Golden Cross Resources Ltd

ABN 65 063 075 178

Half-year Financial Report

31 December 2004

Contents

Company Particulars

Directors:	Christopher Ryan, BEcon, MBA, FAusIMM, ASIA, MPESA *Chairman*
	David Timms, BSc (Hons), PEng, FAusIMM, FAIG *Managing Director*
	Christopher Torrey, MSc, MAIG *Director – Exploration*
	Kerry McHugh, BCom (Hons) *Non-executive Director*
	Daven Timms, BSc LLB (Hons), AMPLA, MAusIMM, ASIA
	Alternate Director to David Timms
Company Secretaries:	Daven Timms, BSc LLB (Hons), AMPLA, MAusIMM, ASIA
	Margaret Greentree, BEc, BBus (Accounting)
Principal and Registered Office:	22 Edgeworth David Avenue Hornsby NSW 2077
Share Register:	Registries Limited Level 2 28 Margaret Street Sydney NSW 2000
Auditor:	Ernst & Young Chartered Accountants 680 George Street Sydney NSW 2000
Stock Exchange Listing:	Golden Cross Resources Ltd's shares are quoted on the Australian Stock Exchange (Listing code GCR)

Directors' Report

Your Directors present their report on the consolidated entity consisting of Golden Cross Resources Ltd and the entities it controlled at the end of, or during, the half-year ended 31 December 2004.

Directors

The following persons were Directors of Golden Cross Resources Ltd ("Golden Cross") during the whole of the half-year and up to the date of this report.

Christopher Ryan
David Timms
Kerry McHugh
Chris Torrey
Daven Timms (Alternate Director to David Timms)

Review of Operations

The consolidated loss of the consolidated entity for the six months to 31 December 2004, after providing for income tax, was $2,425,425 (2003: $26,264 loss).

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

During the six months ended 31 December 2004 the Company received encouraging results from drilling programmes at its Canbelego and Yellow Mountain properties and implemented a drilling program on its Copper Hill property.

Events Occuring after Reporting Date

In February 2005 the Company:

- undertook a placement of 19.5 million shares at 5.5 cents per share, which raised approximately $1 million after expenses ; and
- announced a Share Purchase Plan, which enables shareholders to purchase GCR shares at 5.5 cents per share.

Auditor's Independence Declaration

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

Rounding of Amounts to the Nearest Thousand Dollars

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

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

David Timms

David Timms, Managing Director

3 March 2005, Sydney

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

In relation to our review of the financial report of Golden Cross Resources Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Gary Daniels
Partner
3 March 2005

Condensed Consolidated Statement of Financial Performance
For the half-year ended 31 December 2004

	Notes	HALF YEAR 2004 $'000	HALF YEAR 2003 $'000
Revenue from ordinary activities		173	115
Exploration expense		(2,273)	-
Other expenses from ordinary activities		(326)	(141)
Loss from ordinary activities before income tax expense		(2,426)	(26)
Income tax attributable to operating loss		-	-
Loss from ordinary activities after income tax expense		(2,426)	(26)
Share issue costs charged to issued capital		-	(76)
Total changes in equity other than those resulting from transactions with owners as owners		(2,426)	(102)
Basic earnings per share (cents)	2	(1.31)	(0.02)
Diluted earning per share (cents)		(1.23)	(0.02)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2004

	Notes	31 December 2004 $'000	30 June 2004 $'000
Current Assets			
Cash Assets		1,431	2,570
Other		409	384
Total Current Assets		1,840	2,954
Non-Current Assets			
Property, Plant and Equipment		604	619
Exploration and Evaluation Expenditure		9,747	11,239
Mine Properties		3,319	3,163
Intangible Assets		6	7
Total Non-Current Assets		13,676	15,028
Total Assets		15,516	17,982
Current Liabilities			
Payables		146	259
Provisions		48	48
Total Current Liabilities		194	307
Non-Current Liabilities			
Provisions		202	197
Total Non-Current Liabilities		202	197
Total Liabilities		396	504
Net Assets		15,120	17,478
EQUITY			
Contributed Equity		23,865	23,797
Reserves		1,792	1,792
Accumulated Losses		(10,537)	(8,111)
TOTAL EQUITY		15,120	17,478

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2004

	HALF YEAR	
	2004	**2003**
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(412)	(140)
Payments for exploration and evaluation	(894)	(741)
Interest received	52	27
Other, including receipts from farm-in partners	121	91
Net cash outflow from operating activities	(1,133)	(763)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Plant and Equipment	(6)	(29)
Net cash outflow from investing activities	(6)	(29)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	-	1,524
Share issue costs	-	(76)
Net cash inflow from financing activities	-	1,448
NET INCREASE IN CASH HELD	(1,139)	656
Cash at beginning of reporting period	2,570	1,046
CASH AT THE END OF THE REPORTING PERIOD	1,431	1,702

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements
For the Half-year ended 31 December 2004

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Golden Cross during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. EARNINGS PER SHARE

	HALF YEAR	
	2004 Cents	**2003 Cents**
Basic earnings per share	(1.31)	(0.02)
Diluted earnings per share	(1.23)	(0.02)

	2004 No of Shares	**2003 No of Shares**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	185,455,147	145,157,614
Weighted average number of ordinary shares and dilutive potential ordinary shares used as the denominator in calculating diluted earnings per share:	197,890,393	145,157,614

	HALF YEAR	
	2004 $'000	**2003 $'000**
Loss used in calculating basic earnings per share:	2,426	26
Loss used in calculating diluted earnings per share:	2,426	26

3. LOSS FROM ORDINARY ACTIVITIES

	HALF YEAR	
	2004 $'000	2003 $'000
Loss from ordinary activities includes the following items of expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:		
Exploration expenditure capitalised	939	774
Exploration expenditure written off	2,273	-

4. EQUITY SECURITIES ISSUED

	HALF YEAR		HALF YEAR	
	2004 Shares	2003 Shares	2004 $'000	2003 $'000
Opening Balance	185,238,043	131,737,012	23,797	19,855
Shares and options issued under private placement (net of share issue costs)	-	19,800,000	-	1,448
Shares issued to Directors and employees in lieu of remuneration	1,370,000	578,500	68	50
Shares issued to Investor Group for 5% of Challenger JV	-	5,639,100	-	300
Closing Balance	186,608,043	157,754,612	23,865	21,653

5. SEGMENT INFORMATION

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

6. EVENTS OCCURING AFTER REPORTING DATE

In February 2005 the Company:

- undertook a placement of 19.5 million shares at 5.5 cents per share, which raised approximately $1 million after expenses ; and
- announced a Share Purchase Plan, which enables shareholders to purchase GCR shares at 5.5 cents per share.

7. INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period.

The consolidated entity will manage the transition to Australian equivalents to IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

(i) Income tax

Under the new AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

The Company is assessing the impact of the new accounting standard on the consolidated group. Although the new standard is likely to have a minimal impact on the Company's deferred tax balances, until final calculations are carried out later in the current financial year, the exact impact has not been determined.

(ii) Exploration Expenditure

Management is monitoring the impact AASB 6 *Exploration and Evaluation of Mineral Resources* will have on the Company's financial statements. It is expected at this stage that the adoption of AASB 6 will not have a material impact on the Company's financial performance or financial position.

(iii) Equity-based compensation benefits

Under the new AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation in the form of options.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS. At this stage it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 6 to 11.

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the Directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001, and

(b) there are reasonable grounds to believe that Golden Cross Resources Ltd 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 Directors.

David Timms, Managing Director

3 March 2005, Sydney

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Independent review report to members of Golden Cross Resources Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Golden Cross Resources Limited (the company) and the entities it controlled during the period, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

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

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

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

Independence

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

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Statement

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

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

  (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the period ended on that date; and

  (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Gary Daniels
Partner
Sydney
3 March 2005