

# **GOLDEN CROSS RESOURCES LTD**

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## **ASX ANNOUNCEMENT**

### **Chairman's address to shareholders**

My address to the annual general meeting of Golden Cross Resources last year concluded as follows:

*We are very focussed on the objective of adding material value to the value of GCR and through that to GCR shares. Inevitably, there will be some volatility in the market for our shares as events occur. Our primary aim is to build sustainable value for shareholders, rather than to create a medium for share trading.*

This focus has been very much in evidence when one reviews the activities of the company over the past year, and yet the GCR share price at midday today was 4.6 cents, whereas it closed at 8.3 cents on 11 November 2003, the date of last year's meeting.

The cash flow statement presented in this year's annual report shows expenditure on exploration and evaluation of \$1.5 million for the year to 30 June 2004 compared with \$1.1 million for the preceding year. This is but one indicator of the level of effort the company's geological staff and contractors have put in for the year in the pursuit of the company's objectives. I know the staff, who are also shareholders, feel the lower share price keenly. I would like to record my appreciation and that of my fellow directors for their hard working contribution over the year.

The annual report provides shareholders with a detailed review of the company's activities for the year and I commend it to any shareholder or follower of GCR who has not read it in detail.

Our Director – Exploration, Chris Torrey, will address you at the conclusion of the meeting and give you an insight into certain aspects of the company's operations. We have suggested to Chris that rather than try to cover somewhat superficially all or most of the company's broad portfolio of exploration interests in New South Wales, he should speak about perhaps half a dozen of them and single out one, Canbelego/Pipeline for a more detailed discussion. The reason for this is to demonstrate that when one looks at this exploration licence in detail, one becomes more aware of the significant exploration potential that the property offers. The point is that many of the properties within the company's portfolio, if looked at in this level of detail, would leave you with a similar sense of optimism for the potential they offer.

One characteristic of Canbelego is the presence within the exploration license of a mining lease held by a private company, Polymetals Pty Ltd, over the old Mt Boppy Gold Mine. This was a mine developed by the old timers which reached peak gold production in 1904 when it was recorded as the richest gold mine in NSW at that time. Its historic production was about 420,000 ounces of gold from about 1 million tonnes of ore at an average grade of about 12 g/t gold.

*Chairman's address*

Polymetals reopened the Mt Boppy Gold Mine in April 2002 as an open cut operation and is currently developing a second pit and expects to produce at the rate of 25,000 ounces of gold per annum. Ore from the current mine is treated by Polymetals at its onsite plant, which has a capacity of some 150,000 tonnes per annum.

As you will see from the annual report and from Chris Torrey's presentation, the Mt Boppy Gold Mine mining leases are quite small compared to the Canbelego exploration licence so it makes sense that the commonality of interests be recognised in a commercial arrangement which offers a benefit to both parties. In April 2003, GCR announced that it had entered into a farm-in agreement with Polymetals whereby Polymetals would spend \$200,000 over a 12 months period on exploring GCR's Canbelego area on the basis that if any resources of gold or silver were delineated, ore mined would be shared 50:50 between the parties and processed through the Mt Boppy plant.

Unfortunately, this arrangement was not harmonious either in its final documentation or its final interpretation and although Polymetals applied for a new mining lease in reliance on the agreement between the parties, GCR did not consent to it. Nevertheless, good will remains between the parties and discussions are in process for a new arrangement. It is premature at this time to say more other than to report the mutual intent to reach a satisfactory agreement between the parties.

The attraction of the April 2003 agreement was, and an objective of the current discussions is, to provide access to the Polymetals plant for ore discovered with the Canbelego exploration licence, and thereby to provide GCR with a cash flow.

GCR has pursued the objective of internal cash flow for several years now. This was the principal reason for the acquisition of the Adelong project, which has unfortunately proved more tantalising than feasible, although hope remains that a small economic operation could be developed. The company is seeking to realise that potential through a sale or joint venture with another company and holds hopes for a successful outcome in this regard.

By necessity, the vigorous pursuit of the objective of adding material value to the company's assets and shares carries with it the necessity for the company to focus on its options for accessing cash to fund its exploration activities and its corporate costs. The board is committed to managing this process in the best interests of shareholders with the same determination that the geological staff pursue exploration success.

The willingness remains strong within the company to work towards these objectives. Each exploration company must make its choices as to the level of exploration activity it can sustain. GCR has consistently sought to pursue a high level of activity relative to its size and this determination will continue into the coming year. We have the determination, we have the skills, we have a very supportive shareholder base. We look forward with optimism for the outcome for 2004.