

# AustralasiaGold

LIMITED



ANNUAL

REPORT

2007

# Australasia Gold Limited

ABN 93 104 757 904

## Contents

Chairman's Report	1
Annual Review of Exploration	2
Projects	3
Tenement Schedule	12
Corporate Governance	15
Directors' Report	18
Directors' Declaration	21
Auditors' Independence Declaration	22
Financial Report	23
Independent Audit Report	42
Shareholder Information	44
Corporate Directory	inside back cover

## CHAIRMAN'S REPORT

A U S T R A L A S I A G O L D L I M I T E D

Dear fellow shareholders,

In its first full year of operation as a publicly listed company, Australasia Gold actively implemented its exploration strategy of assessing its projects to key decision points as technically and financially efficiently as possible. At the Wetherstones alluvial gold project in the Otago Region of New Zealand, further drilling indicated that although alluvial gold is widespread at the expected geological horizon, it is too low grade to warrant further evaluation and the project was terminated. The cost of reaching this key decision point was less than \$200,000. Elsewhere in the Otago Region, however, our tenements justify further exploration and have been tested with airborne magnetic and electromagnetic surveys through a joint venture which is described later in this report.

In line with our approach, key decision points were reached by exploration at each of our remaining projects. At the Glencoe Gold Deposit, Pine Creek Northern Territory, detailed geological analysis and geophysical work confirmed the extension to depth of mineralised structures and indicated additional, as yet untested, potentially gold bearing shallow structures. These attractive targets are scheduled to be drill tested during the 2007 dry season. At the same time drilling will provide samples for metallurgical testing, geotechnical information and further knowledge about the continuity of the gold mineralisation which will facilitate more effective evaluation of the feasibility of various, possible development alternatives. For the Pine creek regional projects, research work has provided a possible new reconnaissance tool to help explore the widespread, prospective but sediment covered ("black soil") areas of favourable bedrock. This encouraging work is described in detail later.

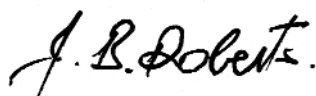
At Lucknow in New South Wales, drilling of targets in prospective, but basalt covered areas provided subtle indications of mineralisation but the decision was taken to dispose of this project for a cash payment and revenue-based royalty over any future production, as described in the review of exploration.

Drilling at Murninnie in the Gawler Craton of South Australia revealed evidence for the potential for Olympic Dam-style iron oxide-copper-gold-uranium mineralisation and further work is justified and planned.

It is critical to maintain, and deepen, our exploration portfolio and to this end some 30 projects, both in Australia and overseas were evaluated and the Murninnie purchase finalised, during the year.

We believe that technically sound and financially efficient evaluation of a queue of quality exploration projects will ultimately be successful. Our small exploration and management team has the experience and track record to achieve this goal and our cash reserves of \$3.3 million will provide adequate funding to pursue this strategy.

Finally, the directors and I gratefully acknowledge the dedicated efforts of our small team of employees and contractors led by Trevor Ireland, Managing Director.



**John B Roberts**  
Chairman

## ANNUAL REVIEW OF EXPLORATION

A U S T R A L A S I A G O L D L I M I T E D

Over the course of the past financial year, the Company has significantly advanced each of its four major projects which are located in the Gawler Craton (South Australia), Pine Creek (Northern Territory), Otago (New Zealand) and Lachlan (New South Wales) regions.

Progress during the year under review, and objectives for 2007/08 are summarised in *Table 1* below:

PROJECT	RESULTS 2006-07	OBJECTIVES FOR 2007-08
<b>Murninnie</b> Gawler Craton, South Australia Australasia Gold ('AAO') – 90%	Drilling confirmed the potential for iron oxide copper gold (IOCG) mineralisation.	Refine the gravity target and test for iron oxide copper gold mineralisation. Determine the potential for uranium mineralisation
<b>Glencoe Gold Deposit</b> Pine Creek, Northern Territory AAO – 100%	Induced polarisation (IP) survey confirmed the extension to depth of mineralised structures and revealed additional shallow structures untested by drilling.	Optimise the economics of the Glencoe gold deposit by drill-testing shallow and deep resource extension targets, conduct of metallurgical testing and geotechnical analysis.
<b>Regional Exploration</b> Pine Creek, Northern Territory AAO – 100%	Identified targets beneath blacksoil plains by interpretation of regional magnetics. Determined that bio-geochemical surveys may provide an effective new reconnaissance tool.	Identify geochemical anomalies within new target areas and prepare for deeper drill-testing. Commence trial biogeochemical surveys.
<b>Otago Region</b> South Island, New Zealand Prospecting Permits – Glass Earth earning 70% Wetherstones – AAO 100%	Second drilling program confirmed that alluvial gold at Wetherstones is widespread but subeconomic. Implemented new reconnaissance strategy of regional airborne geophysical surveys (completed under joint venture).	Commence exploration of electromagnetic and magnetic anomalies targeting lode style gold deposits
<b>Lucknow</b> Lachlan, New South Wales AAO – 100%	Drilling of six magnetic anomaly targets showed positive but subtle indications of gold and base metal mineralisation in five locations.	Complete divestment retaining an interest in the ongoing project.
<b>New Business Development</b>	Murninnie project acquired early in the year. Other projects assessed or under continuing assessment in Australia, New Zealand, Asia and Eastern Europe.	Maintain focus, targeting: <ul style="list-style-type: none"> <li>• regions of premium prospectivity for gold and base metals;</li> <li>• expanded holdings around the Company's existing major projects (Gawler Craton, Pine Creek); and</li> <li>• new projects in other Australian gold fields and internationally.</li> </ul>

*Table 1: Exploration Summary*

In all these projects we have adopted an approach driven by careful geological assessment and financial prudence, resulting in effective, as well as cost-efficient, advancement of our project evaluations.

PROJECTS –  
**MURNINNIE**  
GAWLER CRATON, SOUTH AUSTRALIA  
(90%)

A U S T R A L A S I A   G O L D   L I M I T E D

The Company's initial interest was acquired in the Murninnie copper deposit and its strike extensions in August 2006. The project is located in the south-eastern Gawler Craton (*Figures 1 & 2*). The 'Private Mine' lease covering the mine, which has been held in the vendors' family for more than 70 years had until then quarantined the deposit and its extensions from any kind of drill testing.

The tenements contain numerous features indicating potential for the occurrence of iron oxide copper gold (IOCG) mineralisation at depth. Geochemical soil sampling by the vendors indicated that the mineralised structure extends over a strike length of at least four kilometres. In the south-west quadrant of the surrounding exploration licence a complex gravity anomaly, also untested by drilling, was recorded in old exploration reports.

This was interpreted as indicating the occurrence at some depth of relatively dense rocks, possibly the heavy iron oxide concentrations associated with IOCG mineralisation. Copper and uranium mineralisation in similar geological settings along strike on a regional scale further indicate prospectivity for both IOCG and for primary and secondary uranium mineralisation.

Agreement was reached with the vendors to acquire an initial 45% interest in the tenement package. This has subsequently been increased to 90%. The total cost of the acquisition is \$32,500, and the issue of 1.8 million shares to the vendors.

After the initial acquisition, an infill gravity survey enabled drill targets to be defined within the overall gravity feature. An induced polarisation (IP) survey confirmed the continuation into the primary zone of the oxidised lode mined at Murninnie. Geochemical soil surveys were completed which confirmed the continuation of the copper-in-soil geochemical anomaly to the north and south of previously indicated limits (*Figure 2*).

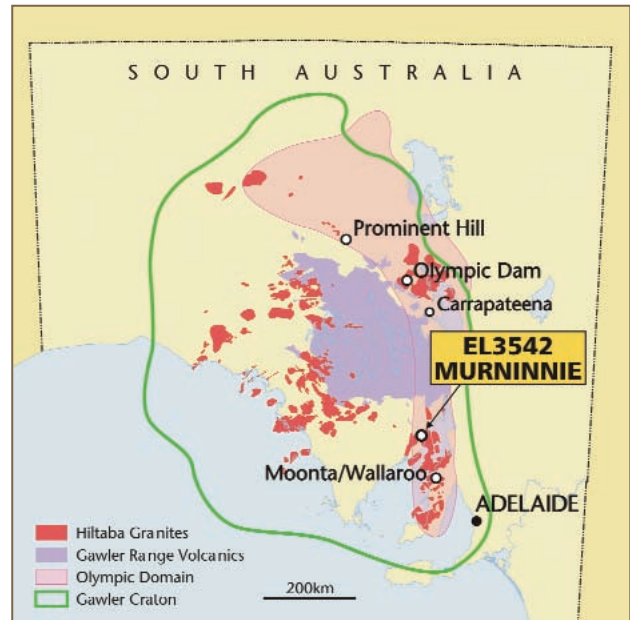


Figure 1: *Murninnie location and regional setting*



Outcrop of Murninnie lode and mine workings

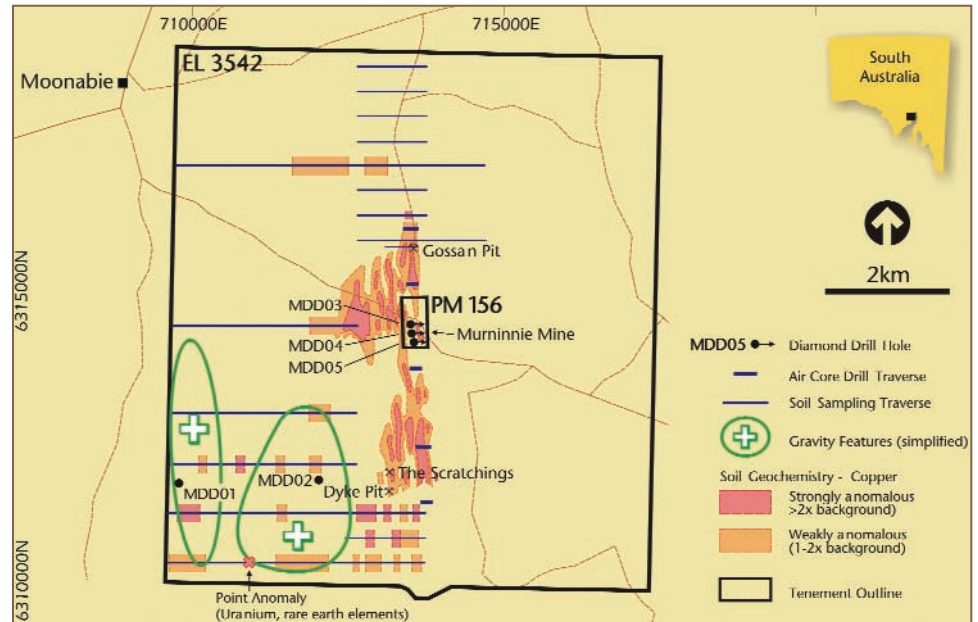
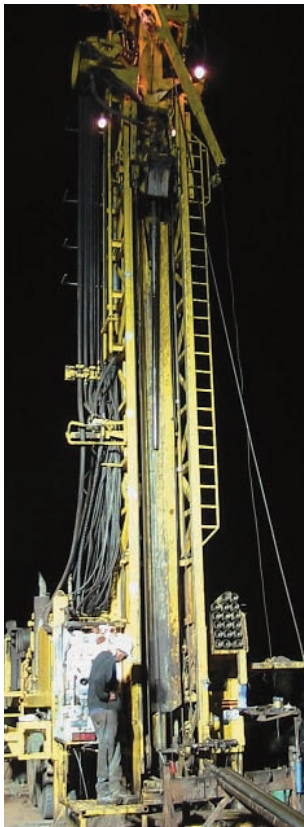


Figure 2: *Murninnie exploration summary*

*Diamond drill testing Murninnie gravity anomaly*

Three targets were drilled during the year (*Figure 2*) with the following results:

- i) two vertical diamond drill holes into the gravity feature (total 767 metres) cored through interlayered granitic gneiss and schist. Zones of hematitic and chloritic alteration were intersected with geochemically anomalous intervals in which some or all of copper, silver, gold, uranium and the rare earth elements cerium, lanthanum and yttrium are elevated. The response is considered to be consistent with the possible influence of IOCG style mineralising fluids. The holes did not intersect the dense rocks expected to be present, giving rise to the gravity anomalies. This leaves open the possibility of IOCG mineralisation occurring in the vicinity. Further gravity surveying is planned to more precisely define these anomalies and drilling targets before deepening the existing holes or drilling additional holes.
- ii) Three angled diamond drill holes (total 530 metres) tested the depth extensions of the mineralised Murninnie Lode, which had previously been well-defined by the IP survey. Each of these holes showed the target zone to be comprised of sheared granitic gneiss with geochemically anomalous intervals similar to those in the gravity test holes, but also containing anomalous bismuth and arsenic. The maximum assay recorded in the lode extensions was 1 metre averaging 0.9% copper. The strength of the IP anomaly was explained by the occurrence in the altered gneissic host rocks of disseminated graphite not apparent in the oxidised zone.
- iii) Five traverses of angled air core drillholes (total 80 holes, 1572 metres) tested and confirmed the existence at shallow depth of the elevated copper values identified by soil sampling along strike of Murninnie; however none of the holes intersected mineralisation of economically significant grade.

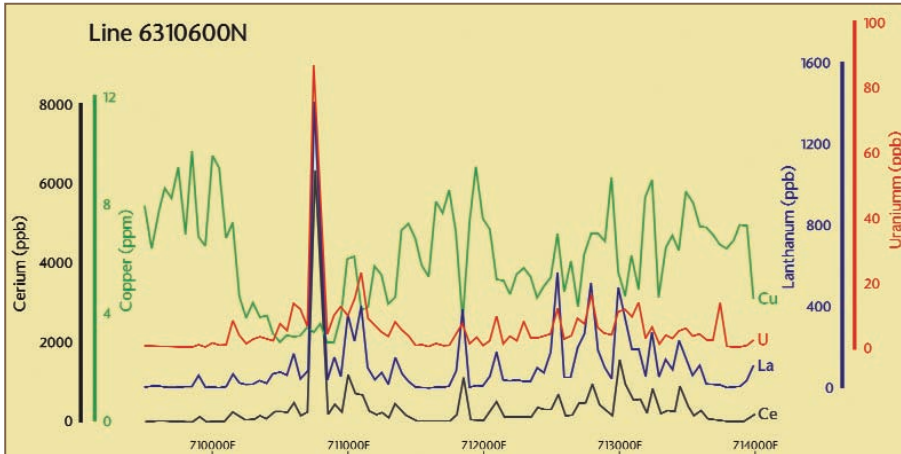


Figure 3: Soil geochemical survey 6310600N. Profile of selected partial leach assays.



Air core drilling at Murninnie



Afternoon sun, western myall and bluebush shrubland at Murninnie

Reconnaissance geochemical soil sampling traverses across the area of the gravity anomaly revealed scattered elevated values of the same suite of IOCG-related elements as identified in the core holes, again in irregular association. *Figure 3* illustrates the best of these, including a point anomaly of substantial contrast to background. The partial leach assay technique is effective in terms of anomaly contrast, but yields values which are low in absolute terms.

In the year ahead, scout geochemical soil sampling of the north western quadrant of the tenement should identify any additional subcropping occurrences of copper and associated metals and, in addition, the source of the gravity anomaly described above will be resolved. Uranium exploration will be initiated in the mylonite zone which traverses the centre of the EL; and within the 100m layer of sediments which cover the basement rocks in the eastern part of the licence.

PROJECTS –  
**GLENCOE GOLD DEPOSIT**  
 PINE CREEK, NORTHERN TERRITORY  
 (100%)

The Glencoe gold deposit comprises four steeply dipping shoots of gold mineralisation, 100-250m in length, within an area of 600 x 300m. Each shoot apparently plunges to the south east, and is controlled by fracture zones associated with quartz veining, sulphides, graphite and chlorite alteration around the hinge zone of a major anticline. The intersection of these structures with the underlying strata is considered to be more prospective than the shallow and outcropping mineralisation, and is the focus of exploration for potential depth extensions.

The 2006 estimate of indicated and inferred resources totalled 43,000 contained ounces at shallow depth (*Table 2* below and resource statement – 2006 Annual Report). The deposit remains open along strike and at depth – few of the 347 drillholes testing the deposit exceed 60m below surface, and only one extends to more than 100m below surface.

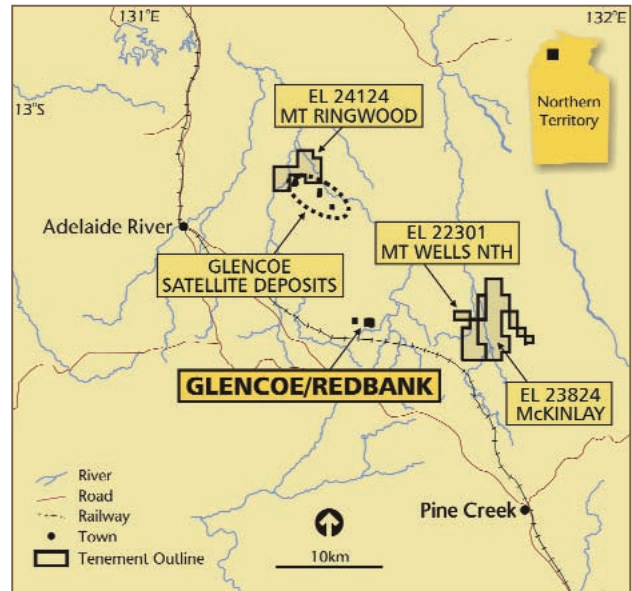


Figure 4: Location of Glencoe and Pine Creek Exploration Tenements

	INDICATED		INFERRED		TOTAL		
	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Tonnes	Grade (g/t)	Ounces contained gold
Oxidised	208,000	2.1	45,000	2.4	253,000	2.2	17,700
Fresh	174,000	2.0	277,000	1.6	451,000	1.7	25,200
<b>TOTAL</b>	<b>382,000</b>	<b>2.1</b>	<b>322,000</b>	<b>1.7</b>	<b>704,000</b>	<b>1.9</b>	<b>42,900</b>

Table 2: Result of the resource estimate (2006) at 1.0 g/t Au block cutoff grade

Potential is seen for heap leaching the mineralised material or treatment at a third party process plant, subject to the metallurgical characteristics of the transitional and primary mineralisation. However, additional gold resources would obviously enhance the economic viability of the deposit. To this end, a detailed reinterpretation of the comprehensive drilling and geological database has been undertaken, supported by mapping; and an IP survey has been completed.



Managing Director Trevor Ireland (left) and Project Manager Brett Sando at Glencoe, NT

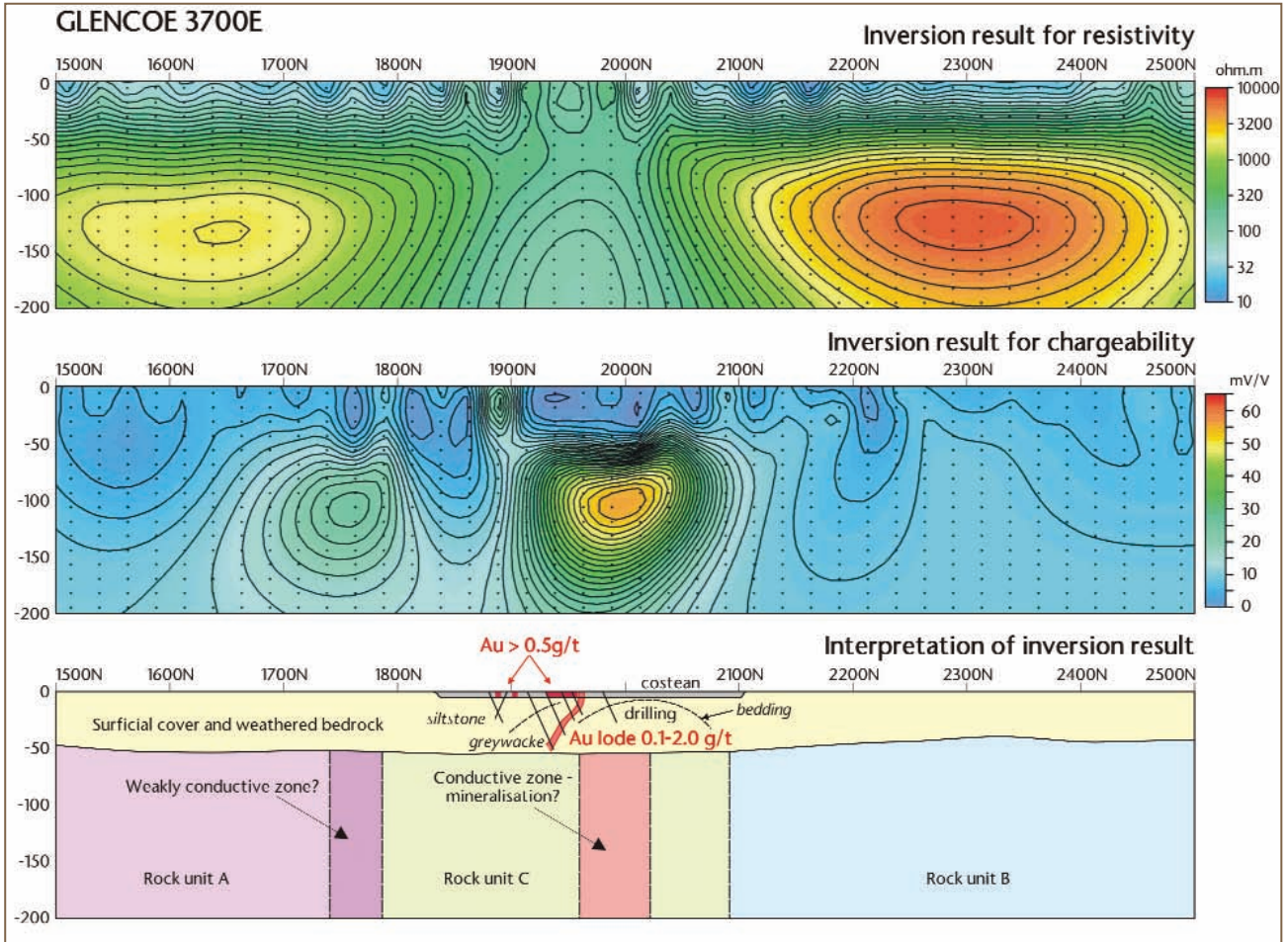


Figure 5: Glencoe IP Section 3,700m East

Two hundred metre spaced IP traverses reveal the hinge zone of the anticline and sulphides associated with gold mineralisation as a consistent, moderately to strongly chargeable zone which extends to much greater depth than has been tested by drilling. Also revealed is the presence at shallow depth of subordinate parallel conductive zones as yet untested by drilling (Figure 5).

Based on the IP results and the revised geological interpretation, a program of 2,000 metres combined RC and diamond drilling is scheduled to be completed before the end of 2007 dry season. It is designed to expand the shallow resource base, test the deeper conceptual targets and provide sample for metallurgical testing, geotechnical data and additional information about resource continuity. Based on the assessment of this data the Company will be in a position to advance its evaluation of the feasibility of various mining and processing alternatives.

PROJECTS –  
**REGIONAL EXPLORATION**  
PINE CREEK, NORTHERN TERRITORY  
(100%)

A U S T R A L A S I A   G O L D   L I M I T E D



*Black Soil Plains north of Johns Hill, EL 24142*

The Pine Creek Region of the Northern Territory can conveniently be divided (for exploration purposes) into two distinct geomorphic domains. The first is the elevated terrain marked by low hills and general exposure of bedrock, residual soil and evidence of mineralisation. The other comprises the so-called “black soil plains” – broad shallow valleys within which lie the major drainages and surrounding flood plains. These are covered by a generally thin blanket of transported alluvium, mainly dark-coloured clay. The first is generally well prospected and explored, while the latter is conspicuously under-explored.

Our regional exploration in the Pine Creek area is based on the premise that the bedrock beneath the black soil plains is no less prospective for gold than the surrounding uplands, and indeed may be more so (based on the model of the Callie gold orebody in the Tanami region). Accordingly the Company holds through a Joint Venture, 100% of the rights to gold it may discover on EL’s 22301 and 23824. Further, the Company owns EL 24142 outright, covering significant and prospective areas of black soil in the drainage of the Margaret and McKinlay river systems (*Figure 6*).

Exploration of these areas aims to penetrate the black soil cover in two ways, neither of which has been attempted in any systematic way by previous explorers in the region.



*Sampling on Black Soil near Glencoe*

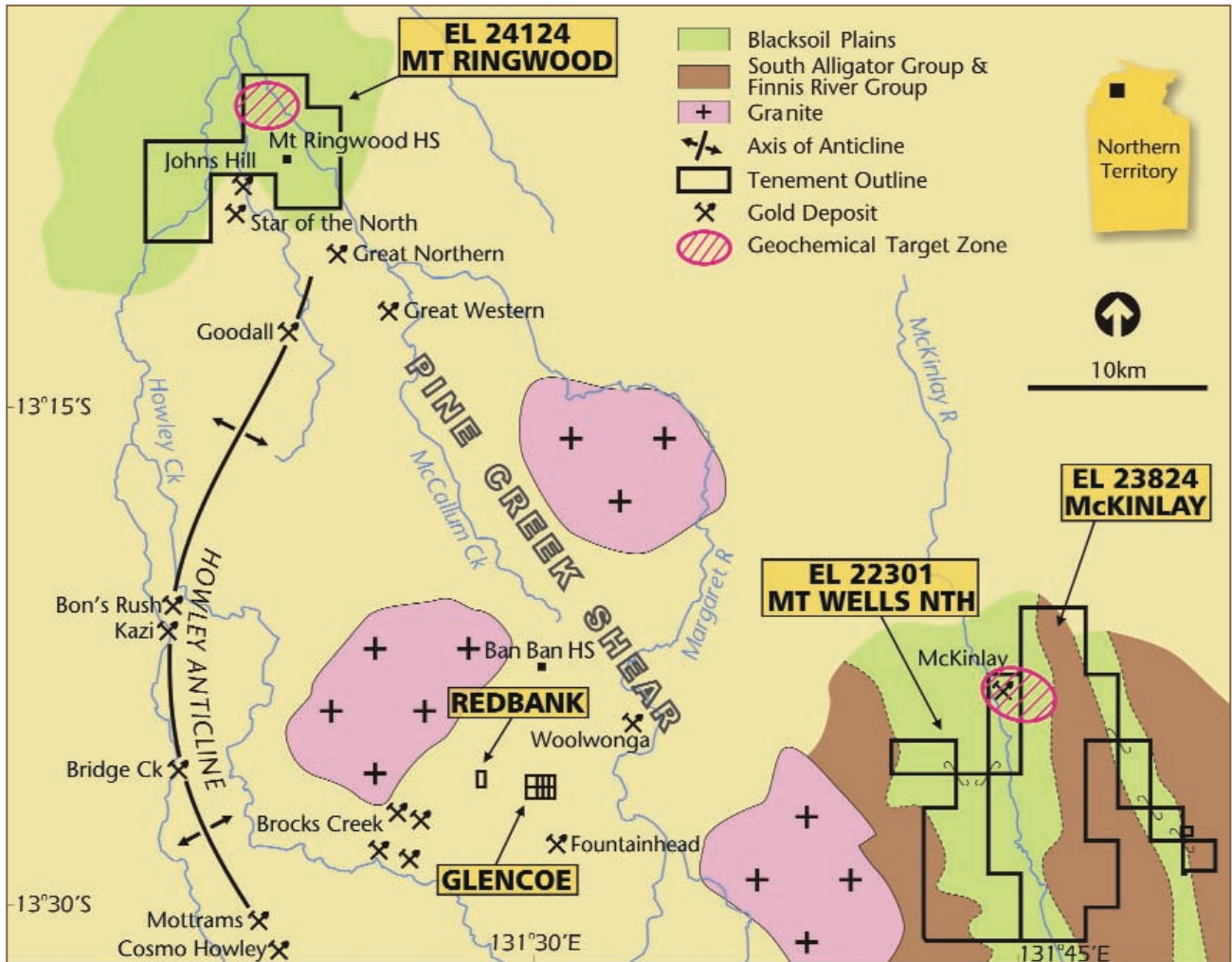


Figure 6: Project Areas and geological features which influence mineralisation, Pine Creek Region

In the first, targets defined by interpretation of regional geological (structural and stratigraphic) features, and the distribution gold deposits in exposed terrains are refined by interpretation of airborne regional magnetic datasets, and tested geochemically by drilling through the black soil to geochemically sample the underlying bedrock. Initial target areas are shown on Figure 6. The first of these drilling surveys, in EL 24142, is scheduled for completion during the latter part of the northern dry season (October 2007). This program will continue in the 2008 dry season, as will the deeper drill-testing of any mineralisation indicated by the geochemical sampling.

An alternative exploration approach has been demonstrated by Company-sponsored research which has trialled for the first time in the tropics, the techniques successfully developed in the more arid Tanami region in the central Northern Territory. These techniques rely on sampling biota which reflect the underlying bedrock. Certain parts of selected vegetation species and termite mound materials are sampled, and carefully processed and analysed for gold and other elements. Orientation work so far completed has provided sufficient encouragement to warrant systematic testing, with the potential to significantly refine the area selection process for the more expensive geochemical drilling reconnaissance.

PROJECTS –  
**OTAGO REGION**  
 SOUTH ISLAND, NEW ZEALAND

A U S T R A L A S I A   G O L D   L I M I T E D

After completing the second round of drilling the Wetherstones gold deposit, the Company has embarked upon a new reconnaissance strategy in the Otago Region in joint venture with Glass Earth Limited.

The second drill program at Wetherstones tested the alluvial gold-bearing horizon more extensively than the first, and confirmed the results of the initial round of holes – i.e. widespread low grade gold on the target contact, with maximum values around 1m @ 5 grams gold/tonne (holes 59-79, *Figure 7*).

These results fell short of the grades and thicknesses required for economic development, and accordingly the program has been terminated. The drilling brought total expenditure at Wetherstones to a little less than \$200,000, providing a cost-effective test of the major opportunity represented by the prospect,

Our new approach in the Otago Region involves Prospecting Permits (PP's) 329 and 266 – (*Figure 8*), which cover major centres of historic alluvial gold production. These have been included in a JV with the New Zealand subsidiary of Glass Earth Ltd. Glass Earth has undertaken a region-wide, helicopter-borne, geophysical survey, generating the first regional magnetic and electromagnetic data for this district.

Interpretation of the data over the Australasia Gold Permit areas will have the benefit of regional context and orientation over known gold deposits in the region, including Macraes. The results will be used to target areas of basement rocks potentially hosting primary gold-bearing lodes which may be concealed beneath river terrace gravels and the residues of the alluvial mining. These will be explored by ground geophysics, and then drilling.

Glass Earth has advised that flying of ~1,240 line km has been completed over PP's 329 and 266 and that data processing and interpretation is proceeding. Glass Earth will earn 70% equity in the tenements by flying the airborne survey and processing the data, after which the Company has the option to contribute to continuing exploration.

In 2007-08 the Company expects to contribute to the commencement of exploration of targets identified from the geophysical data.

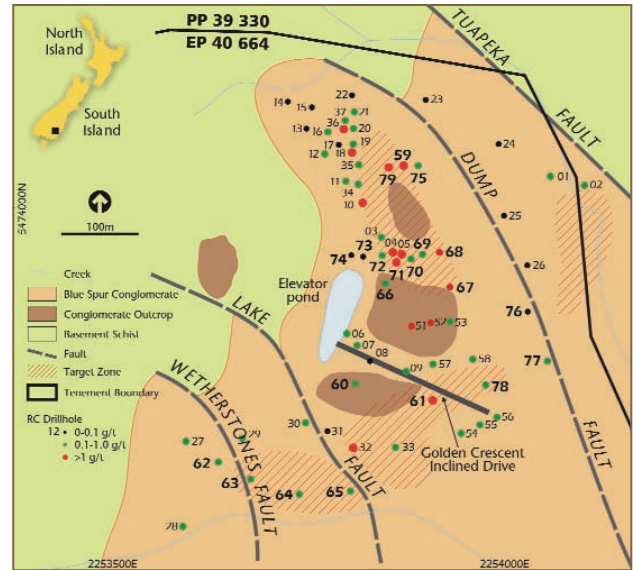


Figure 7: *Drilling Locations and Geology at Wetherstones*

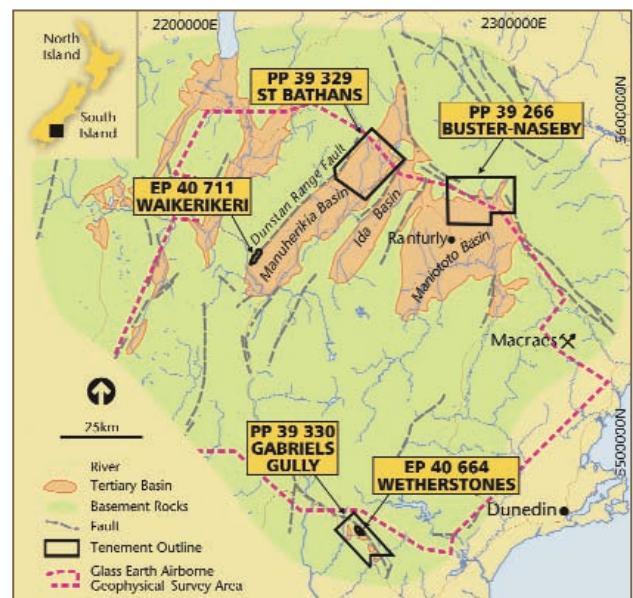


Figure 8: *New Zealand Tenement Locations*

PROJECTS –  
**LUCKNOW, LACHLAN FOLD BELT,**  
NEW SOUTH WALES  
(100%)

A U S T R A L A S I A   G O L D   L I M I T E D

The Lucknow EL 6040 covers a series of volcanic and sedimentary rocks with granitoid intrusions. In the immediately adjoining region similar rocks contain a number of significant gold and copper-gold orebodies including Cadia, Ridgeway, Browns, and Lucknow. In the area of EL 6040, however, these prospective rocks are blanketed by younger volcanic lavas and associated sediments up to several tens of metres thick, obscuring the prospective basement rocks.

The magnetic data reflects the characteristics of the basement rocks, not significantly distorted by the influence of the volcanic cover rocks. Six of twelve targets interpreted from the magnetic data were tested by drilling into the underlying prospective rocks (*Figure 9*). Five of these responded positively to this initial test revealing geological and/or geochemical indications of mineralisation.

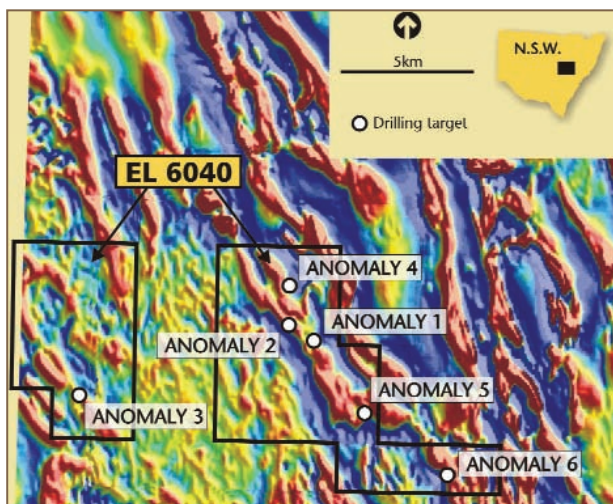


Figure 9: *Locations of magnetic anomalies tested by geochemical drilling traverses*

It was concluded that further exploration of this attractive target area requires specialised knowledge and a level of focus not warranted by our limited landholding in the region. Inquiries were initiated with a view to farmout or divestment. The Company entered into an “Option to Sell” agreement with a private company during August. If completed, the transaction would result in the Company receiving a cash payment of \$150,000, and retaining a 1% revenue-based royalty over the value of future production.

## PROJECT GENERATION

Building the project portfolio by investment in appropriate projects is a core activity of the Company. Our objective is both to deepen the portfolio by adding quality prospects around existing project areas, and to broaden the portfolio by the establishment of new projects in highly prospective areas.

Appraisals have been undertaken and are continuing, of farmin and acquisition opportunities, within Australia and in Asia and Europe. In all, some 30 opportunities, equally divided between domestic and international have been considered, and the Murninnie acquisition completed during the year under review.

The Board believes that both the Gawler Craton and the Pine Creek regions are highly prospective for future discoveries of copper and associated metals, and gold, respectively. It considers that the Company has a competitive edge in both regions based on its existing projects. Accordingly the project generation effort will continue to focus on targeted acquisitions or farmins on the Gawler Craton, and the acquisition of additional areas for reconnaissance in the Pine Creek region. In addition we seek to establish projects in selected Australian gold fields, and will continue to review international project opportunities which come to our attention.

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Trevor Ireland who is a fellow of the Australasian Institute of Mining & Metallurgy. Mr Ireland is an employee of Australasia Gold Limited and has sufficient experience relevant to the styles of mineralisation under consideration and to the subject matter of the report to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Ireland consents to the inclusion in the report of the matters based on his information in the form and context in which they occur.*

## TENEMENT SCHEDULE

A U S T R A L A S I A G O L D L I M I T E D

Tenement No.	Registered Holder	Area (ha/sq km)	Application/Grant date	Expiry date
<b>Northern Territory</b>				
<b>Glencoe</b>				
MCN 3578	The Australian Land Company Ltd	40 ha	7 Aug 1990	5 Oct 2007 *
MCN 4248	The Australian Land Company Ltd	39.69 ha	13 Mar 1992	31 Dec 2011
MCN 20	The Australian Land Company Ltd	20 ha	16 May 1983	5 Oct 2010
MCN 21	The Australian Land Company Ltd	20 ha	16 May 1983	5 Oct 2010
MCN 22	The Australian Land Company Ltd	20 ha	16 May 1983	5 Oct 2010
MCN 23	The Australian Land Company Ltd	20 ha	16 May 1983	5 Oct 2010
MCN 24	The Australian Land Company Ltd	20 ha	16 May 1983	5 Oct 2010
MCN 25	Magnum Gold NL	20 ha	16 May 1983	5 Oct 2010
<b>Redbank</b>				
MCN 4254	The Australian Land Company Ltd	39.6 ha	13 Mar 1992	31 Dec 2011
<b>Star of the North</b>				
MLN 875	The Australian Land Company Ltd	7.9 ha	13 Mar 1980	31 Dec 2020
MLN 876	The Australian Land Company Ltd	7.9 ha	13 Mar 1980	31 Dec 2020
MLN 877	The Australian Land Company Ltd	7.9 ha	13 Mar 1980	31 Dec 2020
MLN 883	The Australian Land Company Ltd	7.9 ha	13 Mar 1980	31 Dec 2020
<b>Great Northern</b>				
MLN 878	The Australian Land Company Ltd	7.8 ha	13 Mar 1980	31 Dec 2020
MLN 879	The Australian Land Company Ltd	7.8 ha	13 Mar 1980	31 Dec 2020
<b>Great Western</b>				
MLN 880	The Australian Land Company Ltd	7.96 ha	13 Mar 1980	31 Dec 2020
MLN 881	The Australian Land Company Ltd	7.78 ha	13 Mar 1980	31 Dec 2020
MLN 882	The Australian Land Company Ltd	7.78 ha	13 Mar 1980	31 Dec 2020
<b>Johns Hill</b>				
MLN 872	The Australian Land Company Ltd	7.8 ha	13 Mar 1980	31 Dec 2020
MLN 873	The Australian Land Company Ltd	8 ha	13 Mar 1980	31 Dec 2020
MLN 874	The Australian Land Company Ltd	8 ha	13 Mar 1980	31 Dec 2020
<b>Mt Ringwood</b>				
EL 24142	Australasia Gold Limited	17 sub blocks	7 Oct 2004	3 Oct 2010
<b>Porters</b>				
MLN 816	The Australian Land Company Ltd	8.09 ha	22 Apr 1976	31 Dec 2019
<b>Good Shepherd</b>				
MLN 898	The Australian Land Company Ltd	8 ha	10 Oct 1980	31 Dec 2020
<b>Mt Wells North</b>				
EL 22301	Territory Resources Ltd (51%) Softwood Plantations Pty Ltd (49%)	16 sub blocks	14 Apr 2003	13 Apr 2009
<b>McKinlay</b>				
EL 23824	Softwood Plantations Pty Ltd	31 sub blocks	12 Feb 2004	8 Feb 2010
<b>Maud Creek</b>				
EL (A) 6674	The Australian Land Company Ltd	10 sq km	1989	N/A
<b>Rock's Ridge</b>				
MCN (A) 5115	Softwood Plantations Pty Ltd	30 ha	20 Sep 1996	N/A

\* Application for renewal lodged 4 July 2007

Tenement No.	Registered Holder	Area (ha/sq km)	Application/Grant date	Expiry date
<b>New South Wales</b>				
Lachlan EL 6040	The Australian Land Company Ltd (Under option for sale)	65 sq km	21 Jan 2003	21 Jan 2007
<b>South Australia</b>				
Murninnie PM 156	JT Lunnay et. al. (Australasia (Gold Ltd 90% by agreement)	32.48 ha	1929	N/A
EL 3542	JT Lunnay et. al. (Australasia (Gold Ltd 90% by agreement)	67 sq km	19 April 2006	18 April 2011
Lochiel EL 3902	Australasia Gold Limited	419 sq km	27 Aug 2007	26 Aug 2008
<b>Otago – New Zealand</b>				
Wetherstones EP 40 664 PP 39 265	Australasia Gold Limited Australasia Gold Limited	310 ha 101.4 sq km	23 Apr 2004 18 May 2004	22 Apr 2009 22 Sep 2008
Waikerikeri PP 39 178	Australasia Gold Limited (30% equity joint venture Glass Earth Ltd)	596.9 ha	12 Nov 2004	11 Nov 2009
Buster-Naseby PP 39 266	Australasia Gold Limited (30% equity joint venture Glass Earth Ltd)	274.6 sq km	1 Jun 2004	1 Jun 2008
St Bathans PP 39 264	Australasia Gold Limited	250 sq km	18 May 2004	21 Sep 2008



*Termite mound, Pine Creek Region, Northern Territory*

In March 2003 the Australian Stock Exchange Corporate Governance Council ("ASXCGC") released its best practice recommendations based on ten core principles for corporate governance. These recommendations were not intended to be prescriptions to be followed by all ASX listed companies, but rather guidelines designed to produce an efficiency, quality or integrity outcome. The Corporate Governance Council has recognised that a "one size fits all" approach to Corporate Governance is not required. Instead, it states aspirations of best practice for optimising corporate performance and accountability in the interests of shareholders and the broader economy. A company may consider that a recommendation is not appropriate to its particular circumstances and has flexibility to not adopt it and explain why.

Australasia Gold Limited to date has not adopted the ASXCGC best practice recommendations other than those specifically identified and disclosed below because the Board believes that it cannot justify the necessary cost given the size and early stage of its life as a listed exploration company. However the Board is committed to ensuring that appropriate Corporate Governance practices are in place for the proper direction and management of the Company.

This statement outlines the main Corporate Governance practices of the Company disclosed under the principles outlined in the ASXCGC including those that comply with best practice that, unless otherwise disclosed, were in place during the whole of the financial year ended 30 June 2007.

### **Principle 1: Lay solid foundations for management and oversight**

#### **Role of the Board**

The Board is governed by the Corporations Act 2001, ASX listing rules and a formal constitution.

The Board's primary role is the protection and enhancement of shareholder value.

The Board takes responsibility for the overall Corporate Governance of the Company including its strategic direction, management goal setting and monitoring, internal risk control, risk management and financial reporting.

#### **Board processes and management**

The Board has an established framework for the management of the company including a system of internal control, a business risk management process and appropriate ethical standards.

The Board appoints a Managing Director with responsibility for the day to day management of the Company including management of financial, physical, and human resources, development and implementation of risk management, internal control and regulatory compliance policies and procedures, recommending strategic direction and planning for the operations of the business and the provision of relevant information to the Board.

### **Principle 2: Structure the Board to add value**

#### **Composition of the Board**

The names of the directors of the Company and terms in office at the date of this Statement together with their experience and expertise are set out in the Directors' Report section of this report. The directors' terms in office are considered appropriate in view of the fact that the company listed in January 2006.

The composition of the Board consists of four directors of whom three, including the Chairman, are non-executives. Mr Roberts' role as Chairman of the Board is separate from that of the managing Director, Mr Ireland who is responsible for the day to day management of the Company and is in compliance with the ASXCGC best practice recommendation that these roles not be exercised by the same individual.

The Company's constitution stipulated that the number of directors must be at least three and no more than ten. The Board may at any time appoint a director to fill a casual vacancy. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors (other than the Managing Director) are subject to re-election at least every three years. The tenure for executive directors is linked to their holding of executive office.

The Board has not established a nominations committee because of the small size of both the Board and the Company. The Board believes however in the renewal of members to ensure the ongoing vitality of the Company, and will seek to recruit additional members as appropriate.

All directors are entitled to take such legal advice as they require at any time, and from time to time, on any matter concerning or in relation to their rights, duties, and obligations as directors in relation to the affairs of the Company.

**Principle 3: Promote ethical and responsible decision making****Ethical standards**

The Company aims for a high standard of corporate governance and ethical standard by directors and employees.

Directors are expected to use skills commensurate with their knowledge and experience to increase the value of Company assets. Directors must also maintain strict confidentiality in relation to Company matters.

All directors are required to provide the Company with details of all securities registered in the director's name or an entity in which the director has a relevant interest within the meaning of section 9 of the Corporations Act 2001 and details of all contracts, other than contracts to which the Company is a party to which the director is a party or under which the director is entitled to a benefit, and that confer a right to call for or deliver shares in the Company and the nature of the director's interest under the contract.

Directors are required to disclose to the Board any material contract in which they may have an interest. In accordance with section 195 of the Corporations Act 2001, a director having a material personal interest in any matter to be dealt with by the Board, will not be present when that matter is considered by the Board and will not vote on that matter.

**Trading in the Company's Securities**

Directors, officers and employees are not permitted to trade in securities of the Company at any time whilst in possession of price sensitive information not readily available to the market. Section 1043A of the Corporations Act 2001 also prohibits the acquisition and disposal of securities where a person possesses information that is not readily available and which may reasonably be expected to have a material effect on the price of the securities if the information was generally available. In particular, trading in Company securities is prohibited within 3 days prior to, and one day following material announcements to ASX.

**Principle 4: Safeguard integrity in financial reporting**

**The Managing Director and Chief Financial Officer provide a certificate to the Board regarding the Financial Reports providing a true and fair view in accordance with accounting standards.**

**Audit Committee**

Australasia Gold Limited was not a Company required by ASX Listing Rule 12.7 to have an Audit Committee during the year, although it is a best practice recommendation of the ASXCGC. Those activities, normally the responsibility of an audit committee, are undertaken by the Board as a whole.

**Principle 5: Make timely and balanced disclosure****Continuous Disclosure**

The Company operates under the continuous disclosure requirements of the ASX Listing Rules and ensures that all information, apart from information which is confidential, and ASX has not formed the view that the information has ceased to be confidential, which may be expected to affect the value of the Company's securities or influence investment decisions is released to the market in order that all investors have equal and timely access to material information concerning the Company. This information is made publicly available on the Company's website following release to the ASX.

**Principle 6: Respect the rights of shareholders****Communication with shareholders**

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. In accordance with the ASXCGC best practice recommendations, information is communicated to shareholders as follows:

- The annual financial report which includes relevant information about the operations of the Company during the year, changes in the state of affairs of the entity and details of future developments, in addition to other disclosures required by the Corporations Act 2001;
- The half yearly financial report lodged with the Australian Stock Exchange and Australian Securities and Investments Commission and sent to all shareholders who request it;
- Notifications relating to any proposed major changes in the Company which may impact on share ownership rights that are submitted to a vote of shareholders;
- Notices of all meetings of shareholders;
- Publicly released documents including the full text of notices of meetings and explanatory material made available on the Company's internet web-site at [www.australasiagold.com.au](http://www.australasiagold.com.au); and
- Disclosure of the Company's Corporate Governance practices and communications strategy on the internet web-site.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The external auditor of the Company is also invited to the Annual General Meeting of shareholders and is available to answer any questions concerning the conduct, preparation and content of the auditor's report. Pursuant to Section 249K of the Corporations Act 2001 the external auditor is provided with a copy of the notice of meeting and related communications received by shareholders.

**Principle 7: Recognise and manage risk****Risk Assessment and Management**

The Board recognises that there are inherent risks associated with the Company's operations including mineral exploration, environmental, title, native title, legal, and other operational risks.

The Board endeavours to mitigate such risks by continually reviewing the activities of the Company in order to identify key business and operational risks and ensuring that they are appropriately assessed and managed.

**Principle 8: Encourage enhanced performance****Performance Evaluation**

The Board evaluates the performance of the Managing Director on a regular basis and encourages continuing professional development.

**Principle 9: Remunerate fairly and responsibly****Remuneration Policy**

The Company's Constitution specifies that the total amount of remuneration of non-executive directors shall be fixed from time to time by a general meeting. The current maximum aggregate remuneration of non-executive directors is set at \$100,000 per annum. Directors may apportion any amount up to this maximum amount amongst the non-executive directors as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in performing their duties as directors.

The remuneration of the Managing Director is determined by the Board as part of the terms and conditions of his employment which are subject to review from time to time. The remuneration of employees is determined by the Managing Director subject to the approval of the Board.

Further details of directors' and executives/officers' remuneration, superannuation and retirement payments are set out in the Directors' Report.

**Principle 10: Recognise the legitimate interests of stakeholders****Code of Conduct**

The Company requires all its directors and employees to abide by the highest standards of behaviour, business ethics, and in accordance with the law. In discharging their duties, Directors of the Company are required to:

- Act in good faith and in the best interests of the Company;
- Exercise care and diligence that a reasonable person in that role would exercise;
- Exercise their powers in good faith for a proper purpose and in the best interests of the Company;
- Not improperly use their position or information obtained through their position to gain a personal advantage or for the advantage of another person to the detriment of the Company;
- Disclose material personal interests and avoid actual or potential conflicts of interests;
- Keep themselves informed of relevant Company matters;
- Keep confidential the business of all directors meetings; and
- Observe and support the Board's Corporate Governance practices and procedures.

Your Directors present their report on the financial statements of the Company and its consolidated entities for the year ended 30 June 2007.

### Review of Operations

During the year, the Company carried out exploration on its tenements with the objective of identifying economic deposits of gold, and other metals.

The Chairman's report and the Managing Director's report are contained in the Annual Report and contain a review of operations.

### Principal Activities

The principal continuing activity of the Consolidated entity is the exploration for and development of economic deposits of gold and other minerals.

### Results

The net result of operations for the year was a loss, after income tax of \$1,629,969. (2006: \$146,717). The result was influenced by writing down the value of assets in New Zealand totalling \$1,203,638

### Dividends

No dividends were declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

### Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated entity other than that referred to in the financial statements or notes thereto.

### Matters Subsequent to Balance Date

On 24th July 2007, at an extraordinary general meeting of members of the Company, the following resolutions were approved:

- Approval for the issue of 1,100,000 ordinary shares to members of the Murninnie Mining Syndicate to increase equity in the Murninnie project to 90%
- Ratification of a prior issue of 4,545,453 ordinary shares, pursuant to an underwriting agreement for a Shareholder Share Purchase Plan
- Approval for the issue of 1,000,000 options to acquire ordinary shares, pursuant to an underwriting agreement for a Shareholder Share Purchase Plan

The securities approved for issue by shareholders at this meeting were subsequently issued on 30 July 2007.

Other than as stated above or referred elsewhere in the financial report, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect;

- i) The operations of the Consolidated entity or the results of those operations
- ii) The state of affairs of the Consolidated entity in the financial years subsequent to 30 June 2007.

### Future Developments

Disclosure of information regarding likely developments in the operations of the Consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated entity. Accordingly, this information has not been disclosed in this report.

### Environment

The Consolidated entity recognises the importance of sound environmental practice. It encourages environmental awareness by all of its employees and contractors with the objective of achieving standards of management, which, as a minimum, comply with existing Government legislation and regulations.

### Directors

Directors of Australasia Gold Limited in office at any time during, or since the end of, the year:

**John Roberts** BSc, FAusIMM – *Non-Executive Chairman*

John Roberts is a geologist with 50 years experience in the mineral exploration and mining industries in Australia and the USA. During that time he has been involved in a number of new mine developments and re-developments. John was responsible for Homestake Gold of Australia Ltd's activities from 1977 to 1993 and served as Managing Director from 1987 when the company listed publicly in Australia.

Mr Roberts was chairman of Ballarat Goldfields NL from mid 1997 to 2002. He was also a director of Australian Resources Limited from 1993 to 1999, including 4 years as chairman. He served as a director of Nord Pacific Limited from 1994 to 2004 including as chairman for the last 2 years. Mr Roberts is currently chairman of Mithril Resources Limited, an Adelaide based publicly listed nickel exploration company. John is also an ex-officio member of the South Australian Minerals and Petroleum Export Group whose members act as ambassadors to accelerate investment in South Australia's resources sector. He also serves on other university and education oriented committees.

He is the current president of the South Australian Chamber of Mines and Energy Incorporated, and chairman of the Discipline of Geology and Geophysics Industry Liaison Committee, University of Adelaide.

**Trevor Ireland** MSc, FAusIMM, GAICD – *Managing Director*

Trevor Ireland holds an Honours Degree in Economic Geology (Adelaide University), a Masters Degree in Exploration and Mining Geology (Leicester University) and a Diploma of the Australian Institute of Company Directors. In a career spanning more than 35 years Mr Ireland has been associated with numerous mineral discoveries, economic evaluations, and mine developments in the Northern Territory, Western Australia, and West Africa. During the past 11 years he has served on the boards of a number of public companies including Normandy NFM Limited from 1995-99.

**Norton Jackson** AM, FTSE, ME – *Non-Executive Director*

Norton Jackson has worked in mining, milling, and minerals separation and applied research for 25 years. Mr Jackson has served as director of mining companies and academic research organisations for 20 years. He is a non-executive director of Centrex Metals Ltd and Energy Exploration Ltd.

**Mick Billing** BBus, ASA – *Non-Executive Director/Company Secretary*

Mick Billing is an accountant with in excess of 30 years of mining industry experience in company secretarial, senior commercial, and chief financial officer roles including lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has had experience with corporate governance issues, debt and equity raising, and project evaluation and feasibility studies in Australia and overseas, and consults to a number of companies in these fields.

He is a director of Southern Gold Limited, and Western Desert Resources Limited. During the year he was also an alternative director of Flinders Diamonds Limited, which position terminated on 14th August 2007.

### Directors' Shareholdings (audited)

The following table sets out each director's relevant interest in shares in the Consolidated entity as at the date of this report.

#### 2007

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
J B Roberts	123,139	136,000	716,736	45,000
T J Ireland	832,161	117,418	404,581	58,709
N Jackson	270,889	33,000	457,278	5,000
M R Billing	36,111	48,000	351,389	12,500

#### 2005

Director	Shares		Options	
	Direct	Indirect	Direct	Indirect
J B Roberts	100,139	110,000	716,736	55,000
T J Ireland	809,161	207,418	404,580	98,709
N Jackson	247,889	20,000	457,278	10,000
M R Billing	36,111	25,000	351,389	12,500

*The above table includes shares held by "director-related entities".*

### Remuneration Report (audited)

This report describes the remuneration arrangements in place for directors and executives of Australasia Gold Limited

The names of the directors of the Consolidated entity during or since the end of the financial year are: J B Roberts, T J Ireland, N Jackson, and M R Billing.

#### Remuneration Policy (audited)

The remuneration policy is designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration package to non executive directors and time based remuneration to executive directors. The board of Australasia Gold believes the policy to be appropriate and effective in attracting and retaining the best directors and executives to manage and direct the consolidated entity.

All remuneration paid to directors and executives is valued at the cost to the economic entity and expensed. Share options issued to directors as part of remuneration packages have been valued and charged against profit/loss.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based upon market practice, duties, and, accountability. Independent external advice is sought when required. The maximum aggregate of fees that can be paid to non-executive directors is subject to approval by shareholders (currently \$100,000). Fees for non-executive directors are not linked to the performance of the Consolidated entity.

#### Performance Based Remuneration (audited)

The Consolidated entity currently has no performance based remuneration component built into director and executive remuneration packages.

The Consolidated entity has one executive director, and three non-executive directors. The managing director is paid a salary, while non-executive directors are paid directors' fees. The directors do not currently participate in any incentive scheme. Directors' option holdings are disclosed under Directors' Shareholdings above.

## DIRECTORS' REPORT

A U S T R A L A S I A G O L D L I M I T E D

Remuneration packages contain the following key elements:

- a) Primary benefits – salary/fees;
- b) Post employment benefits – superannuation

The following table discloses the remuneration of its directors of the Consolidated entity.

2007	Salary & Fees \$	Post Employment \$	Total \$
J B Roberts	25,000	-	25,000
T J Ireland	169,140	14,985	184,125
N Jackson	20,000	-	20,000
M R Billing	37,300	2,400	39,700
Total	251,440	17,385	268,825

2006	Salary & Fees \$	Post Employment \$	Total \$
J B Roberts	18,750	-	18,750
T J Ireland	221,332	75,582	296,914
N Jackson	15,000	-	15,000
M R Billing	21,600	1,800	23,400
Total	276,682	77,382	354,064

### Remuneration Objectives – Executive Officers and Senior Management (audited)

To achieve its objectives of discovery of economic resources in a cost effective manner, Australasia Gold aims to attract and retain a skilled senior management team focussed upon contributing to that objective. To do this the Board has established a principle of offering competitive remuneration packages.

### Service Agreement – Managing Director (audited)

Remuneration and other items of employment for the Managing Director, Mr Trevor Ireland, are contained in a service agreement formalised by the Board. The major provisions are as follows:

- Mr Ireland agrees to provide his services for 2 years commencing from the listing of the company on the Australian Stock Exchange on 18 January 2006
- Remuneration of \$183,000 per annum plus statutory superannuation.
- Termination without cause by the company with the provision of 6 months notice in the first year of the contract and with the provision of 3 months notice during the second year of the contract.

### Service Agreement – Non-executive directors (audited)

The Consolidated entity entered into service agreements with an entity associated with Mr Billing from 18 January 2006, with a term covering his term as a director, according to the constitution of the Company. Details of the current service agreements are set out below:

Director	Associated Entity	Terms
M R Billing	MBB Trading Pty Ltd	Daily rate of \$800

### Meetings of Directors

The number of meetings of the Company's Board of Directors attended by each Director during the year ended 30 June 2007 were:

	Number of Board Meetings Held	Number of Board Meetings Attended
J B Roberts	16	16
T J Ireland	16	16
N Jackson	16	16
M R Billing	16	16

This report is made in accordance with a resolution of the Directors, dated 19th September, 2007.



**T J Ireland**  
Director



**M R Billing**  
Director

## DIRECTORS' DECLARATION

A U S T R A L A S I A G O L D L I M I T E D

The Directors of the Company declare that:

- 1** The financial statements and notes as set out on pages 24 to 41 are, in accordance with the Corporations Act 2001:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated group.
  
- 2** The Chief Executive Officer and Chief Finance Officer have each declared that:
  - a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial year give a true and fair view;
  
- 3** In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**T J Ireland**  
Director

Dated this 19th September, 2007

## AUDITORS' INDEPENDENCE DECLARATION

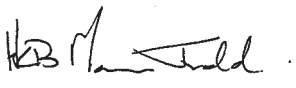
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

A U S T R A L A S I A   G O L D   L I M I T E D

### To the Directors of Australasia Gold Limited

As lead auditor for the audit of Australasia Gold Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

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



**HLB MANN JUDD**  
(SA Partnership)  
Chartered Accountants



**PHIL PLUMMER**  
PARTNER

Adelaide, 19 September 2007

# AustralasiaGold

LIMITED

FINANCIAL

REPORT

2007

## Contents

Income Statement	24
Balance Sheet	25
Cash Flow Statement	26
Statement of Change in Equity	27
Notes to the Financial Statements	28

CONSOLIDATED  
INCOME STATEMENT FOR THE  
YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

	Notes	Consolidated		Parent entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenues	2	144,604	82,285	144,604	82,285
Expenses from ordinary activities					
– Exploration expenses written off		(1,253,173)	-	(449,283)	-
– Allowance for write down in investment in subsidiary		-	-	(571,890)	-
– Doubtful debts allowance – subsidiary		-	-	(232,000)	-
– Salaries wages and oncosts		(140,911)	(55,543)	(140,911)	(55,543)
– Audit and accounting fees	17	(17,505)	(15,750)	(17,505)	(15,750)
– Consulting Fees – director-related entity		(22,340)	(11,860)	(22,340)	(11,860)
– Directors fees		(65,000)	(46,950)	(65,000)	(46,950)
– Insurance		(36,073)	(30,575)	(36,073)	(30,575)
– Other consulting expenses		(13,263)	(25,784)	(13,263)	(25,784)
– Shareholder relations		(133,071)	(10,081)	(133,071)	(10,081)
– Other expenses from ordinary activities		(68,781)	(39,196)	(66,395)	(39,196)
– Share based remuneration	14	(21,848)	-	(21,848)	-
– Depreciation		(2,547)	(281)	(2,547)	(281)
– Foreign exchange gain/(loss)		(61)	7,018	(61)	-
Net profit (loss) before income tax expense		(1,629,969)	(146,717)	(1,627,583)	(153,735)
Income tax expense	3	-	-	-	-
Profit (loss) after related income tax expense		(1,629,969)	(146,717)	(1,627,583)	(153,735)
Profit (loss) attributable to members of the parent entity		(1,629,969)	(146,717)	(1,627,583)	(153,735)
Basic earnings per share (cents/share)	22	(4.74)	(0.645)		
Diluted earnings per share (cents/share)	22	(4.74)	(0.645)		

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

CONSOLIDATED  
BALANCE SHEET AS AT  
30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

	Notes	Consolidated		Parent entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalents	4	3,195,521	2,398,941	3,177,487	2,398,939
Other receivables	5	61,664	64,681	61,664	64,681
Other current assets	6	5,430	4,928	5,430	4,928
Total Current Assets		3,262,615	2,468,550	3,244,581	2,468,548
<b>Non-current Assets</b>					
Receivables	7	20,000	20,000	1,711,029	673,228
Other financial assets	8	-	-	948,544	1,520,434
Plant and equipment	9	11,437	7,145	11,437	7,145
Exploration & Evaluation Expenditure	10	2,987,882	2,793,985	346,341	597,937
Total Non-Current Assets		3,019,319	2,821,130	3,017,351	2,798,744
<b>Total Assets</b>		<b>6,281,934</b>	<b>5,289,680</b>	<b>6,261,932</b>	<b>5,267,292</b>
<b>Current Liabilities</b>					
Trade and other payables	11	331,024	34,282	331,024	34,282
Short term provisions	12	23,602	7,989	23,602	7,989
Total Current Liabilities		354,626	42,271	354,626	42,271
<b>Non-current Liabilities</b>					
Long term provisions	12	12,399	2,596	12,399	2,596
Total Non-Current Liabilities		12,399	2,596	12,399	2,596
<b>Total Liabilities</b>		<b>367,025</b>	<b>44,867</b>	<b>367,025</b>	<b>44,867</b>
<b>Net Assets</b>		<b>5,914,909</b>	<b>5,244,813</b>	<b>5,894,907</b>	<b>5,222,425</b>
<b>Equity</b>					
Issued capital	13	7,785,605	5,502,423	7,785,605	5,502,423
Reserves	14	23,911	7,028	23,911	7,028
Accumulated losses		(1,894,607)	(264,638)	(1,914,609)	(287,026)
<b>Total Equity</b>		<b>5,914,909</b>	<b>5,244,813</b>	<b>5,894,907</b>	<b>5,222,425</b>

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

CONSOLIDATED  
CASH FLOW STATEMENT FOR THE  
YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

	Notes	Consolidated		Parent entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Payments to suppliers and employees		(406,835)	(266,143)	(424,869)	(266,088)
Interest received		129,695	76,858	129,695	76,858
Net cash used in operating activities (Note a)		(277,140)	(189,285)	(295,174)	(189,230)
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment	9	(6,839)	(7,426)	(6,839)	(7,426)
Payments for Exploration & Project Evaluation		(1,110,597)	(207,889)	(1,110,597)	(79,425)
Funding of controlled entity	7	-	-	-	(128,464)
Net cash used in investing activities		(1,117,436)	(215,315)	(1,117,436)	(215,315)
<b>Cash flows from financing activities</b>					
Issue of shares		2,278,656	3,212,680	2,278,656	3,212,680
Capital Raising costs		(87,500)	(588,538)	(87,500)	(588,538)
Net cash provided from financing activities		2,191,156	2,624,142	2,191,156	2,624,142
Net increase/(decrease) in cash held		796,580	2,219,542	778,546	2,219,597
Cash at beginning of year		2,398,941	179,399	2,398,941	179,342
Cash at end of year	4	3,195,521	2,398,941	3,177,487	2,398,939
<b>Note (a): Reconciliation of operating loss after income tax to net cash used in operating activities</b>					
Operating profit/(loss) after income tax		(1,629,969)	(146,717)	(1,627,583)	(153,735)
Add: Depreciation		2,547	281	2,547	281
Foreign exchange (gain)/loss		-	(7,018)	-	-
Asset write downs		1,253,173	-	1,253,173	-
Share based payments		21,848	-	21,848	-
Change in assets and liabilities					
(Increase)/Decrease in Other (Prepayments)		(502)	19,726	(502)	19,726
(Increase)/Decrease in receivables		3,017	(57,986)	(17,403)	(57,986)
Increase/(Decrease) in payables		47,330	(8,156)	47,330	(8,101)
Increase/(Decrease) in provisions		25,416	10,585	25,416	10,585
Net cash used in operating activities		(277,140)	(189,285)	(295,174)	(189,230)

The above cash flow statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT  
OF CHANGE IN EQUITY FOR THE  
YEAR ENDED 30 JUNE 2007

	Consolidated entity				Parent entity			
	Share Capital \$	Accumulated Losses \$	Reserve \$	Total \$	Share Capital \$	Accumulated Losses \$	Reserve \$	Total \$
Balance at 1 July 2005	2,878,281	(117,921)	7,028	2,767,388	2,878,281	(133,291)	7,028	2,752,018
Profit/(loss) attributable to members of the parent entity	-	(146,717)	-	(146,717)	-	(153,735)	-	(153,735)
Issue of Share Capital	2,624,142	-	-	2,624,142	2,624,142	-	-	2,624,142
Balance at 30 June 2006	5,502,423	(264,638)	7,028	5,244,813	5,502,423	(287,026)	7,028	5,222,425
Balance at 1 July 2006	5,502,423	(264,638)	7,028	5,244,813	5,502,423	(287,026)	7,028	5,222,425
Profit/(loss) attributable to members of the parent entity	-	(1,629,969)	-	(1,629,969)	-	(1,627,583)	-	(1,627,583)
Movement in reserve	-	-	16,883	16,883	-	-	16,883	16,883
Issue of Share Capital	2,283,182	-	-	2,283,182	2,283,182	-	-	2,283,182
Balance at 30 June 2007	7,785,605	(1,894,607)	23,911	5,914,909	7,785,605	(1,914,609)	23,911	5,914,907

## 1 Statement of Significant Accounting Policies

### Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is presented in Australian dollars.

### Statement of Compliance

The financial report was authorised for issue on 19 September 2007

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

The financial report covers the consolidated group of Australasia Gold Limited and controlled entities, and Australasia Gold Limited as an individual parent entity. Australasia Gold Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report.

The accounting policies set out below have been consistently applied to all years presented.

### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Critical Accounting Estimates and judgements

In the application of the Group's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. 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 judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

#### a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and bank deposits.

#### b) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Contributions to accumulated benefit superannuation benefit plans are expensed when incurred.

#### c) Exploration and Evaluation Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest, are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- i) the rights to tenure of the area of interest are current; and
- ii) at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale: or
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploration drilling, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are relate directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as defined in AASB 6 "Exploration for and Evaluation of Mineral Resources") suggest that the carrying amount of exploration and evaluation assets may exceed its recoverable amount. The recoverable amount of the exploration and evaluation assets (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset

is tested for impairment, reclassified to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

#### d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit and loss which are initially measured at fair value.

Other financial assets are classified into the following specified categories; 'held to maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit and loss'.

##### *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

##### *Available-for-sale financial assets*

Certain shares and redeemable notes held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined based on quoted market prices. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly on the profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit and loss when the Group's right to receive payment is established.

#### *Loans and Receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

##### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

#### e) Goods and service tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense or;
- ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

**f) Impairment of assets (other than exploration and evaluation)**

At each reporting date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**g) Income tax**

***Current tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantially enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

***Deferred tax***

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the period***

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess of net assets.

**h) Joint ventures**

Interests in jointly controlled assets and operations are reported in the financial statements by including the consolidated entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

**i) Payables**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

**j) Plant and Equipment**

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment – at cost      3-5 years

**k) Principles of Consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

**l) Share-based payments**

Equity-settled share-based payments granted after 7 November 2002 that vest on or after 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

**m) Government grants**

Government grants are assistance by government in the form of transfers of resources to the consolidated entity in return for past or future compliance with certain conditions relating to the operating activities of the entity.

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attached to them and the grant will be received. Government grants whose primary condition is to assist with exploration activities are recognised as deferred income in the balance sheet and recognised as income on a systematic basis when the related exploration and evaluation is written off.

Other government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised as income in the period in which it becomes receivable.

**n) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising from acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2 Revenue</b>				
<b>Operating Activities</b>				
Interest Received	144,604	82,285	144,604	82,285
	144,604	82,285	144,604	82,285
<b>3 Income Tax</b>				
a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax attributable to operating loss as follows:				
Primary facie tax payable on losses before income tax at 30%	(488,991)	(44,015)	(488,275)	(46,121)
Tax effect of:				
Permanent differences				
Share based payment	6,554	-	6,554	-
Income tax attributable to the company	(482,437)	(44,015)	(481,721)	(46,121)
b) Deferred tax asset				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 1(e) occur:				
Temporary differences				
Employee benefits	10,800	3,178	10,800	3,178
Tax Loss				
Operating Losses	482,437	44,015	481,721	46,121
Loss on exploration expenditure	896,365	838,195	103,902	179,381
Loss on capital raising expenses	214,783	181,801	214,783	181,801
	1,604,385	1,067,189	811,206	410,481
c) Reconciliations				
i) Gross movement				
The overall movement in the tax account is as follows:				
Opening balance	1,099,387	811,521	447,290	197,942
(charge)/credit to income statement	482,437	44,015	481,721	46,121
(charge)/credit to equity provisions	32,982	176,561	32,982	176,561
(charge)/credit to balance sheet	58,170	67,290	(75,479)	26,666
Closing balance	1,672,976	1,099,387	886,514	447,290
ii) Deferred tax assets				
The movement in the deferred tax asset for each temporary difference during the year				
Employee benefits				
Opening balance	3,178	-	3,178	-
(charge)/credit to income statement	7,622	3,178	7,622	3,178
Closing balance	10,800	3,178	10,800	3,178

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>3 Income Tax</b> continued				
Capital raising costs				
Opening balance	181,801	5,240	181,801	5,240
(charge)/credit to equity	32,982	176,561	32,982	176,561
Closing balance	214,783	181,801	214,783	181,801
Exploration expenditure				
Opening balance	838,195	770,905	179,381	152,715
(charge)/credit to balance sheet	58,170	67,290	(75,479)	26,666
Closing balance	896,365	838,195	103,902	179,381
<b>4 Cash Assets</b>				
Cash on hand and at bank	272,875	40,896	254,841	40,894
Term deposits	2,922,646	2,358,045	2,922,646	2,358,045
	3,195,521	2,398,941	3,177,487	2,398,939
<b>5 Receivables – Current</b>				
Other receivables	61,664	64,681	61,664	64,681
	61,664	64,681	61,664	64,681
<b>6 Other Current Assets</b>				
Prepaid insurance expenses	5,430	4,928	5,430	4,928
	5,430	4,928	5,430	4,928
<b>7 Receivables – Non-current</b>				
Exploration tenement guarantees	20,000	20,000	-	-
Controlled entities	-	-	1,711,029	673,228
	20,000	20,000	1,711,029	673,228
<b>8 Other Financial Assets – Non-current</b>				
Unlisted investments at cost – controlled entities	-	-	948,544	1,520,434
	-	-	948,544	1,520,434
<b>9 Plant and Equipment</b>				
Plant and equipment at cost	14,265	7,426	14,265	7,426
Less: Accumulated depreciation	(2,828)	(281)	(2,828)	(281)
	11,437	7,145	11,437	7,145

NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

	<b>Consolidated</b>		<b>Parent entity</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>9 Plant and Equipment</b> <i>continued</i>				
Movement schedule for plant and equipment				
Opening written down value	7,145	-	7,145	-
Additions	6,839	7,426	6,839	7,426
Disposals	-	-	-	-
Depreciation	(2,547)	(281)	(2,547)	(281)
Closing written down value	11,437	7,145	11,437	7,145
<b>10 Exploration and Evaluation Expenditure</b>				
Cost brought forward in respect of areas of interest in the exploration and evaluation stage	2,793,985	2,569,683	597,937	509,050
Expenditure incurred during the year	1,447,070	224,302	197,687	88,887
Expenditure written off during the year	(1,253,173)	-	(449,283)	-
Cost carried forward	2,987,882	2,793,985	346,341	597,937
<b>11 Payables</b>				
Trade accounts payable	318,050	28,849	318,050	28,849
Non trade accounts payable	12,974	5,433	12,974	5,433
	331,024	34,282	331,024	34,282
<b>12 Employee Provisions</b>				
The aggregate employee entitlement liability recognised in and included in the financial statements is as follows:				
Provision for employee entitlements				
Current	23,602	7,989	23,602	7,989
Non-current	12,398	2,596	12,398	2,596
	36,000	10,585	36,000	10,585
Movement schedule for employee provisions				
Opening balance	10,585	-	10,585	-
Additional provision	36,653	10,585	36,653	10,585
Entitlement utilised	(11,238)	-	(11,238)	-
Closing balance	36,000	10,585	36,000	10,585
The current provision portion relates to annual leave, while the non-current portion relates to long service leave.				
Number of employees at end of year	7	5	7	5

## Consolidated

2007  
\$Parent entity  
2006  
\$**13 Issued Capital**

Contributed equity comprises  
44,699,637 fully paid ordinary shares (2006: 30,128,212)

7,785,605 5,502,423

Movement in issued shares for the year

Balance at beginning of financial year

2007		2006	
No.	\$	No.	\$
30,138,212	5,502,423	18,067,828	2,878,281

Shares cancelled

- - (4,241,667)

Issued at 15 cents

- - 343,333 51,500

Issued at 20 cents pursuant to public offer

- - 15,593,328 3,118,413

Issued at 20 cents

- - 203,835 40,767

Issued to consultants

- - 161,555 -

Issued at 12.7 cents

592,372 75,000 - -

Issued at 23 cents

150,000 34,500 - -

Issued at 20 cents from exercise of options

7,500 1,500 10,000 2,000

Issued at 13 cents from exercise of options

50,000 6,500 - -

Plus transfer from reserve on conversion of options

- 4,965 - -

Issued at 16.5 cents

13,761,553 2,270,656 - -

Costs associated with the issue of shares

- (109,939) - (588,538)

Balance at end of financial year

44,699,637 7,785,605 30,138,212 5,502,423

The Company has granted options whereby each option is exercisable for conversion into one ordinary share at a price of 20 cents per share, expiring on 1 December 2007.

**Options over ordinary shares**

Options on issue at beginning of period

23,381,658 11,533,915

Options issued during the year

220,000 14,663,798

Options exercised during the year

(57,500) (10,000)

Options cancelled during the year

(2,806,055) -

Options on issue at end of period

23,544,158 23,381,658

NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

**13** Issued Capital *continued*

Grant Date	Date of Expiry	Exercise Price	Number under Option
16-May-03	30-Jun-08	\$ 0.20	1,500
01-Jul-03	30-Jun-08	\$ 0.20	450,000
10-Jul-03	30-Jun-08	\$ 0.20	75,000
05-Sep-03	30-Jun-08	\$ 0.20	390,000
22-Sep-03	30-Jun-08	\$ 0.20	210,000
09-Oct-03	30-Jun-08	\$ 0.20	450,000
31-Dec-03	30-Jun-08	\$ 0.20	514,947
31-Mar-04	30-Jun-08	\$ 0.20	64,133
16-Apr-04	30-Jun-08	\$ 0.20	50,000
22-Apr-04	30-Jun-08	\$ 0.20	3,828,167
22-Apr-04	30-Jun-08	\$ 0.20	176,500
30-Nov-04	30-Jun-08	\$ 0.20	533,334
16-Dec-04	30-Jun-08	\$ 0.20	1,575,389
30-Jun-05	30-Jun-08	\$ 0.20	408,889
24-Jul-05	30-Jun-08	\$ 0.20	101,667
12-Sep-05	30-Jun-08	\$ 0.20	70,000
30-Dec-05	30-Jun-08	\$ 0.20	8,474,632
25-Aug-05	25-Aug-08	\$ 0.40	2,000,000
25-Aug-05	25-Aug-09	\$ 0.60	2,000,000
25-Aug-05	25-Aug-10	\$ 0.80	2,000,000
19-Feb-07	30 Nov 12	\$ 0.13	170,000
			23,544,158

**14** Reserves

	Consolidated		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Employee equity-settled benefits	23,910	7,028	23,910	7,028
	23,910	7,028	23,910	7,028
a) Employee equity-settled benefits reserve				
Balance at beginning of the financial year	7,028	-	7,028	-
Share based payment	21,848	7,028	21,848	7,028
Less: effect of exercise of options	(4,966)		(4,966)	
Balance at end of the financial year	23,910	7,028	23,910	7,028

The employee equity-settled benefits reserve arises on the grant of share options to executives under the executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share based payments to employees is made in *note 15* to the financial statements.

## 15 Share Option Plan

The consolidated entity has an ownership-based compensation plan for employees. In accordance with the provisions of the Employee Share Option Plan, as approved by shareholders at an Annual General Meeting, directors may issue options to purchase shares in the company to employees at an issue price determined by the market price of ordinary shares at the time the option is granted. No directors participate in the Employee Share Option Plan.

In accordance with the terms of the Employee Share Option Plan, options vest at grant date and may be exercised at any time from the date of their issue to the date of their expiry.

Share options are not listed, carry no rights to dividends and no voting rights.

The following share based payment arrangements were in existence during the period:

Options – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair value at grant date
<b>Employee Share Option Plan</b>					
December 2006	170,000	30/11/2006	30/11/2011	\$0.13	\$0.0993

The fair value of options granted during the year is \$0.0993 per option. Options were valued using the Black-Scholes model using the following inputs:

Grant date share price	\$0.13
Exercise price	\$0.13
Calculated volatility	97%
Option expiry	30 November 2011
Risk free interest rate	6.25%

The following reconciles the outstanding share options granted under the Plan at the beginning and end of the financial year:

Share Option Plan	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	-	-	-	-
Granted during the financial year	220,000	\$0.13	-	-
Exercised during the financial year (i)	(50,000)	\$0.13	-	-
Lapsed during the financial year	-	-	-	-
Balance at end of the financial year (ii)	170,000	\$0.13	-	-

### i) Options exercised

The following share options granted under the scheme were exercised during the financial year:

	No.	Grant Date	Expiry Date	Exercise Price	Share price at exercise date
February 2007	50,000	30/11/2006	30/11/2011	\$0.13	\$0.235

No share options granted under the scheme were exercised during the previous financial year:

### ii) Options outstanding at end of the financial year

Options – Series	No.	Grant Date	Expiry Date	Exercise Price
December 2006	170,000	30/11/2006	30/11/2011	\$0.13

## 16 Commitments for Expenditure, Contingent Liabilities and Contingent Assets

### a) Exploration Expenditure Commitments

The Consolidated entity has certain obligations to perform exploration work and expend minimum amounts of money on such works on mineral exploration tenements.

These obligations will vary from time to time, subject to statutory approval. The terms of current and future joint ventures, the grant or relinquishment of licences, and changes to licence areas at renewal or expiry, will alter the expenditure commitments of the Consolidated entity.

Total expenditure commitments at balance date in respect of minimum expenditure requirements not provided for in the financial statements, where the status of the tenements is to remain unchanged, and excluding commitments where a joint venture party has agreed to meet the Consolidated entity's obligations, are approximately:

	2007 \$	2006 \$
Not later than one year:	600,000	273,000
Later than one year but not later than two years:	800,000	350,000
Later than two years but not later than five years:	-	-

### b) Native Title

Native title claims have been made with respect to areas which include tenements in which Australasia Gold Limited has interests. The Consolidated entity is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Consolidated entity or its projects.

### c) Contingent Liabilities

Other than as disclosed above the Consolidated entity has no contingent liabilities at 30 June 2007.

## 17 Remuneration of Directors and Executives

The Consolidated entity has applied the exemption under Corporations Amendments Regulations 2005 which exempts listed companies from providing remuneration disclosures in relation to their specified Directors and specified Executives in their annual financial reports by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities. These remuneration disclosures are provided in the "Remuneration Report" of the Director's Report and designated as "Audited".

## 18 Remuneration of Auditor

	2007 \$	2006 \$
Audit and review of financial reports	16,325	15,750
Other Services	-	-

## 19 Related Party Disclosures

### a) Equity Interests in related parties

#### Equity Interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 25 to the financial statements.

#### Equity Interests in joint ventures

Details of interests in joint ventures are disclosed in Note 20 to the financial statements.

### b) Transactions within wholly owned group

The wholly owned group includes:

- The ultimate parent entity in the wholly-owned group and;
- The wholly-owned controlled entities

The ultimate parent entity in the wholly-owned group is Australasia Gold Limited.

Amounts receivable from the controlled entities are disclosed in Note 7 to the financial statements.

During the financial year Australasia Gold Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

### c) Transactions with directors

The following comprises payments made to entities in which directors have an interest.

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
T J Ireland (Ireland Resource Management Pty Ltd)	2,640	91,800	2,640	91,800
M R Billing (MBB Trading Pty Ltd)	19,700	8,400	19,700	8,400

## 20 Joint Ventures

The Consolidated entity had interests in unincorporated joint ventures at 30 June 2007 as follows:

	Percentage Interest 2007	Percentage Interest 2006
a) Murninnie Joint Venture – Base metals and uranium	45%	0%
b) Otago Joint Venture – gold	100%	100%

#### Notes:

- Under the terms of an agreement between Australasia Gold (SA) Pty Ltd (AAO) and members of the Murninnie Mining Syndicate, AAO acquired a 45% interest in base metal and uranium resources in tenements, Private Mine 156 and EL3542, for \$25,000 cash and \$75,000 in ordinary shares, plus twice yearly payments of \$7,500 cash and 150,000 ordinary shares for twenty four months, or until the Company elects to increase its equity. In addition the Company has the right to increase its equity to 90% on the issue of 1,100,000 ordinary shares. On 30th July 2007 this option was exercised.
- Under the terms of an agreement between the Company & Glass Earth (New Zealand) Ltd ("GENZL") dated 17th May 2007, GENZL has the right to acquire a 70% interest in tenements P39266 and PP39329 in the Otago area of New Zealand upon spending NZ\$150,000 (AUD\$ 136,502) in exploration activities. At 30 June 2007 GENZL had spent NZ\$82,000 (AUD\$ 74,512).

NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2007

A U S T R A L A S I A G O L D L I M I T E D

## 21 Financial Instruments

### a) Interest Rate Risk

The exposure of Australasia Gold Limited to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Floating interest rate	Non-interest Bearing	Total	Weighted average interest rate
<b>2006</b>				
<b>Financial assets</b>				
Cash and deposits	2,398,939	-	2,398,939	5.58%
Receivables	-	64,682	64,682	-
Less: Payables	-	(34,282)	(34,282)	-
<b>Net financial assets</b>	<b>2,398,939</b>	<b>30,400</b>	<b>2,429,339</b>	
<b>2007</b>				
<b>Financial assets</b>				
Cash and deposits	3,152,176	310	3,152,487	6.23%
Receivables	-	61,664	61,664	-
Less: Payables	-	(331,024)	(331,024)	-
<b>Net financial assets</b>	<b>3,152,176</b>	<b>(269,050)</b>	<b>2,883,127</b>	

### b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

Australasia Gold Limited does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments.

### c) Net Fair Value

Methods and assumptions used in determining net fair value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

## 22 Earnings per Share

	Consolidated	
	2007 Cents per Share	2006 Cents per Share
Basic earnings per share/(loss)	(4.74)	(0.645)
Diluted earnings per share/(loss)	(4.74)	(0.645)

## 22 Earnings per Share continued

### Basic and Dilutive Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	\$	\$
<b>Earnings</b>	<b>(1,629,969)</b>	<b>(146,717)</b>
Earnings used in the calculation of basic and diluted earnings per share agree directly to net loss in the statement of financial performance.		
	No.	No.
Weighted average number of ordinary shares used in calculation of earnings per share	34,422,500	22,739,467
Diluted weighted average number of ordinary shares used in calculation of earnings per share. These additional 18,710,697 (2006 9,814,324) securities are considered anti-dilutive and have not been applied in the calculation of diluted earnings per share	57,913,090	41,450,164

## 23 Segment Information

The Consolidated entity operates predominantly in the mining industry, in Australia and New Zealand.

## 24 Events after Balance Date

On 24th July 2007, at an extraordinary general meeting of members of the Company, the following resolutions were approved:

- Approval for the issue of 1,100,000 ordinary shares to members of the Murninnie Mining Syndicate to increase equity in the Murninnie project to 90%
  - Ratification of a prior issue of 4,545,453 ordinary shares, pursuant to an underwriting agreement for a Shareholder Share Purchase Plan
  - Approval for the issue of 1,000,000 options to acquire ordinary shares, pursuant to an underwriting agreement for A Shareholder Share Purchase Plan
- The securities approved for issue by shareholders at this meeting were subsequently issued on 30 July 2007.

Other than as mentioned above, no matters or circumstances have arisen since the end of the financial year that have significantly affected, or may significantly affect;

- The operations of the Consolidated entity or the results of those operations
- The state of affairs of the Consolidated entity in the financial years subsequent to 30 June 2007.

## 25 Controlled Entity

Name of Entity	Country of Incorporation	Ownership Interest	
		2007 %	2006 %
<b>Parent Entity</b> Australasia Gold Limited	Australia		
<b>Controlled Entity</b> Otago Gold Limited	New Zealand	100%	100%
The Australian Land Company Limited	Australia	100%	100%
Australasia Gold (SA) Pty Ltd	Australia	100%	-

## INDEPENDENT AUDIT REPORT

TO MEMBERS OF AUSTRALASIA GOLD LIMITED

A U S T R A L A S I A G O L D L I M I T E D

### To the members of Australasia Gold Limited:

We have audited the accompanying financial report of Australasia Gold Limited ("the company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading "remuneration report" on page 19-20 of the directors' report and not in the financial report. We have audited these remuneration disclosures.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report. In **Note 1**, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Australasia Gold Limited on 18 September 2007, would be in the same terms if provided to the directors as at the time this auditor's report was made.

**Auditor's Opinion on the Financial Report**

In our opinion:

- a) the financial report of Australasia Gold Limited is 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 2007 and of their performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

***Auditor's Opinion on the AASB 124 Disclosures Contained in the Directors' Report***

In our opinion the remuneration disclosures that are contained in page 19-20 of the directors' report comply with Accounting Standard AASB 124.



**HLB MANN JUDD**  
(SA Partnership)  
Chartered Accountants



**PHIL PLUMMER**  
PARTNER

Adelaide, 19 September 2007

## SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 14 September 2007.

### 1 Substantial Equity Holders

Name	Fully Paid Shares	
	Number	Percentage
South Cove Ltd	7,642,333	16.69

### 2 Number of Shareholders

Number of Shareholders	Class of Shares	Voting Rights
900	ORD	Full

### 3 Distribution of Equity Securities

Distribution of holdings:	Number of Holders	Ordinary Shares
1-1,000	51	6,547
1,001-5,000	146	468,946
5,001-10,000	159	1,460,949
10,001-100,000	458	17,555,069
100,001-and over	86	26,038,126
Holding less than a marketable parcel	134	194,822

### 4 Twenty Largest Shareholders

The names of the twenty largest holders of fully paid ordinary shares comprise:

Name	Number Held	Percentage of Issued Shares
South Cove Ltd	7,642,333	16.69
Victory Crest Pty Ltd (Samuel Tusa Family No 2 A/c)	1,000,000	2.18
Mr Trevor John Ireland	832,161	1.81
Australian Investors Pty Ltd	823,000	1.80
K & V Lamb Pty Ltd	503,574	1.10
Rodolfo Antonio Messina Gomez (Rodolfo AM Gomez S/F A/c)	500,198	1.09
Sheoak Runner Pty Ltd	500,000	1.09
ANZ Nominees Limited (Cash Income A/c)	493,580	1.08
Mr Brian Percy Henson (Henson Family S/F A/c)	433,215	0.95
Commodity Traders (NZ) Ltd	423,000	0.92
Summit Twenty Five Pty Ltd (Megalina Super Fund A/c)	423,000	0.92
Mr Gordon Francis Leiblich	419,110	0.92
Miss Christina Mary Leiblich	396,110	0.86
Mr Richard James Leigh Hutchens	323,000	0.71
Gaynor Crago	300,000	0.66
Mr Rowan Scott Hosking	300,000	0.66
Mr Seungjin Ma	300,000	0.66
Sulamerica Investments Pty Ltd	293,156	0.64
Bruca Pty Ltd	273,000	0.60
Mr Paul Damian Kirchner and Mrs Diana Jane Kirchner (Kirch Pastoral S/F A/c)	250,000	0.55
	16,428,437	35.89

## A U S T R A L A S I A G O L D L I M I T E D

The names of the twenty largest holders of quoted 2008 options comprise:

Name	30 June 2008	
	Number Held	Percentage of Issued Options
Drill Investments Pty Ltd	650,000	5.97
Summit Twenty Five Pty Ltd (Megalina Super Fund A/c)	542,500	4.98
Arcon Pty Ltd	500,000	4.59
Rollason Pty Ltd	500,000	4.59
Mr Richard James Leigh Hutchens	410,500	3.77
Mr Stephen Spurrier	300,000	2.75
Mrs Marie-Michelle Kyriakopoulos and Mr John Kyriakopoulos	283,921	2.61
Australian Investors Pty Ltd	250,000	2.30
Sheoak Runner Pty Ltd	250,000	2.30
Commodity Traders (NZ) Ltd	200,000	1.84
WJM Custodians Limited (105288 A/c)	175,000	1.61
ANZ Nominees Limited (Cash Income A/c)	165,000	1.52
Prestige Plumbing Pty Ltd (Superannuation Fund A/c)	150,000	1.38
Bruca Pty Ltd	125,000	1.15
Mr Trevor John Ireland	119,545	1.10
Ms Lai Hing Chan	118,000	1.08
Ms Mary McLeod	106,667	0.98
Mr Paul Grifa + Mrs Nicola Grifa (Grifa family super fund a/c)	100,000	0.92
Mr Brian Percy Henson (Henson Family S/F A/c)	100,000	0.92
Mr Jonathon William Martin	100,000	0.92
	5,146,133	47.28

## CORPORATE DIRECTORY

A U S T R A L A S I A   G O L D   L I M I T E D

**Directors**      **John Barry Roberts** *(Non Executive Chairman)*  
**Trevor John Ireland** *(Managing Director)*  
**Norton Jackson** *(Non Executive Director)*  
**Michael Robert Billing** *(Non Executive Director)*

**Company Secretary**    **Michael Robert Billing**

**Registered Office**    Unit 12, Stirling Tiers  
49 Mt Barker Road  
Stirling South Australia 5152

**Solicitors**            Lynch Meyer Lawyers  
190 Flinders Street  
Adelaide South Australia 5000  
Telephone: +61 8 8223 7600  
Facsimile: +61 8 8223 4348

**Auditors**             HLB Mann Judd  
Chartered Accountants  
82 Fullarton Road  
Norwood South Australia 5067  
Telephone: +61 8 8130 2000  
Facsimile: +61 8 8363 1980

**Bankers**              ANZ Banking Group  
Stirling South Australia 5152

**Website**              [www.australasiagold.com.au](http://www.australasiagold.com.au)

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