006	33.3%	-	2007	-	47,133
Chris Bath[3]	400,000	28 July 2004	100%	-	2005	-	-
	1,600,000	2 June 2005	100%	-	2005	-	-
Pedro Kastellorizos[4]	200,000	28 July 2004	100%	-	2005	-	-

[1] As the July 2004 option issue vested in July, and as this date is before 1 January 2005, the Company elected to take the AASB1 exemption not to apply the recognition and measurement requirements of AASB2 to these options. Therefore, there is no AIFRS implication of these share option issues in 2005. Options have been valued at $0.05699 per option using the Black-Scholes calculation for the July 2004 issue. These amounts are not recognised as an expense and a such do not form part of remuneration.
[2] Appointed Company Secretary 4 November 2005
[3] Resigned 30 September 2006
[4] Resigned 3 January 2006

(a) The percentage forfeited in the year represents the reduction from the maximum number of options available to vest due to the highest level performance criteria not being achieved.

(b) The minimum value of options yet to vest is $nil as the performance criteria may not be met and consequently the option may not vest.

(c) The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the option is exercised. These share prices represent a maximum price included in the volatility assumptions within the valuation of the options.



DIRECTORS' REPORT

REMUNERATION REPORT (Continued)

7. Analysis of movements in options – unaudited

The movement during the reporting period, by value, of options over ordinary shares held by each Company director and each relevant group executive is detailed below:

	Value of Options			
	Granted in Year (a) $	Exercised in year (b) $	Forfeited in year (c)	Total option value in year $
Directors				
John W Barr	-	98,500	-	98,500
Neil G Biddle	-	93,000	-	93,000
Michael P Bowen	-	39,000	-	39,000
Terence N Smith	-	-	-	-
Executives				
Damian P Delaney[3]	141,400	-	-	141,400
Chris Bath1	-	231,000	-	231,000
Pedro Kastellorizos[2]	-	21,170	-	21,170

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Appointed Company Secretary 4 November 2005

(a) The value of the options granted in the year is the fair value of the options calculated at the grant date using the Black-Scholes model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period.

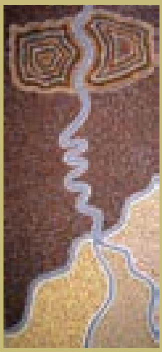
(b) The value of the options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(c) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black-Scholes model with no adjustments for whether the performance criteria have or have not been achieved.

DIRECTORS' INTERESTS

The relevant interest of each Director in the shares and options over such instruments issued by the companies within the consolidated entity and other related body corporates, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
John W Barr	8,700,000	5,099,999
Neil G Biddle	5,761,868	7,669,642
Michael P Bowen	750,002	2,185,088
Terence N Smith	1,600,000	3,510,087



DIRECTORS' REPORT

DIRECTORS' INTERESTS (Continued)

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of options
30 April 2007	$0.12	7,000,000
31 May 2007	$0.15	61,664,014[1]
31 May 2007	$0.15	2,000,000

[1] Includes 1,966,662 options not yet vested.

14,450,121 shares were issued on the exercise of options expiring 31 May 2007, exercisable at $0.15 per option, during the year.

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Code of Conduct

This code of conduct sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

Commitment of the Board and Management to Corporate Code of Conduct

The Board and management approve and endorse this code of conduct and support the code and all it strives to achieve.

The Board and management encourage all staff to consider the principles of the code and use them as a guide to determining how to respond when acting on behalf of the Company.

Responsibilities to Shareholders and the Financial Community Generally

The Company aims:

- To increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders and the financial community; and
- Comply with systems of control and accountability which the Company has in place as part of its corporate governance with openness and integrity.

ETHICAL STANDARDS (Continued)

Responsibilities to Clients, Customers and Consumers

The Company is to comply with all legislative and common law requirements which affect its business, in particular those in respect of occupational health and safety, the environment, native title and cultural heritage. Any transgression from the applicable legal rules is to be reported to the managing director as soon as a person becomes aware of such a transgression.

Employment Practices

The Company will employ the best available staff and consultants with skills required to carry out vacant positions.

The Company will ensure a safe work place and maintain proper occupational health and safety practices commensurate with the nature of the Company's business and activities.

Responsibility to the Community

The Company will recognise, consider and respect environmental issues which arise in relation to the Company's activities and comply with all applicable legal requirements.

Responsibility to the Individual

The Company recognises and respects the rights of individuals and to the best of its ability will comply with the applicable legal rules regarding privacy, privileges, private and confidential information.

Obligations Relative to Fair Trading and Dealing

The Company will deal with others in a way that is fair and will not engage in deceptive practices.

Conflicts of Interest

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairperson in the case of a board member or the managing director, the managing director in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

Compliance with the Code

Any breach of compliance with this code is to be reported directly to the managing director or chairperson, as appropriate.

Periodic Review of Code

The Company will monitor compliance with the code periodically by liaising with the Board, management and staff especially in relation to any areas of difficulty which arise from the code and any other ideas or suggestions for improvement of the code. Suggestions for improvements or amendments to the code can be made at any time by providing a written note to the managing director.

ETHICAL STANDARDS (Continued)

Incorporation of Code of Conduct for Executives

The Code of Conduct for Executives forms part of this Corporate Code of Conduct. It provides as follows:

All Executives will:

1. Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company.
2. Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company.
3. Respect confidentiality of all information of a confidential nature which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated.
4. Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates.
5. Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.
6. Report any breach of this code of conduct to the chairperson, who will treat reports made in good faith of such violations with respect and in confidence.

Indigenous Policy

Tennant Creek Gold Limited recognises the traditional attachment and customary requirements and preservation of culture and customs by Indigenous people in relation to land.

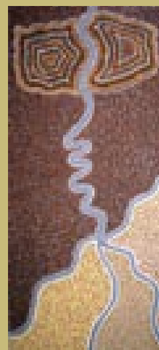
It is our desire to develop long term relationships with Indigenous people and communities where we conduct exploration and mine development and operations.

A full description of the Company's Indigenous Policy can be found on our website www.tennantcreekgold.com.au.

LIKELY DEVELOPMENTS

The consolidated entity will continue to develop its Northern Territory exploration projects, manage its interest in Cawse Extended and manage its investments in Thor Mining PLC and Batavia Mining Limited.

Additional comments on likely developments of the consolidated entity are included under the review of operations and activities on pages 2 to 6 of this report.



DIRECTORS' REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify current and former directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for a pecuniary penalty under section 1317G or a compensation order under section 1317H of the Corporations Act 2001.

INSURANCE PREMIUMS

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

EVENTS SUBSEQUENT TO REPORTING DATE

Tennant Creek Gold Ltd has increased its investment in Batavia Mining and now holds 81,466,157 shares representing 14.3% of the issued capital. The value of this investment at date of this report is approximately $4.0 million.

Thor has completed a share consolidation, an IPO of $10.0 million and listed on the ASX. As a result of these changes Tennant Creek Gold Ltd now holds 15,000,000 shares representing 11.5% of the issued share capital.

NON AUDIT SERVICES

KPMG, the Company's auditor did not perform any other services in addition to their statutory duties.

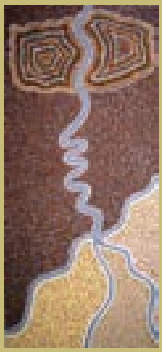
AUDITOR INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 23 of the financial report and forms part of the directors' report for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the Directors.

John W Barr
Chairman

29 September 2006



KPMG

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To the directors of Tennant Creek Gold Limited

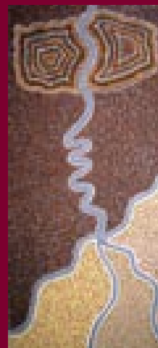
I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

D P McComish
Partner

Perth, Western Australia
29 September 2006



FINANCIAL REPORT

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		$	$	$	$
Gain on sale of tenements	2(a)	648,072	-	-	-
Gain on sale of investments	2(a)	305,349	-	264,166	-
Other income	2(a)	215,306	318,583	156,608	54,696
Total income		1,168,727	318,583	420,774	54,696
Occupancy expenses		(41,390)	(81,702)	(41,390)	(74,760)
Administrative expenses		(54,842)	(141,823)	(50,496)	(95,073)
Corporate expenses		(963,166)	(783,599)	(798,063)	(683,221)
Employment expenses		(180,479)	(121,208)	(178,800)	(121,208)
Depreciation and amortisation expenses	2(b)	(44,115)	(42,327)	(42,851)	(37,827)
Reversal of impairment loss of investment in associates		1,103,347	-	1,103,347	-
Impairment loss of investment in associates		-	(1,103,347)	-	(1,103,347)
Share based payments expense for consultants/employees		(549,317)	(370,620)	(549,317)	(370,620)
Amortisation of exploration expenses	2(b)	-	(87,495)	-	-
Share of loss in associates	26	(650,682)	-	-	-
Other expenses	2(c)	(14,618)	(1,339,588)	-	(384,480)
Loss before finance cost and tax		(226,535)	(3,753,126)	(136,796)	(2,815,840)
Finance cost		(2,550)	(3,301)	(2,550)	(3,211)
Loss before income tax		(229,085)	(3,756,427)	(139,346)	(2,819,051)
Income tax expense	4	-	-	-	-
Loss attributable to members of Tennant Creek Gold Limited		(229,085)	(3,756,427)	(139,346)	(2,819,051)
Basic earnings per share	5	(0.003)	(0.054)		
Diluted earnings per share	5	(0.003)	(0.054)		

The income statements are to be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

BALANCE SHEETS
AS AT 30 JUNE 2006

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		$	$	$	$
Current assets					
Cash and cash equivalents	7	3,327,132	1,550,702	3,323,556	1,308,638
Trade and other receivables	8	144,462	431,612	114,999	345,879
Other	10	40,598	47,977	39,740	29,421
Total current assets		3,512,192	2,030,291	3,478,295	1,683,938
Non-current assets					
Trade and other receivables	8	14,451	-	-	-
Other financial assets	9(a)	-	-	5,821,249	3,575,988
Investments accounted for using equity method	9(b)	3,739,790	1,949,803	-	-
Plant and equipment	11	126,168	112,518	122,315	107,401
Exploration and evaluation expenditure	12	5,098,914	4,393,373	-	-
Total non-current assets		8,979,323	6,455,694	5,943,564	3,683,389
Total assets		12,491,515	8,485,985	9,421,859	5,367,327
Current liabilities					
Trade and other payables	13	159,287	274,594	85,363	274,594
Interest bearing liabilities	14	6,846	6,379	6,846	6,379
Provisions	16	22,013	17,241	22,013	17,241
Total current liabilities		188,146	298,214	114,222	298,214
Non-current liabilities					
Interest bearing liabilities	14	22,652	29,498	22,652	29,498
Non interest bearing liabilities	15	-	-	630,080	562,679
Total non-current liabilities		22,652	29,498	652,732	592,177
Total liabilities		210,798	327,712	766,954	890,391
Net assets		12,280,717	8,158,273	8,654,905	4,476,936
Equity					
Issued capital	17	9,346,022	6,581,394	9,346,022	6,581,394
Reserves	19	1,037,584	-	1,003,370	-
Retained earnings		1,897,111	1,576,879	(1,694,487)	(2,104,458)
Total equity		12,280,717	8,158,273	8,654,905	4,476,936

The balance sheets are to be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		$	$	$	$
Cash flows from operating activities					
Cash payments in the course of operations		(1,318,867)	(1,012,005)	(1,329,721)	(812,990)
Interest received		92,856	36,729	92,762	53,915
Proceeds from royalties		58,604	304,533	-	-
Net cash used in operating activities	27	(1,167,407)	(670,743)	(1,236,959)	(759,075)
Cash flows from investing activities					
Proceeds on disposal of non-current assets		-	452	-	452
Proceeds from sale of investments		1,184,094	293,772	557,938	293,773
Proceeds from subunderwriting		63,846	-	63,846	-
Loan to controlled entities		-	-	67,401	(1,379,864)
Payments for plant and equipment		(57,075)	(51,511)	(57,075)	(51,512)
Payments for investments in associates		(1,303,106)	(320,278)	(1,141,852)	(290,278)
Payments for exploration and development expenditure		(705,541)	(1,315,956)	-	-
Net cash used in investing activities		(817,782)	(1,393,521)	(509,742)	(1,427,429)
Cash flows from financing activities					
Proceeds on issue of shares and options		3,855,976	1,950,000	3,855,976	1,950,000
Transaction costs from issue of shares		(87,978)	(40,473)	(87,978)	(40,473)
Finance lease payments		(6,379)	(7,254)	(6,379)	(7,254)
Net cash received from financing activities		3,761,619	1,902,273	3,761,619	1,902,273
Net increase/(decrease) in cash held		1,776,430	(161,991)	2,014,918	(284,231)
Cash at the beginning of the financial year		1,550,702	1,712,693	1,308,638	1,592,869
Cash at the end of the financial year	7	3,327,132	1,550,702	3,323,556	1,308,638

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

FINANCIAL REPORT

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Issued Capital	Retained Earnings	Foreign currency translation reserves	Option Reserve	Total
		$	$	$		$
Consolidated						
At 1 July 2004		3,471,866	4,962,688	-	-	8,434,554
Loss for the period		-	(3,756,429)	-	-	(3,756,429)
Total recognised income and expense		-	(3,756,429)	-	-	(3,756,429)
Share based payments expense		-	370,620	-	-	370,620
Share placement		1,950,000	-	-	-	1,950,000
Consideration for purchase of subsidiary		1,200,000	-	-	-	1,200,000
Share issue costs		(40,472)	-	-	-	(40,472)
At 30 June 2005		6,581,394	1,576,879	-	-	8,158,273
At 1 July 2005		6,581,394	1,576,879	-	-	8,158,273
Loss for the period		-	(229,085)	-	-	(229,085)
Foreign currency translation reserve		-	-	34,214	-	34,214
Total recognised income and expense		-	(229,085)	34,214	-	(194,871)
Share based payments expense		-	549,317	-	-	549,317
Shares issued		2,852,606	-	-	-	2,852,606
Pro rata option issue		-	-	-	1,003,370	1,003,370
Share issue costs		(87,978)	-	-	-	(87,978)
At 30 June 2006		9,346,022	1,897,111	34,214	1,003,370	12,280,717
Company						
At 1 July 2004		3,471,866	343,975	-	-	3,815,841
Loss for the period		-	(2,819,053)	-	-	(2,819,053)
Total recognised income and expense		-	(2,819,053)	-	-	(2,819,053)
Share based payments expense		-	370,620	-	-	370,620
Share placement		1,950,000	-	-	-	1,950,000
Consideration for purchase of subsidiary		1,200,000	-	-	-	1,200,000
Share issue costs		(40,472)	-	-	-	(40,472)
At 30 June 2005		6,581,394	(2,104,458)	-	-	4,476,936
At 1 July 2005		6,581,394	(2,104,458)	-	-	4,476,936
Loss for the period		-	(139,346)	-	-	(139,346)
Total recognised income and expense		-	(139,346)	-	-	(139,346)
Share based payments expense		-	549,317	-	-	549,317
Shares issued		2,852,606	-	-	-	2,852,606
Pro rata option issue		-	-	-	1,003,370	1,003,370
Share issue costs		(87,978)	-	-	-	(87,978)
At 30 June 2006		9,346,022	(1,694,487)	-	1,003,370	8,654,905

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Tennant Creek Gold Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associated entities. The financial report was authorised for issue by the directors on 29 September 2006

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs'), Urgent Issues Group Interpretations ("UIGs") adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards ('AASBs') adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ('AIFRS') to distinguish from previous Australian GAAP.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 31. The consolidated financial statements and notes of Tennant Creek Gold Limited comply with IFRSs and interpretations adopted by the International Accounting Standards Board. The parent financial statements and notes do not comply with IFRSs as the Company has elected to apply the relief provided to parent entities by AASB 132 Financial Instruments: Presentation and Disclosure in respect of certain disclosure requirements.

(b) Basis of preparation

The financial report is presented in Australian dollars. The entity has elected to early adopt the following accounting standards and amendments:

- Revised accounting standard AASB 119 Employee Benefits (December 2004). There is no impact of early adoption.

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement
- AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004)
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement
- 2005-2 AASB 1023 General Insurance Contract.
- 2005-9 AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments – Recognition and Measurement and AASB 132 Financial Instruments – Disclosure and Presentation.
- 2005-12 AASB 1038 Life Insurance Contracts and AASB 1023 General Insurance Contracts
- 2005-6 AASB 3 Business Combinations

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 2005-10 AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurements, AASB 1 First Time Adoption of AIFRS, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts.
- AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004)
- AASB 2006-2 Amendments to Australian Accounting Standards (March 2006)
- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 6 Liabilities arising from participating in a Specific Market-Waste Electrical and Electronic Equipment
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2.

The consolidated entity plans to adopt all these standards and amendments if applicable in the 2007 financial year.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the Company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The initial application of all other standards and amendments is not expected to have an impact on the financial results of the Company and the consolidated entity as the standards and the amendments are concerned only with disclosures.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, except for the adoption of AASB 132 Financial instruments: Disclosure and AASB 139 Financial Instruments: Recognition and Measurement. The Company and the consolidated entity have applied the AASB 1.36A exemption and elected not to apply AASB 132 and AASB 139 to the comparative period. A reconciliation of opening balances impacted by AASB 132 and AASB 139 at 1 July 2005 has been provided in note 31.

The accounting policies have been applied consistently by all entities in the consolidated entity

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the Company's Financial Statements less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Basis of consolidation (continued)

(ii) Associates

Associates are those entities over which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

In the Company's financial statements investment in associates are carried at cost of acquisition.

(iii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated Income Statement.

Unrealised gains arising from transactions with associates and are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates net profit" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates, if not consumed or sold by the associate, when the consolidated entity's interest in such entities is disposed of.

(d) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the balance sheet date.

Deferred Income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- **(i)** Except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- **(ii)** In respect of taxable temporary differences associated with investments in subsidiaries and associates except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- **(iii)** When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- **(iv)** When the deductible temporary difference is associated with investments in subsidiaries and associates in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income Tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(e) Tax Consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2003.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a 'stand-alone taxpayer' approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax-consolidated group are recognised in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

(f) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) Receivables and payables are stated with the amount of GST included.
- (iii) The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.
- (iv) Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.
- (v) Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (l)). The cost of self-constructed assets includes the cost of materials, direct labour, and an appropriate proportion of production overheads. The cost of self-constructed assets and acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in accounting policy(s).

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	Over the lease term
Plant and equipment	3 to 8 years
Fixtures and fittings	3 to 8 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(h) Foreign currency Translation

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(i) Trade and other receivables

Trade receivables, which generally have terms of 30 days or less and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written of when identified.

(j) Investments

Current accounting policy

Financial instruments held for trading are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the income statement. The consolidated entity has not designated any other financial assets or liabilities as measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments (continued)

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date adjusted for anticipated selling costs.

Financial instruments classified as held for trading or available-for-sale investments are recognised/derecognised by the consolidated entity on the date it commits to purchase/sell the investments. Securities held to maturity are recognised/derecognised on the day they are transferred by the consolidated entity.

Comparative period policy

Investments in listed and unlisted entities are carried at lower of cost and recoverable amount. There is no impact of this change in accounting policy on the financial report of the consolidated entity.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest.

Mining tenements that had been revalued to fair value on or prior to 1 July 2004, the date of transition to Australian Accounting Standards – AIFRS, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Such costs are only carried forward when the rights to tenure of that area of interest are current and either such expenditure is expected to be recouped through the successful development and commercial exploitation of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

The Directors review the carrying value of each area of interest at balance date and exploration expenditure which no longer satisfies the above policy is written off.

AASB 6 Exploration and Evaluation of Mineral Resources has been applied effective 1 July 2004.

(m) Impairment

The carrying amounts of the consolidated entity's assets other than deferred tax assets (see accounting policy (d)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Impairment (continued)

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. The amount of the reversal is recognised in profit or loss.

(n) Issued capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(o) Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

(p) Employee Benefits

(i) Share based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for share's or rights over shares ('equity-settled transactions').

The fair value of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Tennant Creek Gold Limited 'market conditions' if applicable.

The fair value of equity-settled transactions are recognised, together with a corresponding increase in equity over the period, ending on the date on which the relevant employees become fully entitled to the award (the 'vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) Tennant Creek Gold Limited's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee Benefits (continued)

(ii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

(iii) Defined contribution funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

(q) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(r) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(s) Revenue

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

Sale of goods

Income from the sale of tenements and assets held for trading are recognised when significant risk and rewards of ownership of the goods passes to the customer provided that the amount of revenue and the costs incurred or to be incurred can be measured reliably.

Interest revenue

Interest revenue is recognised as it accrues using the effective interest rate method.

Dividends

Revenue from dividends from controlled entities is recognised by the Company when they are declared by the controlled entities.

Revenue from dividends from associates and other investments is recognised when the Group's right to receive the dividend is established.

(t) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the leave term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Net financing costs

Interest income is recognised in the income statement as it accrues, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(v) Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit or loss attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by; (i) the after tax effect of interest and dividends associated with dilutive potential ordinary shares and (ii) other non discretionary changes in revenues and expenses during the period that would result from dilution of potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares of the Company adjusted for any bonus issue.

(w) AASB 1 Transitional Exemptions

Tennant Creek Gold Limited has made its election to the transitional exemptions allowed by AASB1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business Combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e., business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions
AASB 2 'Share-based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

2. INCOME AND EXPENSES

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		$	$	$	$
(a) Income					
Gain on sale of tenements		648,072	-	-	-
Gain on sale investments		305,349	-	264,166	-
Finance revenue - interest		92,856	53,445	92,762	53,186
Royalties		58,604	261,088	-	-
Other income		63,846	4,050	63,846	1,510
Total Income		1,168,727	318,583	420,774	54,696
(b) Depreciation and amortisation					
Depreciation of:					
Plant and equipment	11	34,771	32,762	33,507	28,262
Motor vehicle	11	7,174	-	7,174	-
Leasehold improvements	11	2,170	-	2,170	-
Plant and equipment under lease	11	-	9,565	-	9,565
Amortisation of:					
Exploration costs		-	87,495	-	-
Total depreciation and amortisation		44,115	129,822	42,851	37,827

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME AND EXPENSES (Continued)

	Note	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
(c) Other expenses					
Loss on sale of controlled entities		-	261,182	-	364,309
Write down in exploration costs to recoverable amount		-	1,024,132	-	-
Other expenses		14,618	54,274	-	20,171
		14,618	1,339,588	-	384,480

3. AUDITORS' REMUNERATION

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	65,310	37,000	65,310	37,000

4. INCOME TAX

	Consolidated 2006 $	Consolidated 2005 $	The Company 2006 $	The Company 2005 $
The major components of income tax expense are:				
Income statement				
Current income tax benefit	(238,153)	(622,710)	(194,873)	(929,950)
Deferred income tax expense				
Relating to origination and reversal of temporary differences	(211,622)	-	(1,432)	-
Deferred tax assets (recognised)/not brought to account as realisation is not regarded as probable	449,775	622,710	196,305	929,950
Income tax expense reported in the income statement	-	-	-	-
A reconciliation between tax expense and pre-tax loss:				
Accounting loss before income tax	(229,085)	(3,756,427)	(139,346)	(2,819,051)
At the Group's statutory income rate of 30% (2005: 30%)	(68,726)	(1,126,928)	(41,804)	(845,715)
Expenditure not allowable for income tax purposes	8,454	7,438	8,454	7,012
Income tax expense related to current and deferred tax transactions of the wholly owned subsidiaries in the tax consolidation group				(306,627)
Impairment loss/(reversal)	(331,004)	331,004	(331,004)	331,004
Share of loss of associate	195,205	-	-	-
Share based payments	164,795	111,186	164,795	111,186
Non-deductible loss on disposal of controlled entity	-	78,355	-	104,195
Deferred tax assets not brought to account as realisation is not regarded as probable	31,276	598,945	199,559	598,945
Income tax expense reported in the income statement	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX (Continued)

	Balance Sheet	
	2006	2005
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
Deferred tax liabilities		
Capitalised exploration and evaluation expenditure	(73,128)	138,534
Recognition of losses to offset taxable income	73,128	(138,534)
	-	-
Deferred tax assets		
Losses available to offset against future taxable income	1,313,449	1,075,080
Recognition of losses to offset future taxable income	(73,128)	138,534
Provision for employee entitlements	6,604	5,172
Deferred tax assets not brought to account as realisation is not regarded as probable	(1,246,925)	(1,218,786)
	-	-
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
Losses available to offset against future taxable income	1,269,953	1,075,080
Recognition of losses to offset future taxable income	-	-
Provision for employee entitlements	6,604	5,172
Deferred tax assets not brought to account as realisation is not regarded as probable	(1,276,557)	(1,080,252)
	-	-

The Group has tax losses arising in Australia of $4,447,480 (2005: $3,583,601) that are available indefinitely. The Group has recognised a deferred income tax asset in relation to these losses only to the extent they offset deferred tax liabilities. For the balance realisation of the benefit is not regarded as probable.

Tax consolidation

Effective from incorporation, for the purposes of income taxation Tennant Creek Gold Limited and its subsidiaries have not entered into a tax sharing arrangement.

5. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30 June 2006 was based on the loss attributable to ordinary shareholders of $229,085 (2005:loss $3,756,427) and a weighted average number of ordinary shares in issue during the year ended 30 June 2006 of 89,998,277 (2005: 69,997,448).

Loss attributable to ordinary shareholders

	2006	2005
	$	**$**
Loss for the period	(229,085)	(3,756,427)
Loss attributable to ordinary shareholders	(229,085)	(3,756,427)

Weighted average number of ordinary shares

	2006	2005
	Numbers	Numbers
Number of ordinary shares at 1 July	82,978,270	53,478,270
Effect of shares issued	7,020,007	16,519,178
Weighted average number of ordinary shares at 30 June	89,998,277	69,997,448

NOTES TO THE FINANCIAL STATEMENTS

5. EARNINGS PER SHARE (Continued)

At balance sheet date the following options not yet exercised:

Options	Exercise Date	Exercise Price
7,000,000 (unlisted)	30 April 2007	$0.12
2,000,000 (unlisted)	31 May 2007	$0.15
62,463,422 (listed)	31 May 2007	$0.15

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the company. Accordingly diluted earnings per share is the same as the basic earnings per share.

6. SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Business Segments

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system.

Exploration	Exploration and development on tenements.
Investments	Investments in publicly listed and other companies.

Geographical segments

The consolidated entity's business segments all operate in Australia.

	Exploration	Investments	Eliminations	Total
Primary Reporting Business Segments	$	$	$	$
2006				
Revenue				
External segment revenue	688,704	323,415	-	1,012,119
Total segment revenue	688,704	323,415	-	1,012,119
Other unallocated revenue				156,608
Total revenue				1,168,727
Result				
Segment result	631,430	80,083	-	711,513
Loss of associates				(650,682)
Unallocated corporate expenses				(289,916)
Loss from ordinary activities before income tax				(229,085)
Income tax expense				-
Net profit/(loss)				(229,085)
Depreciation and amortisation				
Unallocated corporate depreciation and amortisation	-	-	-	44,115
Reversal of loss of associate	-	1,103,347	-	1,103,347
Assets				
Segment assets	5,694,168	4,164,864	(2,358,288)	7,500,744
Unallocated corporate assets				4,918,771
Consolidated total assets				12,491,515
Liabilities				
Segment liabilities	313,027	(1,674,930)	1,579,835	217,932
Unallocated corporate liabilities				(428,730)
Consolidated total liabilities				(210,798)

NOTES TO THE FINANCIAL STATEMENTS

6. SEGMENT REPORTING (Continued)

	Exploration	Investments	Eliminations	Total
Primary Reporting Business Segments	$	$	$	$
2005				
Revenue				
External segment revenue	261,088	1,328,021	-	1,589,109
Total segment revenue	261,088	1,328,021	-	-
Other unallocated revenue				4,050
Total revenue				1,593,159
Result				
Segment result	(817,318)	(1,364,529)	-	(2,181,847)
Unallocated corporate expenses				(1,574,580)
Loss from ordinary activities before income tax				(3,756,427)
Income tax expense				-
Net profit/(loss)				(3,756,427)
Depreciation and amortisation	87,495	-	-	87,495
Unallocated corporate depreciation and amortisation	-	-	-	42,327
				129,822
Individually significant items				
Exploration expenditure written off	54,274	-	-	54,274
Net loss on disposal of controlled entity	-	261,182	-	261,182
Write down in exploration costs to recoverable amount	1,024,132	-	-	1,024,132
Impairment loss of associate	-	1,103,347	-	1,103,347
				2,442,935
Assets				
Segment assets	4,393,373	1,863,668	-	6,257,041
Unallocated corporate assets				2,228,944
Consolidated total assets				8,485,985
Liabilities				
Segment liabilities	-	-	-	-
Unallocated corporate liabilities				327,712
Consolidated total liabilities				327,712

7. CASH AND CASH EQUIVALENTS

		Consolidated		The Company	
	Note	2006	2005	2006	**2005**
		$	**$**	**$**	**$**
Cash		3,257,132	1,480,702	3,253,556	1,238,638
Bank short term deposits		70,000	70,000	70,000	70,000
		3,327,132	1,550,702	3,323,556	1,308,638

The bank short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 5.40% at 30 June 2006 (2005: 5.30%).

NOTES TO THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		$	$	$	$
Current					
Trade and other receivables		81,598	19,481	71,721	-
GST receivables		62,864	412,131	43,278	345,879
		144,462	431,612	114,999	345,879
Non current					
Trade and other receivables	30 (a)	14,451	-	-	-
Loans to controlled entities		-	-	1,626,203	1,776,729
Impairment loss		-	-	(1,626,203)	(1,776,729)
		14,451	-	-	-

9. OTHER FINANCIAL ASSETS

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		$	$	$	$
(a) Non-current					
Investments in controlled entities	25				
Unlisted shares at cost		-	-	2,492,261	2,492,261
Less: impairment		-	-	(835,938)	(835,938)
		-	-	1,656,323	1,656,323
Investments in other entities					
Associated entities at cost		-	-	4,164,864	3,023,012
Less: impairment		-	-	-	(1,103,347)
		-	-	4,164,864	1,919,665
		-	-	5,821,187	3,575,988
(b) Non-current					
Investments accounted for using the equity method					
Batavia Mining Ltd	26	3,057,831	2,023,424	-	-
Less impairment		-	(1,103,347)	-	-
		3,057,831	920,077	-	-
Thor Mining PLC	26	681,959	1,029,726	-	-
		3,739,790	1,949,803	-	-

10. OTHER CURRENT ASSETS

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Prepayments	40,598	47,977	39,740	29,421
	40,598	47,977	39,740	29,421

NOTES TO THE FINANCIAL STATEMENTS

11. PLANT & EQUIPMENT

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Leasehold Improvements				
Balance at 1 July	22,736	20,566	22,736	20,566
Additions	-	2,170	-	2,170
Disposals	-	-	-	-
Balance at 30 June	22,736	22,736	22,736	22,736
Plant and equipment				
Balance at 1 July	229,688	189,202	221,738	187,470
Additions	57,075	42,582	57,075	36,364
Disposals	-	(2,096)	-	(2,096)
Balance at 30 June	286,763	229,688	278,813	221,738
Motor vehicle under lease				
Balance at 1 July	38,259	38,259	38,259	38,259
Additions	-	-	-	-
Disposals	-	-	-	-
Write-off	-	(690)	-	(690)
Balance at 30 June	38,259	37,569	38,259	37,569
Accumulated Depreciation				
Leasehold Improvements				
Balance at 1 July	20,566	20,566	20,566	20,566
Depreciation charge for the year	2,170	-	2,170	-
Balance at 30 June	22,736	20,566	22,736	20,566
Plant and equipment				
Balance at 1 July	148,034	117,807	145,201	116,939
Depreciation charge for the year	34,771	30,227	33,507	28,262
Balance at 30 June	182,805	148,034	178,708	145,201
Motor vehicle under lease				
Balance at 1 July	8,875	-	8,875	-
Depreciation charge for the year	7,174	8,875	7,174	8,875
Balance at 30 June	16,049	8,875	16,049	8,875
Carrying Amounts				
Leasehold improvements				
At 1 July	2,170	-	2,170	-
At 30 June	-	2,170	-	2,170
Plant and equipment				
At 1 July	81,654	71,395	76,537	70,531
At 30 June	103,958	81,654	100,105	76,537
Motor vehicle under lease				
At 1 July	29,384	38,259	29,384	38,259
At 30 June	22,210	28,694	22,210	28,694
Total	126,168	112,518	122,315	107,401

NOTES TO THE FINANCIAL STATEMENTS

12. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Cost				
Balance At 1 July	5,620,845	1,287,418	-	-
Exploration expenditure	705,541	4,333,427	-	-
Balance at 30 June	6,326,386	5,620,845	-	-
Amortisation				
Balance at 1 July	1,227,472	115,845	-	-
Amortisation	-	87,495	-	-
Write off	-	1,024,132	-	-
Balance at 30 June	1,227,472	1,227,472	-	-
Carrying Value				
At 1 July	4,393,373	1,171,573	-	-
At 30 June	5,098,914	4,393,373	-	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

Valuation

An independent valuation was carried out in January 2000 by Continental Resource Management Pty Ltd (CRM) using the Prospectivity Enhancement Multiplier method, which is based on previous exploration expenditure. In the case of Cawse Extended this is the yardstick or the comparative deal method. The Cawse Extended valuation was also cross checked against the discounted in situ contained metal value of the tenement. The Directors are of the opinion that this basis provides a reasonable estimate of recoverable amount.

In June 2002 CRM provided an updated valuation of Cawse Extended. CRM concluded that the value of Cawse Extended falls within the range of $4,800,000 to $8,600,000, with a preferred value of $7,200,000.

In June 2006 the Company commissioned CRM to provide a further updated valuation report. This updated report takes into consideration the mining that has occurred at Unicorn, additional drilling at Cawse Extended and changes to the price of nickel. The in situ contained metal method has been used to estimate the value of the contained metal within the pit shells and forms the range of values for the valuation. An alternate method of valuation was to calculate the potential royalty due based on the same arrangement as for the Unicorn pit. CRM's preferred value for the Company's 20% interest in Cawse Extended is $4,200,000, which is in excess of its carrying value of $3,675,000.

13. TRADE AND OTHER PAYABLES

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Current				
Trade payables	58,166	-	55,363	-
Other	101,119	274,594	30,000	274,594
	159,285	274,594	85,363	274,594

NOTES TO THE FINANCIAL STATEMENTS

14. INTEREST BEARING LIABILITIES

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Current				
Lease liability	6,846	6,379	6,846	6,379
Non-current				
Lease liability	22,652	29,498	22,652	29,498

15. NON INTEREST BEARING LIABILITIES

		Consolidated		The Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Non-Current					
Other loans – controlled entities	30(a)	-	-	630,080	562,679

16. PROVISIONS

		Consolidated		The Company	
		2006	2005	2006	2005
	Note	$	$	$	$
Employee provisions					
Current					
Balance at 1 July		17,241	32,556	17,241	32,556
Provisions made during the year		4,772	(15,315)	4,772	(15,315)
Balance at 30 June		22,013	17,241	22,013	17,241

17. ISSUED CAPITAL

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Issued and paid-up share capital 100,628,983 (2005:82,978,270) ordinary shares, fully paid	9,346,022	6,581,394	9,346,022	6,581,394

	2006		2005	
	Number	$	Number	$
(a) Movements in shares on issue				
Balance at the beginning of year	82,978,270	6,581,394	53,478,270	3,471,866
Share placement			6,000,000	600,000
Consideration for acquisition of Tennant Creek Gold (NT) Pty Ltd			10,000,000	1,200,000
Share Placement	4,000,000	1,000,000	13,500,000	1,350,000
Options Exercised	13,650,713	1,852,606	-	-
Share issue costs	-	(87,978)	-	(40,472)
Balance at end of year	100,628,983	9,346,022	82,978,270	6,581,394

NOTES TO THE FINANCIAL STATEMENTS

17. ISSUED CAPITAL (Continued)

Terms and conditions of contributed equity

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

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

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

18. OPTIONS

(a) Pro Rata Offer of 2007 Options

The Company issued a prospectus dated 15 March 2006 for a pro-rata offer of 2007 Options (TNGO) expiring 31 May 2007 exercisable at $0.15, at an issue price of $0.02 per option to eligible shareholders on the basis of one 2007 Option (TNGO) for every two shares held at the record date. At offer close of 7 April 2006, acceptances of 42,377,228 were received raising $847,545. As the offer was fully underwritten, the shortfall of 7,686,907 options equal to $155,825 was placed with the underwriters.

(b) Options on issue

		Number at end of year	
Exercise Date	Exercise Price	2006	2005
30 April 2007 (unlisted)	$0.12	7,000,000	13,500,000
31 May 2007 (listed)	$0.15	62,463,422	-
31 May 2007 (unlisted)	$0.15	2,000,000	15,600,000

Terms and conditions of options
Share options carry no rights to dividends and no voting rights.

19. RESERVES

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Foreign currency translation reserve (i)	34,214	-	-	-
Option reserve (ii)	1,003,370	-	1,003,370	-
Balance at 30 June	1,037,584	-	1,003,370	-

(i) This reserve is the share of the foreign currency translation reserve as a result of the equity accounting of Thor Mining PLC.

(ii) Rights options issue at $0.02 per option. Refer to note 18.

20. DIVIDENDS

No dividends were declared or paid during the 2006 financial year.

	The Company	
Dividend franking account	2006	2005
	$	$
30% Franking credits available to shareholders of Tennant Creek Gold Ltd for subsequent financial years	750,571	750,571

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare the dividends.

NOTES TO THE FINANCIAL STATEMENTS

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Significant accounting policies

The Group's principal financial instruments comprise finance leases, cash and short-term deposits.

The main purpose of these financial instruments is to fund capital expenditure for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of interest bearing financial assets and financial liabilities is set out below:

30 June 2006		Maturing		Total
CONSOLIDATED	Effective Interest Rate %	< 1 year	>1 to <2 Years	
		$	$	$
Financial Assets				
Fixed Rate				
Term deposits	5.40	70,000	-	70,000
Floating Rate				
Cash	5.40	3,257,132	-	3,257,132
Financial Liabilities				
Fixed Rate				
Interest bearing liabilities	7.09	(6,846)	(22,652)	(29,498)

30 June 2005		Maturing		Total
CONSOLIDATED	Effective Interest Rate %	< 1 year	>1 to <2 Years	
		$	$	$
Financial Assets				
Fixed Rate				
Term deposits	5.30	70,000	-	70,000
Floating Rate				
Cash	4.10	1,480,702	-	1,480,702
Financial Liabilities				
Interest bearing liabilities	7.09	(6,379)	(29,498)	(35,877)

NOTES TO THE FINANCIAL STATEMENTS

21. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Continued)

(c) Net fair values of financial assets and liabilities

	Consolidated			
	2006		2005	
	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Recognised financial instruments				
The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:				
Financial assets				
Cash assets	3,257,132	3,257,132	1,480,702	1,480,702
Interest bearing deposits	70,000	70,000	70,000	70,000
Trade Receivables	144,462	144,462	431,612	431,612
Other financial assets:				
Investments in associated companies – listed	3,739,790	7,052,808	1,949,803	5,160,359
Financial liabilities				
Trade Payables	159,285	159,285	274,594	274,594
Lease liability	29,498	29,498	35,877	35,877

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

The net fair value of listed shares are determined by valuing them at the current quoted market bid price adjusted for transaction costs necessary to realise the asset.

Finance lease liabilities

The fair value estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect change in interest rates.

(d) Liquidity risk management

At the balance sheet the consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(e) Credit Risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

22. COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Exploration commitments not provided for in the financial report payable:				
Within one year	52,527	27,840	–	–
Finance lease commitments				
Finance lease commitments are payable as follows:				
Within one year	8,719	8,719	8,719	8,719
One year or later and no later than 5 years	41,461	50,180	41,461	50,180
Total minimum lease payments	50,180	58,899	50,180	58,899
Less: future lease financial changes	(20,682)	(23,022)	(20,682)	(23,022)
Present value of minimum lease payments	29,498	35,877	29,498	35,877
Lease liabilities provided for in the financial statements:				
Current	6,846	6,379	6,846	6,379
Non-current	22,652	29,498	22,652	29,498
Total lease liability	29,498	35,877	29,498	35,877

23. CONTINGENT LIABILITIES

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information which could lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Litigation				
Constructive trust claim over the Kanowna Securities. Refer below.	277,000	277,000	277,000	277,000
Guarantees				
A guarantee has been provided to support unconditional environmental performance bonds	70,000	70,000	70,000	70,000
Indemnities				
Indemnities have been provided to Directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2006.	-	-	-	-
Total estimated contingent liabilities	347,000	347,000	347,000	347,000

NOTES TO THE FINANCIAL STATEMENTS

23. CONTINGENT LIABILITIES (Continued)

Constructive Trust Claim

Resolution of matters arising from 1998

In the period September to December 1998 management control of Tennant Creek Gold was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee directors committed Tennant Creek Gold to a series of transactions involving expenditure totalling $1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

In December 1998, Tennant Creek Gold entered into a settlement agreement with Davis Samuel and its directors which effectively provided for the repayment of the funds expended, and Tennant Creek Gold would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing Tennant Creek Gold from selling or otherwise disposing of them. The Commonwealth has claimed that as constructive trustee, the Commonwealth claims Tennant Creek Gold is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement.

The Commonwealth is on notice that if Tennant Creek Gold suffers damages as a result of the Commonwealth's injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, Tennant Creek Gold will claim the damages from the Commonwealth.

Legal action against Davis Samuel

Tennant Creek Gold, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

24. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are Connaught Mining NL and Enigma Mining Limited.

In accordance with the terms of the Class Order a consolidated income statement and consolidated balance sheet comprising the entities that are party to the Deed should be disclosed.

NOTES TO THE FINANCIAL STATEMENTS

24. DEED OF CROSS GUARANTEE (Continued)

A consolidated income statement and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2006 is set out below.

	Consolidated	
	2006	2005
	$	$
Income Statement		
Loss before income tax	(186,393)	(3,674,208)
Income tax benefit	-	-
Loss after related income tax expense	(186,393)	(3,674,208)
Loss	(186,393)	(3,674,208)
Retained earnings at beginning of year	1,659,100	4,962,688
Share based payment expense	549,317	370,620
Retained earnings at end of year	2,022,024	1,659,100
Balance Sheet		
Cash assets	3,323,629	1,537,063
Trade and other receivables	125,376	404,164
Other assets	39,740	29,421
Total current assets	3,488,745	1,970,648
Trade and other receivables	-	-
Other financial assets	5,608,092	3,206,126
Plant & equipment	122,315	107,921
Exploration and evaluation expenditure	3,677,459	3,695,084
Total non-current assets	9,407,866	7,009,131
Total assets	12,896,611	8,979,779
Trade and other payables	85,467	274,593
Interest-bearing liabilities	6,846	6,379
Provisions	22,013	17,241
Total current liabilities	114,326	298,213
Interest-bearing liabilities	22,652	29,498
Amounts owing to controlled entity	388,217	411,574
Total non-current liabilities	410,869	441,072
Total liabilities	525,195	739,285
Net assets	12,371,416	8,240,494
Issued capital	9,346,022	6,581,394
Reserves	1,003,370	-
Retained earnings	2,022,024	1,659,100
Total Equity	12,371,416	8,240,494

25. CONSOLIDATED ENTITIES

	Country of Incorporation	2006 % of Ownership	2005 % of Ownership
(a) Parent - Tennant Creek Gold Limited			
Subsidiaries			
Connaught Mining NL	Australia	100	100
Enigma Mining Limited	Australia	100	100
Tennant Creek Gold (NT) Pty Ltd	Australia	100	100
Sandy Creek Mining Pty Ltd	Australia	100	100

25. CONSOLIDATED ENTITIES (Continued)

(b) Acquisition/disposal of controlled entities

	Consolidated	
	2006	2005
	$	$
Acquisitions of entities		
During the previous financial year, the consolidated entity acquired of all the ordinary shares of Tennant Creek Gold (NT) Pty Ltd , Sunsphere Pty Ltd and Sandy Creek Pty Ltd. Details of the acquisitions are as follows (in aggregate):		
Consideration (cash)	-	2
Consideration (non cash)	-	1,200,000
Total consideration	-	1,200,002
Fair value of assets of entities acquired:		
Cash	-	16,716
Plant and equipment	-	2,849
Receivables	-	3,208
Mineral exploration	-	1,301,406
Loans	-	(121,443)
Trade creditors	-	(2,734)
	-	1,200,002
Disposal of entity		
During the previous financial year, the consolidated entity disposed of its interest in a wholly owned controlled entity Sunsphere Pty Ltd, in exchange for cash and shares to give it a 24.8% interest in Thor Mining PLC, which became an associated entity. Details of the disposal are:		
Consideration (cash)	-	605,327
Consideration (non cash)	-	669,249
Less carrying amount of disposal	-	(2,018,300)
Less retained interest	-	482,542
Loss on disposal	-	(261,182)
Net assets of entities disposed of:		
Cash	-	20
Plant and equipment	-	185,000
Mineral exploration	-	1,877,209
Loans	-	(43,929)
	-	2,018,300

26. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Details of investments in associates

Thor Mining PLC

In 2005 the Company acquired 45,000,000 shares in Thor Mining PLC pursuant to the sale of Sunsphere Pty Ltd to Thor Mining PLC. Thor Mining PLC subsequently completed a placement of 81,675,000 shares as part of its Admission to AIM. The Company's shareholding on completion of the AIM admission was 24.8% of the issued capital of Thor Mining PLC. In May 2006 Thor Mining PLC completed a placement of 10,000,000 shares diluting the shareholding to 23.5%.

On 22 September 2006 Thor completed at $10.0 million IPO and listed on the ASX via the issue of 50 million shares at 20 cents per share. Thor also completed a share consolidation on a 1 for 3 basis and issued 16 million shares for the acquisition of the portfolio of Uranium tenements. As a result the company's shareholding has reduced to 12%.

Mr Barr is the Executive Chairman of Thor Mining PLC.

The Company has adopted the equity method of accounting for its investment in Thor Mining PLC in accordance with AASB 128.

NOTES TO THE FINANCIAL STATEMENTS

26. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

Batavia Mining Limited

The consolidated entity previously equity accounted its investment in Batavia Mining Limited (Batavia), however the use of the equity method was discontinued from 13 February 2004 in respect of the consolidated entity's interest in Batavia due to the inability of the consolidated entity to exercise significant influence over the company.

In 2005 the Company participated in a pro rata rights issue undertaken by Batavia that resulted in the Company's shareholding increasing to 20.51%. In July 2005 Batavia Mining issued additional shares and in May 2006 issued a further pro rata rights this has reduced the company's holding to 13.04%. As at 30 June 2006 two directors of Tennant Creek Gold Limited, Messrs Smith and Biddle were on the board of Batavia Mining Ltd and as a result Tennant Creek Gold Ltd exercised significant influence. Accordingly the company continues to adopt the equity method of accounting for its investment in Batavia in accordance with AASB 128.

	Principal Activity	Country of incorporation	Reporting Date	Ownership		
				30 June 2006	30 June 2005	Date of this report
Thor Mining PLC	Mining exploration and development in Australia	UK	30 June	23.48%	24.80%	12.00%
Batavia Mining Ltd	Mining exploration and development	Australia	30 June	13.04%	20.51%	14.19%

2006 Consolidated	Thor Mining PLC $	Batavia Mining Limited $	Total
Revenue (100%)	-	185,017	185,017
Loss (100%)	(1,626,831)	(1,678,940)	(3,305,771)
Share of associate loss	(381,980)	(268,702)	(650,682)
Total assets (100%)	4,912,324	20,052,543	24,964,867
Total liabilities (100%)	(217,338)	(1,140,408)	(1,357,746)
Net assets	4,694,986	18,912,135	23,607,121
Share of associates Net assets-equity accounted	681,959	2,993,480	3,675,439
Results of associate before and after income tax	(381,980)	(268,702)	(650,682)

2005 Consolidated	Thor Mining PLC $	Batavia Mining Limited $	Total
Total assets (100%)	5,658,736	5,737,902	11,396,638
Total liabilities (100%)	(16,490)	(137,242)	(153,732)
Net assets	5,642,246	5,600,660	11,242,906
Share of associates Net assets-equity accounted	1,029,726	920,077	1,949,803
The results of these associated entities for the year ended 30 June 2005 have not been equity accounted as the amount was not material in nature.			
Exploration and leasing commitments of associates	-	223,274	

Thor Mining PLC has not recorded any contingent liabilities or commitments for 2005/2006. However;

(a) Exploration commitments

Ongoing exploration expenditure is required to maintain title to Thor Mining mineral exploration permits. No provision has been made in Thor Mining as the expenditure is expected to be fulfilled in the normal course of the operations of Thor Mining.

NOTES TO THE FINANCIAL STATEMENTS

26. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (Continued)

(b) Claims of native title

Thor Mining is aware of native title claims which cover certain tenement and tenement applications in the Northern Territory. Thor Mining operates in a mode that takes into account the interests of all stakeholders including traditional owners requirements and environmental requirements. At the present date no claims for native title have seriously affected exploration by Thor Mining.

27. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of cash flows from operating activities

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Loss from ordinary activities after income tax	(229,085)	(3,756,427)	(139,346)	(2,819,051)
Add/(less) items classified as investing/financing activities:				
Gain/loss on sale of controlled entities	-	261,180	-	342,009
(Gain)/Loss on sale of tenements	(941,844)	-	(557,837)	-
Gain on sale of investments	(305,349)	-	-	-
Investing fees received	(63,846)	-	(63,847)	-
Loss on sale of non-current asset	-	1,644	-	1,644
Add/(less) non-cash items:				
Depreciation and amortisation	44,115	127,287	42,851	37,828
Write off of Plant and Equipment	690	-	690	-
Share based payments	549,317	370,620	549,317	370,620
Reversal of Associate Diminution	(1,103,347)	1,103,347	(1,103,347)	1,125,694
Impairment loans to controlled entities	-	-	-	-
Share of loss in Associates	650,682	-	-	-
Write down in exploration costs	-	1,024,132	-	-
Foreign exchanges loss/(gain)	(1,542)	8,891	(1,542)	8,891
Exploration expenditure written off	-	54,274	-	20,171
	(1,400,209)	(805,052)	(1,273,061)	(912,194)
Change in assets and liabilities:				
Increase/(decrease) in current payables, borrowing and provisions	(110,535)	(44,478)	(184,459)	(43,912)
(Increase)/decrease in current receivables	343,337	178,787	220,561	197,031
Net cash used in operating activities	(1,167,407)	(670,743)	(1,236,959)	(759,075)

(b) Non-cash financing and investing activities

In July 2004 the Company issued 10,000,000 ordinary shares at a deemed issue price of $0.12 as consideration for the acquisition of all the issued shares in Tennant Creek Gold (NT) Pty Ltd.

In May 2005 the Company sold all the shares held in its wholly owned subsidiary, Sunsphere Pty Ltd, for 45,000,000 shares in Thor Mining PLC and cash of £250,000, with £125,000 ($293,772) received prior to 30 June 2005 and £125,000 received in July 2005.

NOTES TO THE FINANCIAL STATEMENTS

28. EMPLOYEE BENEFITS

		Consolidated		The Company	
	Note	2006	2005	2006	2005
		$	$	$	$
Aggregate liability for employee benefits, including on-costs					
Current					
Employee benefits provision	16	22,013	17,241	22,013	17,241

Defined contribution superannuation funds

The consolidated entity contributions to the defined contribution superannuation fund. The amount recognised as an expense was $14,782 for the financial year ended 30 June 2006 (2005: $10,483).

Share-based payments

Employee share option plan – Option Series 1

The Tennant Creek Gold Limited 2004 Employee and Consultant Option Scheme was approved by shareholders on 1 July 2004.

Each option issued under the plan is convertible to one ordinary share. Under the rules of the plan the exercise price of the options is as the directors determine, in their absolute discretion, provided that it shall not be less than that amount which is equal to 80% of the average weighted trading price of the Company's shares in the 5 days immediately preceding the day on which the directors resolve to offer the options.

All options expire on the earlier of their expiry date or termination of the employee's relationship with the Company or a subsidiary, other than by reason of death, retirement or retrenchment of that participant.

Summary of options over unissued ordinary shares granted.

The following share-based payment arrangements under the employee share plans, were in existence during the period:

Options series	Number	Not Vested	Grant date	Expiry date	Exercise price $	Fair value $	Vesting Period
1	8,710,000	-	28 July 2004	31 May 2007	$0.15	$0.0570	-
2[1]	7,100,000	-	2 June 2005	31 May 2007	$0.15	$0.0522	-
3[1]	2,950,000	983,333	25 May 2006	31 May 2007	$0.15	$0.1010	1 October 2006
		983,333					1 January 2007
4[1]	3,000,000	-	1 August 2005	31 May 2007	$0.15	$0.1490	-

[1] Not issued under the Employee Option Scheme of 2004

The fair value of equity share options granted is estimated at the Balance Sheet dates using the Black-Scholes model, taking into account the terms and conditions upon which the options are granted. The following table lists the inputs to the model used for the years ended 30 June 2006 and 30 June 2005.

	May 2006	August 2005	June 2005	July 2004
Dividend yield	0.0%	0.0%	0.0%	0.0%
Underlying Security spot price	$0.23	$0.27	$0.15	$0.125
Exercise price	$0.15	$0.15	$0.15	$0.15
Standard deviation of returns	60.00%	59.93%	56.12%	70.00%
Risk free rate	5.64%	5.25%	5.27%	-
Expiration period	1 year	2 years	2 years	3 years
Black Scholes valuation	$0.10100	$0.14900	$0.05220	$0.05699

NOTES TO THE FINANCIAL STATEMENTS

28. EMPLOYEE BENEFITS (Continued)

Reconciliation of movement in employee sharebased options in issue:

Consolidated and Company 2006					
Options series	Number of options at beginning of year	Options granted	Options lapsed	Options exercised	Number of options at end of year on issue
1	8,500,000	-	-	(4,250,000)	4,250,000
2[1]	7,100,000	-	-	(2,400,000)	4,700,000
3[1]	-	2,950,000	-	-	2,950,000
4[1]	-	3,000,000	-	-	3,000,000

Consolidated and Company 2005					
Options series	Number of options at beginning of year	Options granted	Options lapsed	Options exercised	Number of options at end of year on issue
1	-	8,710,000	(210,000)	-	8,500,000
2[1]	-	7,100,000	-	-	7,100,000

[1] Not issued under the Employee Option Scheme of 2004

Options granted to Directors are disclosed under Note 29.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

Directors

John W Barr (Chairman)
Neil G Biddle (Managing Director)
Michael P Bowen (Non-executive Director)
Terence N Smith (Non-executive Director)

Executives

Damian P Delaney (Company Secretary, Appointed 4 November 2005)
Chris Bath (Company Secretary, Resigned 30 September 2005)
Pedro Kastellorizos (Exploration Manager, Resigned 3 January 2006)

(b) Compensation of key management personnel

Compensation by category

	Consolidated		The Company	
	2006	2005	2006	2005
	$	$	$	$
Key Management Personnel				
Short-term	462,905	497,659	462,905	497,659
Post-employment	14,416	14,868	14,416	14,868
Share-based payments	47,133	370,620	47,133	370,620
	524,454	883,147	524,454	883,147

Information regarding individual directors and executives compensation and some equity disclosure as permitted by Corporations Regulation 2M.03.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors Report on pages 10 to 23.

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(c) Equity instruments

All options refer to options over ordinary shares of Tennant Creek Gold Limited, which are exercisable on a one for one basis as approved by shareholders.

Options and rights over equity instruments

During the reporting period, the following options over ordinary shares were granted to directors and executives and approved by shareholders.

During the 2006 financial year 1,400,000 options were issued outside the Tennant Creek Gold Limited 2004 Employee and Consultant Option Scheme to directors and executives and do not expire on the director or executive ceasing to be a director or employee.

These options were approved by shareholders on 1 March 2006 at the general meeting.

The movement during the reporting period in the number of options over ordinary shares in Tennant Creek Gold held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities, is as follows:

Movements in Options

	Held at 1 July 2005	Granted as remuneration	Other Changes[4]	Exercised	Held at 30 June 2006	Vested and exercisable at 30 June 2006
Directors						
John W Barr	3,000,000	-	3,799,999	(1,700,000)	5,099,999	5,099,999
Neil G Biddle	5,000,000	-	4,169,642	(1,500,000)	7,669,642	7,669,642
Michael P Bowen	1,750,000	-	1,085,088	(650,000)	2,185,088	2,185,088
Terence N Smith	2,000,000	-	1,510,087	-	3,510,087	3,510,087
Executives						
Damian P Delaney[3]	-	1,400,000	-	-	1,400,000	466,667
Chris Bath[1]	2,000,000	-	(800,000)	(1,200,000)	-	-
Pedro Kastellorizos[2]	200,000	-	-	(200,000)	-	-

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Appointed Company Secretary 4 November 2005
[4] Acquired as a result of participation in capital raising during the year.

	Held at 1 July 2004	Granted a Remuneration	Other Changes[3]	Exercised	Held at 30 June 2005	Vested and exercisable at 30 June 2005
Directors						
John W Barr	-	3,000,000	-	-	3,000,000	3,000,000
Neil G Biddle	-	5,000,000	-	-	5,000,000	5,000,000
Michael P Bowen	-	2,000,000	(250,000)	-	1,750,000	1,750,000
Terence N Smith	-	2,000,000	-	-	2,000,000	2,000,000
Executives						
Chris Bath[1]	-	2,000,000	-	-	2,000,000	2,000,000
Pedro Kastellorizos[2]	-	200,000	-	-	200,000	200,000

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Options granted to a nominee of Michael P Bowen

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(c) Equity instruments (continued)

933,333 options issued May 2006 are held by directors or executives are granted but not vested.

No options issued to key management personnel during the financial year were made in accordance with the provisions of the employee share option plan (refer to Note 28).

No amounts remain unpaid on the options exercised during the financial year at year end.

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares of Tennant Creek Gold Limited held, directly, indirectly or beneficially, by each key management personnel, including their personally-related entities is as follows:

	Held at 1 July 2005	Purchases	Received on exercise of options	Sales	Other	Held at 30 June 2006
Directors						
John W Barr	9,000,000	-	1,700,000	(2,000,000)	-	8,700,000
Neil G Biddle	6,263,372	25,000	1,500,000	(2,026,504)	-	5,761,868
Michael P Bowen	793,747	-	650,000	(693,745)	-	750,002
Terence N Smith	1,647,016	-	-	(47,016)	-	1,600,000
Executives						
Damian P Delaney[3]	-	-	-	-	-	-
Chris Bath[1]	649,985	-	1,200,000	(852,635)	(997,350)	-
Pedro Kastellorizos[2]	-		200,000	(200,000)	-	-

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Appointed Company Secretary 4 November 2005

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
Directors					
John W.Barr	8,700,000	3,700,000	-	(3,400,000)	9,000,000
Neil G.Biddle	6,043,372	220,000	-	-	6,263,372
Michael P.Bowen	793,747	-	-	-	793,747
Terence N.Smith	-	1,855,016[3]	-	(208,000)	1,647,016
Executives					
Chris Bath[1]	589,985	60,000	-	-	649,985
Pedro Kastellorizos[2]	-	-	-	-	-

[1] Resigned 30 September 2005
[2] Resigned 3 January 2006
[3] Includes 938,946 held on becoming a Director.

(d) Other transactions with key management personnel

A number of key management personnel, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. Their terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

NOTES TO THE FINANCIAL STATEMENTS

29. KEY MANAGEMENT PERSONNEL DISCLOSURES (Continued)

(d) Other transactions with key management personnel (continued)

The aggregate amounts recognised during the year relating to specified key management personnel and their personally-related entities, were total revenue of $Nil and total net expense after reimbursement of office costs of $120,892 (2005: $42,337). Details of the transactions are as follows:

	Transaction	Note	2006	2005
			$	$
Specified Directors				
John W. Barr	Office costs reimbursed	(i)	-	(3,000)
Neil G. Biddle	Corporate charters	(ii)	38,820	2,300
	Office costs reimbursed	(iii)	-	(3,000)
Michael P. Bowen	Legal fees	(iv)	81,602	43,072
Specified Executives				
Chris Bath	Purchases	(v)	470	2,965

(i) The Company invoiced Cavendish Corporation Limited, a company of which Mr John W Barr is a director for the reimbursement of office and administration costs.

(ii) The Company used the services of Hannan Street Corporate Charters, an entity of which Mr Neil G Biddle is a related party.

(iii) The Company invoiced Biddle Partners Pty Ltd, a company of which Mr Neil G Biddle is a related party for the reimbursement of office and administration costs.

(iv) The Company used the legal services of Hardy Bowen Lawyers, a legal firm of which Mr Michael P Bowen is a partner.

(v) The Company purchased beverages from B2 Corporation Pty Ltd trading as Coffeefresh, a company of which Mr Chris Bath is a director.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

30. NON KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Wholly owned group transactions

Details of interests in wholly owned controlled entities are set out in Note 25. Details of these dealings are set out below.

Loans

Loans between entities in the wholly owned group are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company.

Transactions

	The Company	
	2006	2005
	$	$
Balances with entities in the wholly-owned group		
Receivable – non current	1,626,203	1,776,729
Provision for non recovery	(1,626,203)	(1,776,729)
	-	–
Payables – non current	(630,080)	(562,679)

NOTES TO THE FINANCIAL STATEMENTS

(b) Other related party transactions

Associates

The Company invoiced to associated entities $542,452 (2005: $282,141) for the reimbursement of office and administration costs during the year.

Joint venture operations

The joint venture makes the results of its research and development activities available to the consolidated entity as well as to one of the other joint venturers. No amount is paid by any of the venturers. From time to time, to support the activities of the joint venture, the venturers increase their investment in the joint venture.

			Consolidated			
Joint venture party	Joint venture	Principal activities	Interest		Exploration expenditure	
			2006 %	2005 %	2006 $	2005 $
OMG Group Inc.	Cawse Extended	Nickel/Cobalt	20%	20%	-	-
Mines and Resources Australia Pty Ltd	Kintore East	Gold	23.75%	23.75%	-	-

Exploration expenditure represents direct expenditure incurred by the consolidated entity.

31. IMPACT OF ADOPTING AASB AUSTRALIAN EQUIVALENT TO IFRS (Continued)

(b) Other related party transactions (continued)

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('AIFRS'). The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005.

An explanation of how the transition from superseded policies to AIFRS has affected the company and consolidated entity's Balance sheet, Income statement and Cash Flows is set out in the following tables and the notes that accompany the tables.

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

Consolidated		Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
	Note		1 July 2004			30 June 2005	
		$	$	$	$	$	$
Equity							
Issued capital		3,471,866	-	3,471,866	6,581,392	-	6,581,392
Reserves	(a)	4,653,656	(4,653,656)	-	4,653,656	(4,653,656)	-
(Accumulated losses)/Retained earnings	(a,b)	309,032	4,653,656	4,962,688	(3,076,775)	4,653,656	1,576,881
Total Equity		8,434,554	-	8,434,554	8,158,273	-	8,158,273

The Company		Previous GAAP	Effect of transition to AIFRSs	AIFRSs	Previous GAAP	Effect of transition to AIFRSs	AIFRSs
	Note		1 July 2004			30 June 2005	
		$	$	$	$	$	$
Equity							
Issued capital		3,471,866	-	3,471,866	6,581,394		6,581,394
Reserves	(a)	70,000	(70,000)	-	70,000	(70,000)	-
(Accumulated losses)/Retained earnings	(a,b)	273,975	70,000	343,975	(2,174,458)	70,000	(2,104,458)
Total Equity		3,815,841	-	3,815,841	4,476,936	-	4,476,936

NOTES TO THE FINANCIAL STATEMENTS

31. IMPACT OF ADOPTING AASB AUSTRALIAN EQUIVALENT TO IFRS (Continued)

(b) Other related party transactions (continued)

(ii) Reconciliation of loss for year ended 2005

Consolidated	Note	Previous GAAP	Effect of transition to AIFRS 30 June 2005	AIFRS
		$	$	$
Other income	c, d	1,593,159	(1,328,021)	265,138
Occupancy costs		(81,702)	-	(81,702)
Employee benefits expense	b	(141,823)	(370,620)	(512,443)
Administrative and corporate costs		(947,134)	-	(947,134)
Impairment loss of investment in associates		(1,103,347)	-	(1,103,347)
Amortisation of exploration costs in production phase		(87,495)	-	(87,495)
Loss on sale of controlled entities	c	(1,535,758)	1,274,576	(261,182)
Write off of exploration expenditure		(1,078,406)	-	(1,078,406)
Borrowing costs	d	(3,301)	3,301	-
Operating loss before financing income		(3,385,807)	-	(3,806,571)
Financial income	d	-	53,445	53,445
Financial expense	d	-	(3,301)	(3,301)
Net financing income		-		50,144
Loss before tax		(3,385,807)	(370,620)	(3,756,427)
Income tax expense		-	-	-
Loss for the period		(3,385,807)	(370,620)	(3,756,427)

The Company	Note	Previous GAAP	Effect of transition to AIFRS 30 June 2005	AIFRS
		$	$	$
Other income	c, d	1,749,611	(1,748,101)	1,510
Occupancy costs		(74,760)	-	(74,760)
Employee benefits expense	b	(95,073)	(370,620)	(465,693)
Administrative and corporate expenses		(842,258)	-	(842,256)
Impairment loss of investment in associates		(1,103,347)	-	(1,103,347)
Amortisation of exploration costs in production phase		-	-	-
Loss on sale of controlled entities	c	(2,059,224)	1,694,915	(364,309)
Write off of exploration expenditure		(20,171)	-	(20,171)
Borrowing costs	d	(3,211)	3,211	-
Operating loss before financing income		(2,448,431)	-	(2,869,026)
Financial income	d	-	53,186	53,186
Financial expense	d	-	(3,211)	(3,211)
Net financing income		-		49,975
Loss before tax		(2,448,433)	(370,620)	(2,819,051)
Income tax expense		-	-	-
Loss for the period		(2,448,433)	(370,620)	(2,819,051)

NOTES TO THE FINANCIAL STATEMENTS

31. IMPACT OF ADOPTING AASB AUSTRALIAN EQUIVALENT TO IFRS (Continued)

(iii) Reconciliation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Notes

(a) In accordance with AASB 1 First time adoption of Australian Equivalents to International Financial Reporting Standards, the consolidated entity has reclassified the remaining balance of the asset revaluation reserve to retained earnings in its opening Australian equivalents to IFRS balance sheet. Any future impairment in the value of assets carried at deemed cost will be charged to the income statement.

(b) The consolidated entity applied AASB 2 to its active share-based payment arrangements at 1 July 2005 except for equity-settled share-based payment arrangements granted before 7 November 2002.

Under previous GAAP, the consolidated entity did not account for equity settled share based payments. Such payments are now recognised at fair value in accordance with AASB 2.

A portion of the options granted after 7 November 2002, vested before 1 January 2005 and therefore the consolidated entity has elected to apply the exemption under AASB 1 not to apply the recognition and measurement requirements for these options. A total of 7,100,000 options were issued subsequent to 1 January 2005. This has resulted in an increase in employee benefits expense by $370,620 for the year ended 30 June 2005. Retained earnings have decreased by a similar amount at 30 June 2005.

(c) The adoption of AIFRS has resulted in the reclassification of proceeds from sale of controlled entities included in other income to carrying amount of controlled entities sold disclosed in expenses, to disclose the net loss on sale.

(d) The adoption of AIFRS has resulted in the reclassification of borrowing costs to finance expense.

32. EVENTS SUBSEQUENT TO BALANCE DATE

Tennant Creek Gold Ltd holds 81,466,157 shares in Batavia Mining representing 14.3% of the issued capital. The value of this investment at date of this report is approximately $4.0 million.

Thor has completed a share consolidation, an IPO of $10.0 million and listed on the ASX. As a result of these changes Tennant Creek Gold Ltd now holds 15,000,000 shares representing 11.5% of the issued share capital.

DIRECTORS' DECLARATION

1 In accordance with a resolution of the Directors of Tennant Creek Gold Limited I state that the financial statements and notes and the additional disclosures included in the remuneration report in the directors' report, which are designated as audited remuneration and are in accordance with 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 2006 and of their performance, for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(iii) the remuneration disclosures that are contained in sections 1 to 5 of the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

2 There are reasonable grounds to believe that the Company and the controlled entities identified in note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.

3 This declaration is made after receiving the declarations required to be made to directors by the chief executive officer and the chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the board.

John W Barr

Chairman

Dated at Perth 29 September 2006

INDEPENDENT AUDIT REPORT

Independent Audit Report to members of Tennant Creek Gold Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tennant Creek Gold Limited (the "Company") and Tennant Creek Gold Limited and its Controlled Entities (the "Consolidated Entity") for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading "Remuneration report" in Sections 1 to 5 of the directors' report and not in the financial report.

The Remuneration report also contains information in Sections 6 and 7 not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' 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 AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian 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 AASB 124.

INDEPENDENT AUDIT REPORT

KPMG

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.

Audit opinion

In our opinion:

1 the financial report of Tennant Creek Gold Limited is in accordance with:

a) the Corporations Act 2001, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and;

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

2 the remuneration disclosures that are contained in Sections 1 to 5 of the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

KPMG

KPMG

DMcComish

D P McComish
Partner

Perth
29 September 2006

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 20 September 2006)

Substantial shareholders

Substantial holders in the Company are set out below:

Shareholder	Number	Percentage
ANZ Nominees Limited	19,837,273	19.56
Westpac Custodian Nominees Limited	19,797,932	19.52
J W Barr	8,700,000	8.58
Neil Biddle & Biddle Partners	5,761,868	5.68

Class of shares and voting rights

(a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities

Category	Ordinary Shares	Options
1 – 1,000	49	10
1,001 – 5,000	187	51
5,001 – 10,000	144	35
10,001 – 100,000	297	123
100,001 and over	96	59
	773	278

The number of shareholders holding less than a marketable parcel is 57.

ASX ADDITIONAL INFORMATION

Twenty largest shareholders as at 20 September 2006

Name	Number of shares held	Percentage of shares held
ANZ Nominees Limited Cash Income A/C	19,837,273	19.56
Westpac Custodian Nominees Limited	19,797,932	19.52
Biddle Partners Pty Ltd	5,367,368	5.30
Kensington Consulting Pty Ltd	4,038,167	3.99
Khumbu Pty Ltd	2,788,500	2.75
Ashton Drilling Services Pty Ltd	2,500,000	2.47
Mr Alistair Mackie	2,300,000	2.27
Mr Terry Lillis	2,000,000	1.97
Baretta Pty Limited	1,677,000	1.65
Kensington Capital Pty Ltd	1,500,000	1.48
Willvest Pty Ltd	989,000	0.98
Gardner Superannuation Nominees Pty Ltd	913,000	0.90
Cornerstone Advisors Pty Ltd	900,000	0.89
Emarzi Pty Ltd	849,500	0.84
Bonsmith Pty Ltd	800,000	0.79
Chivington Pty Ltd	770,000	0.76
Bouchi Pty Ltd	750,002	0.74
Mr Jeffrey Graham Evans	740,000	0.73
Mega-Min Resources NL	700,000	0.69
Mr Terence Noel Smith	700,000	0.69
	69,917,742	68.97

Twenty largest 31 May 2007 optionholders as at 20 September 2006

Name	Number of options held	Percentage held
Westpac Custodian Nominees Limited	10,017,500	16.78
ANZ Nominees Limited Cash Income A/C	6,080,360	10.18
Biddle Partners Pty Ltd	5,183,686	8.67
Teas Nominees	2,500,000	4.18
Cornerstone Advisors Pty Ltd	2,320,000	3.89
Kensington Consulting Pty Ltd	2,319,083	3.88
Bouchi Pty Ltd	2,185,088	3.66
Kensington Capital Pty Ltd	2,100,000	3.52
Mr Michael James Paulsen	1,596,160	2.67
Mega-Min Resources NL	1,500,000	2.51
Mr Terry Lillis	1,345,607	2.25
2M Resources Pty Ltd	1,334,214	2.23
Emarzi Pty Ltd	1,280,000	2.14
Ashton Drilling Services Pty Ltd	1,250,000	2.09
Mr Alistair Mackie	1,150,000	1.92
Tricom Nominees Pty Ltd	1,020,100	1.71
Mr Neil Biddle	1,000,000	1.67
Hatched Creek Pty Ltd	865,708	1.45
Baretta Pty Limited	595,000	1.00
Paticoa Nominees Pty Ltd	500,000	0.84
	46,142,506	77.24

ASX ADDITIONAL INFORMATION

The consolidated entity holds an interest in the following tenements:

Prospect	Tenements	Equity
Alice Springs	EL23630	100%
Bluey's Silver-Lead	EL10228	100%
Bonney Well	MLC647	100%
Cawse Extended	M24/547, M24/548, M24/549, M24/550	20% free carried to production, or can be converted to a 2% net smelter return on ore mined. Unicorn Pit is now excised and a wet tonne royalty applies.
Croker Island Bauxite Project	ELA24640	100%
Explorer	ELA24471	100%
Flora	ELA22988	100%
Goddard's Copper Prospect	ELA24260	100%
Golden Mile Prospect	MLC625	100%
Hopeful Star Anomaly	MLC624, MLC632, MCC1057	100%
Kintore East	M16/281, M16/282	Diluting from 49% to 2% gold return interest on production. Current percentage interest is 23.75%.
Manbarrum	EL24395, A24518, ELA25470	100%
M18 Au-Cu-Bi Anomaly	MCC1035, MCC1036, MCC1042, MCC1351	100%
M19 Au-Cu-Bi Anomaly	MCC1112, MCC1113, MCC1117, MCC1118, MCC1119, MCC1120	100%
M20 Au-Cu-Bi Anomaly	MCC1040, MCC1041	100%
M29 Au-Cu-Bi Anomaly	MCC1092, MCC1093, MCC1094, MCC1095	100%
McTavish	M40/77, M40/119, M40/157, M40/194, P40/1001, P40/1002	3% gross royalty (third party retains a 25% interest in Tennant Creek Gold's interest)
Melville Island Bauxite Project	ELA24628	100%
Mt Peake	EL23271, EL23074	100%
Mystery Anomaly	MCC1089, MCC1090, MCC1091	100%
Petermans	ELA5826, ELA25564, ELA5828, ELA25562	100%
Rover/McClaren Creek/Gosse River	ELA25581, ELA25582, ELA25587	100%
Spring Hill	EL22957, MLA23812	100%