

**Golden Cross Resources Ltd**  
ABN 65 063 075 178

**Half-year Financial Report**

**31 December 2005**

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## Company Particulars

<b>Directors:</b>	Christopher Ryan, BEcon, MBA, FAusIMM <i>Chairman</i>
	Kim Stanton-Cook, BA (Geology and Geophysics), MAIG, GSA, ASEG, SEG <i>Managing Director</i>
	Kerry McHugh, BCom (Hons) <i>Non-executive Director</i>
	David Timms, BSc (Hons), PEng, FAIG, FAusIMM <i>Non-executive Director</i>
	Chris Torrey, MSc, MAIG, FSEG, RP Geo <i>Non-executive Director</i>
<b>Company Secretary and Alternate Director:</b>	Daven Timms, BSc LLB (Hons), F Fin, AMPLA, MAusIMM <i>Alternate Director for David Timms</i>
<b>Principal and Registered Office:</b>	22 Edgeworth David Avenue Hornsby NSW 2077
<b>Share Register:</b>	Registries Limited Level 2 28 Margaret Street Sydney NSW 2000
<b>Auditors:</b>	Ernst & Young Chartered Accountants 680 George Street Sydney NSW 2000
<b>Stock Exchange Listing:</b>	Golden Cross Resources Ltd's shares are quoted on the Australian Stock Exchange (Listing code GCR)

## Directors' Report

Your Directors present their report on the consolidated entity consisting of Golden Cross Resources Ltd ("Golden Cross" or the "Company") and the entities it controlled at the end of, or during, the half-year ended 31 December 2005.

### Directors

The following persons were Directors of Golden Cross during the whole of the half-year and up to the date of this report:

Christopher Ryan  
Kim Stanton-Cook (appointed 23 February 2006)  
Kerry McHugh  
David Timms  
Chris Torrey  
Daven Timms (Alternate Director for David Timms)

### Review and Results of Operations

The consolidated loss of the consolidated entity for the six months to 31 December 2005, after providing for income tax, was \$774,000 (2004: \$2,444,000).

The Company continued its principal activity of minerals exploration and development of precious and base metals projects in Australia, principally in New South Wales.

During the six months ended 31 December 2005 the Company:

- issued a rights issue prospectus and supplementary prospectus to raise up to \$4.8 million, primarily for exploration work at its Copper Hill copper-gold porphyry property; and
- received encouraging results from drilling programs at Copper Hill.

### Events Occurring after Reporting Date

In January 2006 the Company's rights issue closed oversubscribed, raising \$4.8 million, and the Company commenced a 16,000m reverse circulation and diamond drilling program at Copper Hill.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration to the Directors as required under section 307C of the *Corporations Act 2001* is set out on page 5.

### Rounding

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



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Kim Stanton-Cook, Managing Director

3 March 2006, Sydney

## Auditor's Independence Declaration to the Directors



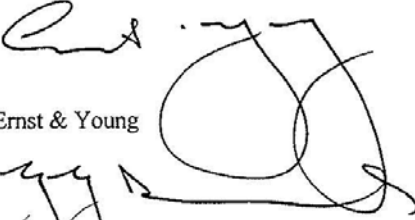

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### Auditor's Independence Declaration to the Directors of Golden Cross Resources Limited

In relation to our review of the financial report of Golden Cross Resources Limited for the 6 months ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

  
Ernst & Young  
  
GG Daniels  
Partner  
3 March 2006

Liability limited by a scheme approved under  
Professional Standards Legislation

## Condensed Income Statement For the half-year ended 31 December 2005

	Notes	Consolidated HALF YEAR	
		2005 \$'000	2004 \$'000
Revenue	3	151	173
Exploration expense	3	(625)	(2,272)
Other expenses from ordinary activities		(300)	(345)
		<hr/>	<hr/>
Loss before tax and finance costs		(774)	(2,444)
Finance costs		-	-
		<hr/>	<hr/>
<b>Loss before income tax</b>		(774)	(2,444)
Income tax expense		-	-
		<hr/>	<hr/>
<b>Loss after tax</b>		(774)	(2,444)
		<hr/>	<hr/>
<b>Net loss attributable to members of Golden Cross Resources Ltd</b>		(774)	(2,444)
		<hr/>	<hr/>
Basic earnings per share (cents)	2	(0.36)	(1.32)
Diluted earning per share (cents)		(0.36)	(1.32)

*The above condensed income statement should be read in conjunction with the accompanying notes.*

## Condensed Balance Sheet

### As at 31 December 2005

	Consolidated 31 December 2005 \$'000	Consolidated 30 June 2005 \$'000
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash Assets	1,247	1,808
Other	366	381
Total Current Assets	1,613	2,189
<b>Non-Current Assets</b>		
Property, Plant and Equipment	582	590
Exploration and Evaluation Expenditure	9,932	9,236
Mine Properties	3,556	3,441
Intangible Assets	-	7
Total Non-Current Assets	14,070	13,274
<b>Total Assets</b>	15,683	15,463
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	169	190
Provisions	46	36
Total Current Liabilities	215	226
<b>Non-Current Liabilities</b>		
Provisions	185	197
Total Non-Current Liabilities	185	197
<b>Total Liabilities</b>	400	423
<b>Net Assets</b>	15,283	15,040
<b>EQUITY</b>		
Issued Capital	26,434	25,434
Reserves	1,860	1,843
Accumulated Losses	(13,011)	(12,237)
<b>TOTAL EQUITY</b>	15,283	15,040

## Condensed Statement of Changes in Equity For the half-year ended 31 December 2005

	Issued Capital	Unissued Shares	Share-based Compensation Reserve	Other Reserves	Accumulated Losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>						
<b>As at 1 July 2004</b>	23,797	-	21	1,792	(8,132)	17,478
Loss for the period	-	-	-	-	(2,444)	(2,444)
Employee Options	-	-	19	-	-	-
Shares issued under SAS	68	-	-	-	-	68
<b>As at 31 December 2004</b>	<b>23,865</b>	<b>-</b>	<b>40</b>	<b>1,792</b>	<b>(10,576)</b>	<b>15,121</b>
<b>Consolidated</b>						
<b>As at 1 July 2005</b>	25,434	-	51	1,792	(12,237)	15,040
Loss for the period	-	-	-	-	(774)	(774)
Shares issued under SAS	40	-	-	-	-	40
Employee Options	-	-	17	-	-	17
Rights issue	-	960	-	-	-	960
<b>As at 31 December 2005</b>	<b>25,474</b>	<b>960</b>	<b>68</b>	<b>1,792</b>	<b>(13,011)</b>	<b>15,283</b>

## Condensed Statement of Cash Flows For the half-year ended 31 December 2005

	<b>Consolidated HALF YEAR</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(264)	(412)
Payments for exploration and evaluation	(1,403)	(894)
Interest received	45	52
Other, including receipts from farm-in partners	106	121
<b>Net cash outflow from operating activities</b>	<u>(1,516)</u>	<u>(1,133)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for plant and equipment	(5)	(6)
<b>Net cash outflow from investing activities</b>	<u>(5)</u>	<u>(6)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share proceeds	961	-
<b>Net cash inflow from financing activities</b>	<u>961</u>	<u>-</u>
 <b>NET DECREASE IN CASH HELD</b>	(560)	(1,139)
Cash at beginning of reporting period	<u>1,807</u>	<u>2,570</u>
 <b>CASH AT THE END OF THE REPORTING PERIOD</b>	<u><u>1,247</u></u>	<u><u>1,431</u></u>

## Notes to the Half-Year Financial Statements For the Half-year ended 31 December 2005

### 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Golden Cross Resources Ltd ("Golden Cross" or the "Company") as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ("AGAAP").

It is also recommended that the half-year financial report be considered together with public announcements made by Golden Cross during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

#### (a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on an historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

#### (b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Golden Cross group under AIFRS are disclosed in Note 1(c), below.

Reconciliations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full-year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) below.

#### (c) Summary of significant accounting policies

##### (i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Golden Cross and its subsidiaries ("the Group").

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

## **Note 1. Basis of Preparation of the Half-Year Financial Report**

### **(c) Summary of significant accounting policies (continued)**

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Golden Cross has control.

#### ***(ii) Property, plant and equipment***

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- plant and equipment - 4 years; and
- motor vehicles - 5 years

#### ***Impairment***

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

#### ***(iii) Borrowing costs***

Borrowing costs are recognised as an expense when incurred.

#### ***(iv) Intangible Assets***

##### ***Acquired both separately and from a business combination***

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the "administrative expenses" line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

#### ***(v) Recoverable amount of assets***

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

#### ***(vi) Investments***

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

**Note 1. Basis of Preparation of the Half-Year Financial Report**

**(c) Summary of significant accounting policies (continued)**

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date, being the date that the Group commits to purchase the asset.

**(vii) Exploration, Evaluation, Development and Restoration Costs**

*Exploration & Evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest are written off or a provision made in the Income Statement when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount. The costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Provisions are made where farm-in partners are sought and there is a possibility that carried-forward expenditures may have to be written off in the future if a farm-in partner is not found. In the event that farm-in agreements are reached or the Company undertakes further exploration in its own right on those properties, the provisions would be reviewed and if appropriate, written back.

**Note 1. Basis of Preparation of the Half-Year Financial Report**

### **(c) Summary of significant accounting policies (continued)**

Once a development decision has been taken, all past and future exploration and evaluation expenditure in respect of the area of interest is aggregated within costs of development.

#### *Development*

Development expenditure incurred by or on behalf of the Company is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the directors. Such expenditure comprises net direct costs and, in the same manner as for exploration and evaluation expenditure, an appropriate portion of related overhead expenditure having a specific connection with the development property.

All expenditure incurred prior to the commencement of commercial levels of production from each development property is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until a decision has been made to commence mining. After this decision, the costs are amortised over the life of the area of interest to which such costs relate on a production output basis.

#### *Restoration*

Provisions for restoration costs are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### *Remaining Mine Life*

In estimating the remaining life of the mine at each mine property for the purpose of amortisation and depreciation calculations, due regard is given not only to the volume of remaining economically recoverable reserves but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues that are inherently difficult to estimate over a lengthy time frame.

### **(viii) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a first-in, first-out basis; and
- finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### **(ix) Trade and Other Receivables**

Trade receivables, which generally have 5-30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

## **Note 1. Basis of Preparation of the Half-Year Financial Report**

### **(c) Summary of significant accounting policies (continued)**

#### **(x) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

#### **(xi) Other Provisions**

Provision are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

#### **(xii) Employee leave benefits**

##### **(a) Wages, salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### **(b) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

#### **(xiii) Pensions and other post-employment benefits**

The Group contributes to defined contribution superannuation funds for employees. The cost of these contributions are expensed as incurred.

#### **(xiv) Share-based payment transactions**

In addition to salaries, the Group provides benefits to certain employees (including executive directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

There are currently two plans in place to provide these benefits:

- the Employee Share Acquisition Scheme; and
- the Employee Option Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair

## **Note 1. Basis of Preparation of the Half-Year Financial Report**

### **(c) Summary of significant accounting policies (continued)**

value at the date at which they are granted. The fair value of the options is determined by using the Black & Scholes option pricing model.

In valuing transactions settled by way of issue of options, no account is taken of any vesting limits or hurdles, or the fact that the options are not transferable.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired.

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

#### **(xv) Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### **(xvi) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *Interest*

Revenue is recognised as the interest accrues.

##### *Royalties*

Royalties are recognised in accordance with substance of the relevant agreement.

#### **(xvii) Income tax**

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:

- except where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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 assets and unused tax losses can be utilised:

- except where 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are 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 differences can be utilised.

## **Note 1. Basis of Preparation of the Half-Year Financial Report**

### **(c) Summary of significant accounting policies (continued)**

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and 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.

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.

#### **(xviii) Other taxes**

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

- 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
- receivables and payables are stated with the amount of GST included.

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.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financial activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(xix) Foreign Currency Translation**

The functional and presentation currency for the Group is Australian dollars (\$).

#### **(d) AASB 1 Transitional Exemptions**

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 '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 November 2002 that had not vested on or before 1 January 2005.

##### *Exemption from the requirement to restate comparative information for AASB 132 and AASB 139*

The Group has not elected to adopt this exemption and has applied AASB 132 "Financial Instruments: Presentation and Disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

**Note 1. Basis of Preparation of the Half-Year Financial Report (continued)****(e) Impact of adoption of AIFRS**

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

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

	<b>Consolidated</b>		
	<b>30-Jun-05</b>	<b>31-Dec-04</b>	<b>01-Jul-04</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total equity under AGAAP	15,038	15,120	17,478
<i>Adjustments to accumulated losses (no tax effects):</i>			
Recognition of share-based payment expense (A)	(51)	(40)	(21)
Write-back of goodwill amortisation (B)	2	1	-
<i>Adjustments to other reserves (no tax effects):</i>			
Recognition of share-based payment expense (A)	51	40	21
Total equity under AIFRS	<u>15,040</u>	<u>15,121</u>	<u>17,478</u>

## Notes:

- The 01-Jul-04 column represents the adjustments as at the date of transition to AIFRS;
  - The 31-Dec-04 column represents the cumulative adjustments as at the date of transition to AIFRS and those of the half-year ended 31 December 2004; and
  - The 30-Jun-05 column represents the cumulative adjustments as at the date of transition to AIFRS and those of the year ended 30 June 2005.
- (A) Under AASB 2 "Share-Based Payments", the Company has recognised the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payments were not recognised under AGAAP.
- (B) Goodwill is not amortised under AASB 3 "Business Combinations", but was amortised under AGAAP. The transitional provisions have been adopted with no adjustment at the AIFRS transition date.

The above changes have not resulted in the recognition of a net deferred tax asset under AIFRS as the realisation is not assessed as probable.

**(ii) Reconciliation of profit after tax under AGAAP to that under AIFRS**

	<b>Consolidated</b>	
	<b>Year ended</b>	<b>Half-year ended</b>
	<b>30-Jun-05</b>	<b>31-Dec-04</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after tax as previously reported	4,077	2,426
Recognition of share-based payment expense note (i)(A)	30	19
Write-back of goodwill amortisation – note (i)(B)	(2)	(1)
Adjustment to income tax benefit/(expense)	-	-
Loss after tax under AIFRS	<u>4,105</u>	<u>2,444</u>

**(iii) Explanation of material adjustments to the Cash Flow Statement**

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

**2. EARNINGS PER SHARE**

	HALF YEAR	
	2005 Cents	2004 Cents
Basic earnings per share	(0.36)	(1.32)
Diluted earnings per share	(0.36)	(1.32)
	No of Shares	No of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	217,175,203	185,455,147
Weighted average number of ordinary shares and dilutive potential ordinary shares. By reason of the losses recorded in 2005, the anti-dilutive potential ordinary shares are not recognised and the same denominator number of shares is used for the basic earnings per share.	233,345,510	197,890,393
	\$'000	\$'000
Loss used in calculating basic earnings per share:	774	2,444
Loss used in calculating diluted earnings per share:	774	2,444

**3. LOSS FROM ORDINARY ACTIVITIES**

	HALF YEAR	
	2005 \$'000	2004 \$'000
<i>Loss from ordinary activities includes the following items of expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:</i>		
<i>Revenues</i>		
Revenue from ordinary activities	151	173
<i>Expenses include:</i>		
Depreciation	16	21
Exploration expenditure written off	625	2,272
Intangibles written off	7	-
Expense of share-based payments	17	19
<i>Other items to note:</i>		
Exploration expenditure capitalised	1,323	939
<i>Included within exploration expenditure and other expenses is:</i>		
Employee benefits	425	437

#### 4. ISSUED CAPITAL

	HALF YEAR		HALF YEAR	
	2005 Shares	2004 Shares	2005 \$'000	2004 \$'000
Opening Balance	216,703,532	185,238,043	25,434	23,797
Shares issued to Directors and employees in lieu of remuneration	1,052,631	1,370,000	40	68
Closing Balance	<u>217,756,163</u>	<u>186,608,043</u>	<u>25,474</u>	<u>23,865</u>

#### 5. SEGMENT REPORTING

The economic entity operates predominantly in the one industry and in one geographical area, namely Australian mineral exploration and evaluation.

#### 6. EVENTS OCCURRING AFTER REPORTING DATE

In January 2006 the Company:

- raised \$4.8 million, of which \$960,000 was received by 31 December 2005 and is shown in this report, following the oversubscription of its rights issue; and
- commenced a 16,000m reverse circulation and diamond drilling program at Copper Hill.

## Directors' Declaration

In accordance with a resolution of the directors of Golden Cross Resources Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
  - (i) give true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



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Kim Stanton-Cook, Managing Director

3 March 2006, Sydney

## **Independent review report to members of Golden Cross Resources Ltd**

### **Scope**

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

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the consolidated entity comprising both Golden Cross Resources Ltd (the company) and the entities it controlled during the period and the directors' declaration for the company, for the 6 months ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

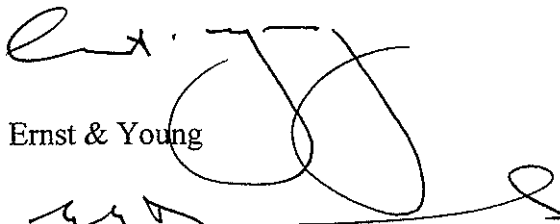
### **Independence**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, which is included with the Directors' Report.


**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Golden Cross Resources Ltd and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the 6 months ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



GG Daniels  
Partner  
Sydney  
3 March 2006