TANAMI GOLD NL

A.B.N. 51 000 617 176

2004 Annual Financial Report

CONTENTS

	Page
DIRECTORS' REPORT	2
FINANCIAL STATEMENTS	7
DIRECTORS' DECLARATION	29
INDEPENDENT AUDITOR'S REPORT	30

The Directors present their Report together with the financial report of Tanami Gold NL ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the year ended 30 June 2004 and the auditor's report thereon.

1. Directors

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

Executive Chairman – Denis Patrick Waddell, ACA, FAICD (appointed 21 July 1995)

Mr Denis Waddell, aged 47, is a Chartered Accountant with extensive experience in the management of exploration and mining companies. Prior to establishing Tanami Exploration NL in 1994, he was the Finance Director of the Metana Minerals NL group. During the past 20 years, he has gained considerable experience in corporate, finance and operations management of exploration and mining companies. He was appointed Executive Chairman of the Company in January 2004, having been Managing Director of the Company prior to that since 1994, and will focus on corporate development and growth opportunities in his new role.

Managing Director - Gary Ernest Comb, B.Sc.(Mech), Dip. Ed., M.B.A. (appointed 21 July 1995)

Mr Gary Comb, aged 52, is an engineer with more than 20 years' experience principally in mine operations and project development. Prior to his appointment as Managing Director in January 2004, he was the Chief Executive Officer of the largest privately owned Western Australian based mining and civil contracting company, BGC Contracting Pty Ltd. He gained extensive mining operations experience from 1983-1990 through responsibilities principally as Operations Director with Metana Minerals NL which included management of the Mount Magnet, Reedy, Youanmi and Rothsay (underground) mines in Western Australia and as Mining Operations Manager for MacMahon Contractors from 1992 to 1999.

Non-Executive Director - Martin Ellis Kavanagh, B.Sc(Hons) Geology, F.Aus.IMM, Member AIG (appointed 21 July 1995)

Mr Martin Kavanagh, aged 57, has worked widely within the exploration and mining industry throughout Australia and offshore in Indonesia and the Southwest Pacific regions. Mr Kavanagh is an exploration geologist with extensive knowledge of the regional and deposit scale controls of Archaean, Lower Proterozoic and younger epithermal gold mineralising systems acquired through fieldwork, research and management of Australia-wide and offshore programs.

Effective 1 July 2003, Mr Kavanagh resigned as an executive director and continues in the capacity of a non-executive director.

2. Results

The result of the consolidated entity for the year ended 30 June 2004 was a loss after income tax of $2,953,076 [2003: $1,993,052].

3. Principal Activity

The principal activity of the consolidated entity during the course of the financial year was mineral exploration.

4. Review of Activities

Tanami Gold NL underwent a significant transformation during the year when the Company was the successful bidder for the Coyote Gold Project from AngloGold Ashanti Australia Limited.

The Coyote resource, when combined with Tanami Gold's Larranganni resources, provides a base for the establishment of a new mine approximately 30 kilometres on the Western Australian side of the WA/NT border on the Tanami Highway..

Tanami Gold completed the acquisition from AngloGold in January 2004, and has subsequently been committed to a drilling program designed to infill, extend and fund new resources in the vicinity of both Coyote and Larranganni.

In addition to the drilling program, Tanami Gold has proceeded down the path of developing a Bankable Feasibility Study (BFS) into the establishment of the Coyote mining project.

4. Review of Activities (cont'd)

The Brocks Creek treatment plant was purchased in August 2004 with the intent of moving the plant from Pine Creek to Coyote when project funding has been committed. Although the Brocks Creek plant is larger than required for the planned initial throughput at Coyote (350,000 tpa) it will provide considerable throughput flexibility.

The BFS is currently being finalised with each element being closely reviewed to confirm or re-estimate the assumptions employed in the original scoping study before acquisition. No adverse outcomes have been identified at this time, with a number of positive variances giving the project considerable upside.

Following delays in drilling, delays in technical consultants' availability and extended drill programs due to positive drill results, the Company expects to complete the BFS during the December 2004 quarter with project funding and statutory approvals to follow allowing commencement of construction in May 2005. Production is now likely to commence in December 2005.

In addition to resource and exploration drilling at Coyote and Larranganni, the Company has continued with regional exploration and drill programs on its large ground holdings in the Northern Territory Tanami.

During the year, prior to acquiring the Coyote Project, the Company identified a high grade, high quality VMS copper, zinc, silver project owned by Jabiru Metals Limited (formerly Pilbara Mines Limited) which was considered to have the potential to generate significant cash flow. To secure an interest in the Jaguar Project, Tanami Gold took a 15% placement in Jabiru in August 2003 which funded further resource drilling at Jaguar and advancement of the Jaguar BFS. Tanami Gold's Chairman Denis Waddell and Managing Director Gary Comb are also Directors of Jabiru.

The Jaguar BFS should be completed in December 2004 with progress to date being very positive.

Given Tanami Gold's confidence in the Jaguar Project, the Company has increased its interest in Jabiru to 18.3%.

5. State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 14 August 2003, Tanami Gold NL announced it had taken a 15% placement in Jabiru Metals Limited ("Jabiru") (formerly Pilbara Mines Limited) made up of 12.34 million shares at 9 cents each ($1,110,600) to allow Jabiru to fund ongoing exploration and to continue the feasibility study (including drilling) of Jabiru's high grade Jaguar Project. On 2 December 2003 the Company increased its equity in Jabiru to 18.3% by exercising an option to purchase a further five million shares at 20 cents each, taking its overall holding to 17.34 million shares. On 30 August 2004, the Company acquired a further 5,882,354 shares at a cost of $1 million through participation in a share placement.
- On 17 November 2003, the Company issued 24,800,000 ordinary fully paid shares at an issue price of 14 cents per share to raise $3,472,000. Costs of the issue totalling $149,870 were incurred.
- On 24 November 2003 the Company announced that it was the successful bidder for AngloGold Australia Limited's Western Tanami Project, which hosts the high quality Coyote gold deposit. On 16 January 2004, settlement of the acquisition of the Western Tanami Project was completed. In accordance with the terms of the agreement with AngloGold, Tanami Gold NL made a cash payment $3.75 million (in addition to the $0.25 million deposit paid prior to 31 December 2003) and issued 25 million fully paid ordinary shares in the Company to AngloGold on that date, making AngloGold the Company's largest shareholder with 10.2% of the Company's ordinary shares. Subsequently, on 14 May 2004, the terms of the agreement for the acquisition were completed with a further cash payment of $5 million to AngloGold.
- On 4 December 2003, the Company issued 340,000 ordinary fully paid shares at an issue price of 20 cents per share, as a result of the exercise of options by employees.
- On 7 January 2004, the Company issued 28,000,000 ordinary fully paid shares at an issue price of 20 cents per share, to raise $5,600,000. Costs of the issue totalling $265,200 were incurred.
- On 20 April 2004, the Australia and New Zealand Banking Group provided the Company with a $5 million bridging facility for the purpose of funding the final payment of the Western Tanami Project to AngloGold, with the maturity date of the facility being 30 October 2004.
- On 1 June 2004, Tanami Gold NL issued 36,000,000 ordinary fully paid shares at an issue price of 18 cents per share, to raise $6,480,000. Costs of the issue totalling $163,084 were incurred.
- In accordance with the Company's accounting policy relating to exploration and evaluation expenditure, the Directors resolved to write off the carrying value of exploration expenditure relating to project areas on which active and significant operations are not currently in progress or planned. The total amount written off during the financial year was $1,918,515.

6. Environmental Regulation

The consolidated entity's operations, in particular its exploration activities, are subject to environmental regulations under Commonwealth and State legislation. The Directors believe that the consolidated entity has adequate systems in place for the management of the requirements under those regulations, and are not aware of any breach of such requirements as they apply to the consolidated entity.

7. Options

The following options to subscribe for ordinary fully paid shares are outstanding at the date of this report:

- 5,650,000 options exercisable at 20 cents each on or before 29 November 2005(UNLISTED)
- 1,500,000 options exercisable at 20 cents each on or before 27 November 2008(UNLISTED)

The following options were granted by the Company during the year:

- 1,500,000 options exercisable at 20 cents each on or before 27 November 2008(UNLISTED)

The following options to subscribe for ordinary fully paid shares were exercised during the year:

- 340,000 options exercisable at 20 cents each on or before 29 November 2003(UNLISTED)

The following options to subscribe for ordinary fully paid shares lapsed during the year:

- 490,000 options exercisable at 20 cents each on or before 29 November 2003(UNLISTED)

These options do not entitle the holder to participate in any share issue of the Company.

8. Events Subsequent to Balance Date

On 30 August 2004, Tanami Gold NL acquired a further 5,882,354 shares in Jabiru Metals Ltd ("JML") for a cost of $1 million, increasing its total shareholding to 23,222,354 shares, representing 18.5% of the issued capital of JML.

On 5 August 2004 the Company announced that it had purchased the Brocks Creek gold processing plant for $800,000 from the Harmony Gold Mining Company Limited and Northern Gold NL Joint Venture. The CIP plant is complete from crushing station to CIP gold recovery circuit and includes laboratory, spare parts inventory, store and workshop.

Other than the matters noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

9. Likely Developments

The consolidated entity will continue to progress the bankable feasibility study to develop the Coyote gold project and to secure project funding to progress to mining operations once the study has been completed. It will also continue to conduct exploration activities on its tenement interests in the Tanami-Arunta Province located in Central Australia., and actively seek opportunities to acquire further prospective ground and pursue joint venture possibilities for selective areas of its tenement portfolio.

10. Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of each Director of the Company and the specified officers of the Company are:

	Base remuneration (salary & fees) $	Non-cash benefits $	Super contributions $	Options issued(*) $	Total $
Directors					
Executive					
Mr D P Waddell	251,902	-	22,300	-	274,202
Mr G E Comb	94,850	-	8,962	79,079	182,891
Non-executive					
Mr M E Kavanagh #	199,712	-	5,429	-	205,141

Executive officers (excluding directors)

The Company did not employ any executive officers during the year.

\# Mr Kavanagh resigned as an executive director on 1 July 2003 and received a termination payment of $169,712.

* The fair value of the options is calculated at the date of grant using the Black-Scholes model for attributing a theoretical value to these options. The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair Value per option	Exercise price	Price of shares on grant date	Estimated volatility	Risk free interest rate	Other discount factors	Dividend yield
27 Nov 2003	27 Nov 2008	$0.079	$0.20	$0.22	69.282%	5.365%	25%/25%	N/A
27 Nov 2003	27 Nov 2008	$0.053	$0.20	$0.22	69.282%	5.365%	25%/50%	N/A
27 Nov 2003	27 Nov 2008	$0.026	$0.20	$0.22	69.282%	5.365%	25%/75%	N/A

Each option entitles the holder to purchase one ordinary share in the Company. All options expire on the earlier of their expiry date or 6 months after cessation of the holder with the Company.

Further details of Directors' remuneration are contained in Note 22 to the Financial Statements. Further details of options granted are set out under "Options" below.

Options granted to directors and senior executives

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares in Tanami Gold NL to the following director as part of his remuneration:

Director	Number of options granted	Exercise price	Expiry date
Mr G E Comb	1,500,000	20 cents	27 November 2008

11. Directors' Meetings

The number of Directors' meetings, including meetings of committees of Directors, held in the period each Director held office during the financial year and the number of meetings attended by each Director are:

Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
G E Comb	7	7	2	2	1	1
D P Waddell	7	7	2	2	1	1
M E Kavanagh	7	7	2	2	1	1

12. Directors' Interests

The relevant interest of each Director in the shares and options of the Company, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Relevant Interests of Directors in Securities of Tanami Gold NL			
	Fully Paid Shares	*Contributing Shares*	*Options exercisable at 20 cents each on or before 29/11/05*	*Options exercisable at 20 cents each on or before 27/11/08*
Mr D P Waddell	3,435,001	8,612,501	3,500,000	-
Mr M E Kavanagh	83,750	3,023,750	1,000,000	-
Mr G E Comb	1,058,299	8,399,596	800,000	1,500,000

13. Indemnification and Insurance of Officers

Indemnification

The Company has agreed to indemnify the following current directors of the Company: Mr G E Comb, Mr M E Kavanagh and Mr D P Waddell and former directors against liability incurred to a third party (not being the Company or any related company) that may arise from their positions as directors of the Company and its controlled entities, unless the liability arises out of conduct involving a lack of good faith.

The Company has also agreed to cover liability for costs and expenses incurred in successfully defending civil or criminal proceedings, or in connection with a successful application for relief under the Corporations Act 2001. It also provides indemnity against costs and expenses in connection with an application where a court grants relief to a director under the Corporations Act 2001.

Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums in respect of directors and officers liability insurance for the directors of the controlled entity. In accordance with subsection 300(9) of the Corporations Act 2001 further details have not been disclosed due to confidentiality provisions of the insurance contracts.

Dated at Perth, Western Australia this 30th day of September 2004.

Signed in accordance with a resolution of the Directors:

D P Waddell
Executive Chairman

STATEMENTS OF FINANCIAL PERFORMANCE
for the year ended 30 June 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Revenue from ordinary activities	2	301,308	117,018	650,912	323,295
Exploration and evaluation expenses		(1,918,515)	(1,546,635)	-	(21)
Administration expenses		(1,181,369)	(563,435)	(391,947)	(207,785)
Carrying value of investments sold		(167,332)	-	(167,332)	-
Provision for non-recovery of loan to controlled entity		-	-	(3,057,541)	(2,108,541)
Share of net profit of associates accounted for using the equity method		12,832	-	-	-
Loss from ordinary activities before related income tax benefit	3	(2,953,076)	(1,993,052)	(2,965,908)	(1,993,052)
Income tax benefit related to ordinary activities	4	-	-	-	-
Net loss		(2,953,076)	(1,993,052)	(2,965,908)	(1,993,052)
Basic earnings per share	26	(1.38 cents)	(1.20 cents)		

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is not disclosed for this reason.

The statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
CURRENT ASSETS					
Cash assets	6	4,727,098	2,458,398	42,439	2,416,110
Receivables	7	412,411	30,181	-	3,547
Inventories	8	70,027	-	-	-
Total current assets		5,209,536	2,488,579	42,439	2,419,657
NON-CURRENT ASSETS					
Receivables	7	230,917	19,250	19,605,006	2,312,450
Investments accounted for using the equity method	9	2,173,432	-	-	-
Other financial assets	10	159,691	159,691	5,333,523	3,172,923
Property, plant and equipment	11	594,519	33,462	-	-
Exploration and evaluation expenditure	12	23,377,174	5,496,274	-	-
Total non-current assets		26,535,733	5,708,677	24,938,529	5,485,373
TOTAL ASSETS		31,745,269	8,197,256	24,980,968	7,905,030
CURRENT LIABILITIES					
Interest-bearing liabilities	13	5,000,000	-	-	-
Payables	14	1,675,559	228,226	-	-
Provisions	15	75,910	64,000	-	-
TOTAL LIABILITIES		6,751,469	292,226	-	-
NET ASSETS		**24,993,800**	**7,905,030**	**24,980,968**	**7,905,030**
EQUITY					
Contributed equity	16	50,430,432	30,388,586	50,430,432	30,388,586
Reserves	17	95,906	95,906	95,906	95,906
Accumulated losses	18	(25,532,538)	(22,579,462)	(25,545,370)	(22,579,462)
TOTAL EQUITY		**24,993,800**	**7,905,030**	**24,980,968**	**7,905,030**

The statements of financial position are to be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Cash Flows from Operating Activities					
Cash payments in the course of operations		(1,321,286)	(554,854)	(1,709)	(1,223)
Cash payments for exploration expenditure		(3,919,374)	(1,559,674)	-	(21)
Interest received		103,345	113,470	98,637	113,186
Net cash provided by/(used in) operating activities	27(b)	**(5,137,315)**	**(2,001,058)**	**96,928**	**111,942**
Cash Flows from Investing Activities					
Payments for acquisition of tenements		(9,962,490)	-	-	-
Payments for property, plant and equipment		(324,144)	(33,913)	-	-
Proceeds from sale of plant and equipment		24,818	-	-	-
Payments for exploration security deposits		(83,926)	(14,250)	-	-
Payments for equity investments		(2,327,932)	-	(2,327,932)	-
Proceeds from sale of equity investments		165,584	-	165,584	-
Loans to other entities		(1,010,000)	-	(1,010,000)	-
Loans repaid by other entities		1,010,000	-	1,010,000	-
Loans to controlled entity		-	-	(16,205,752)	(2,209,000)
Loans repaid by controlled entity		-	-	855,655	12,392
Performance bond reclassification		(127,741)	-	-	-
Net cash used in investing activities		**(12,635,831)**	**(48,163)**	**(17,512,445)**	**(2,196,608)**
Cash Flows from Financing Activities					
Net proceeds from issue of shares and options		15,041,846	4,062,729	15,041,846	4,062,729
Proceeds from borrowings		5,000,000	-	-	-
Net cash provided by financing activities		**20,041,846**	**4,062,729**	**15,041,846**	**4,062,729**
Net increase/(decrease) in cash held		2,268,700	2,013,508	(2,373,671)	1,978,063
Cash at the beginning of the financial year		2,458,398	444,890	2,416,110	438,047
Cash at the end of the financial year	27(a)	**4,727,098**	**2,458,398**	**42,439**	**2,416,110**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of assets.

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the year ended 30 June 2004, the consolidated entity recorded a loss of $2,953,076 (2003: $1,993,052). At 30 June 2004, the consolidated entity had a net working capital deficit of $1,541,933 (2003: working capital surplus of $2,196,353).

Net current liabilities include a $5.0m ANZ Bridging Facility which was drawn down to pay the final $5.0m tranche to AngloGold Ashanti Australia Limited for the acquisition of the Western Tanami Project which includes the Coyote gold resource.

The reported loss for the year and the net working capital deficit at 30 June 2004 have been affected by:

- Exploration and evaluation expenses written off totalling $1,918,515.
- The acquisition of the Western Tanami Project which included cash payments of approximately $10.0m of which $5.0m was drawn down from the ANZ Bridging Facility.
- Exploration and evaluation expenditure relating to the Coyote Gold Project Bankable Feasibility Study (BFS).
- Plant and equipment relating to the Coyote Gold Project.
- Additional drilling expenditure based on positive drill results returned at Coyote and Larranganni.
- Investment in Jabiru Metals Limited which owns the Jaguar Project (VMS, Cu, Zn, Ag) - $2.11m.

Although the Company has a working capital deficiency at 30 June 2004, it has acquired two significant assets during the year being the Western Tanami Project ($15.0m) and the investment in Jabiru Metals Limited ($2.11m) both of which are classified as non-current assets.

The ANZ Bridging Facility was established on the basis that it would be converted to a Project Finance Facility upon completion of the Coyote Project BFS or be repaid from other sources including equity funding, other debt funding or asset sales.

The Board of Directors is aware of the Company's cash flow requirements and is taking appropriate action to secure the Company's short term cash requirements. The Board is evaluating and negotiating sources of finance to meet the Company's known commitments and provide working capital for the next twelve months. Options being considered by the Board include:

- Debt facilities including convertible notes
- Equity raisings if required
- Non core asset sales if required

The Directors are confident of raising funds when necessary to meet the Company's obligations as and when they fall due particularly given the Company's strong institutional, corporate and private investor shareholder support as evidenced by a history of capital raisings including raisings completed during the year being $3.47m in November 2003, $5.6m in January 2004 and $6.48m in June 2004.

Given the above, the Directors believe the going concern basis of preparation of the financial report is appropriate.

(b) Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward as an asset in the statement of financial position where right to tenure in the area of interest is current and:

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or by its sale; or

(ii) exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Where a project or area of interest has been relinquished or abandoned, the costs incurred thereon are written off.

(c) Principles of consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company and the entity it controlled ("the controlled entity") at the end of the financial year and the results of the Company and the controlled entity during the year. The controlled entity is noted in Note 10. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated. Where applicable, outside equity interests in the results and equity of controlled entities are shown separately in the consolidated financial statements.

Where necessary, dissimilar accounting policies adopted by controlled entities have been amended to ensure consistent policies are adopted within the economic entity.

Associates are those entities over which the consolidated entity exercises significant influence and which are not intended for sale in the near future. In the consolidated financial statements, investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases.

(d) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax, except where realisation of the asset is not assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

(e) Employee entitlements

Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at nominal amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date.

Employee incentive scheme

The consolidated entity operates an employee incentive scheme known as the Tanami Gold NL Employee Share Incentive Scheme. Other than the costs incurred in administering the Scheme, which are expensed as incurred, the Scheme does not result in any expense to the consolidated entity.

(f) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure, are reviewed to determine whether they are in excess of recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(g) Acquisition of assets

All assets acquired, including plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued at consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(h) Depreciation of property, plant and equipment

Property, plant and equipment, other than freehold land, are depreciated over their estimated useful lives using the straight line method. The depreciation rates used are:

plant and equipment	15-33%
motor vehicles	33%.

(i) Joint ventures

The consolidated entity's interest in unincorporated joint ventures is brought to account by including its interest in the following amounts in the appropriate categories in the Statement of Financial Position and Statement of Financial Performance:

- each of the individual assets employed in the joint ventures;
- liabilities incurred by the consolidated entity in relation to the joint ventures and the liabilities for which it is jointly and/or severally liable; and
- expenses incurred in relation to the joint ventures.

(j) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the Statements of Financial Performance when they are declared by the controlled entities.

Investments in listed companies are measured at fair value, being the current quoted market prices.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services whether or not billed.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period by the weighted average number of ordinary shares of the Company.

(n) Adoption of International Accounting Standards

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will first be reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed and the key differences in accounting policies that are expected to arise are set out below.

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. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity has commenced an internal analysis of key financial reporting differences as well as planning for the conversion to IFRS in relation to accounting policies and procedures, reporting systems, business processes and business structures.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

Exploration and evaluation expenditure on mineral resources

Uncertainty remains in relation to accounting for extractive industries within the IFRS regime with no specific standard finalised. If the stated "grandfathering" approach embodied in Exposure Draft 6 "*Exploration for and Evaluation of Mineral Resources*" is implemented, then the consolidated entity's existing policy of accounting for exploration and evaluation activity will comply with IFRS requirements and therefore no difference is expected to result either from the recognition of exploration and evaluation assets or from impairment testing.

Income tax

Under 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 liability method (see Note (d) above). No immediate impact is likely as deferred tax balances are not currently recognised.

Equity-based compensation benefits

Under AASB 121 *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.

Financial instruments

Financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value, which differs from the current policy.

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, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For those reasons it is not yet possible to quantify the impact of the transitions to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
2. REVENUE FROM ORDINARY ACTIVITIES				
From operating activities:				
Management fees charged by parent entity	-	-	390,239	206,562
Interest received from other parties	110,906	117,018	95,089	116,733
Proceeds from sale of fixed assets	24,818	-	-	-
Proceeds from sale of investments	165,584	-	165,584	-
Total revenue from ordinary activities	301,308	117,018	650,912	323,295

3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT

(a) Loss from ordinary activities before income tax benefit has been arrived at after:

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Charging as Expense				
Depreciation - plant and equipment	89,791	18,503	-	-
Less capitalised depreciation expense	(76,562)	(15,022)	-	-
	13,229	3,481	-	-
Provision for employee entitlements	11,910	2,010	-	-
Net profit on sale of fixed assets	(24,818)	-	-	-
Net loss on disposal of investments	1,748	-	1,748	-

(b) Individually significant items included in the loss from ordinary activities before income tax benefit:

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Exploration expenditure written off	1,918,515	1,546,635	-	21
Provision for non-recovery of loan to controlled entity	-	-	3,057,541	2,108,541

4. TAXATION

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Prima facie income tax benefit calculated at 30% (2003: 30%) on the loss from ordinary activities	885,923	597,916	889,772	597,916
Decrease in income tax benefit due to:				
- sundry items	(11,294)	(1,427)	-	-
- net increase in provisions	-	(1,314)	(917,262)	(632,562)
Increase in income tax benefit due to:				
- share of associate's net profit	3,849	-	-	-
Future income tax benefit not brought to account	(878,478)	(595,175)	-	-
Transfer of losses from controlled entity	-	-	27,490	34,646
Income tax attributable to operating loss	-	-	-	-

Estimated future income tax benefits attributable to tax losses carried forward net of timing differences (calculated at the rate of 30%) amounting to approximately $6.4 million (2003: $5.6 million) have not been brought to account at 30 June 2004 because the Directors do not regard realisation of the future income tax benefits as virtually certain. These benefits will only be obtained if:

1. the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
2. the relevant company complies with the conditions for deductibility imposed by law; and

- no changes in tax legislation adversely affect the relevant company in realising the benefit.

During the 2002/03 financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Tanami Group. As at 30 June 2004, the directors of the Company (and the subsidiary) have not made a decision to elect to be taxed as a single entity. In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the financial effect of the legislation has not been brought to account in the financial statements for the financial year ended 30 June 2004.

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
5. AUDITOR'S REMUNERATION				
Amounts received, or due and receivable, by the auditor - KPMG - for:				
Audit and review of the financial statements	30,000	13,700	30,000	13,700
Other services	6,220	5,200	6,220	5,200
	36,220	18,900	36,220	18,900

6. CASH ASSETS

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Cash at bank and on hand	227,098	238,431	42,439	196,143
Bank short term deposits	4,500,000	2,219,967	-	2,219,967
	4,727,098	2,458,398	42,439	2,416,110

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
7. RECEIVABLES				
Current				
Sundry debtors	412,411	30,181	-	3,547
Non-Current				
Other debtors	230,917	19,250	-	-
Loan to controlled entity	-	-	39,700,832	19,350,736
Provision for non-recovery of loan	-	-	(20,095,826)	(17,038,286)
	230,917	19,250	19,605,006	2,312,450

The loan to the controlled entity is unsecured, interest free and of no fixed term. The loan is provided to fund exploration expenditure by the controlled entity. Accordingly, the ultimate recoupment of the loan and the investment in the controlled entity (refer Note 10(b)) is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
8. INVENTORIES				
Current				
Raw materials and stores - at cost	70,027	-	-	-

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Non-current				
Associates	2,173,432	-	-	-

Details of investments in associates are as follows:

Jabiru Metals Ltd (ACN 060 620 751) ("JML")

At 30 June 2004, Tanami Gold NL held 17,340,000 [2003: Nil] ordinary fully paid shares in JML, a junior exploration company. At balance date, the shareholding represented approximately 18.1% of the issued capital of JML. The investment is carried at cost, which was below the market value of the securities of $2,601,000 as at 30 June 2004. The entity has been equity accounted due to Board control.

	Consolidated 2004 $	Consolidated 2003 $
Results of associate		
Share of associate's net profit from ordinary activities before income tax expense	12,832	-
Share of associate's income tax expense	-	-
Share of associate's net profit accounted for using the equity method	12,832	-
Share of post-acquisition accumulated profits attributable to associate		
Accumulated profits		
Share of associate's accumulated profits at beginning of year	-	-
Share of associate's net profit accounted for using the equity method	12,832	-
Share of associate's accumulated profits at end of year	12,832	-
Movements in carrying amount of investments		
Carrying amount of investment in associate at beginning of year	-	-
Investment in associate acquired during the year	2,160,600	-
Share of associate's net profit	12,832	-
Share of associate's net profit accounted for using the equity method	2,173,432	-

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

	Consolidated 2004 $	Consolidated 2003 $
Commitments		
Share of associate's capital expenditure commitments contracted for at balance but not provided for and payable:		
▪ not later than one year	37,219	-
▪ later than one year and not later than five years	62,937	-
▪ later than five years	-	-
	100,156	-
Contingent liabilities		
Share of associate's contingent liabilities:		
▪ environmental bond	75,945	-
	75,945	-

10. OTHER FINANCIAL ASSETS

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Non-current				
Securities in listed entities – at cost [Note 10(a)]	310,602	310,602	2,471,202	310,602
Less provision for diminution in value	(150,911)	(150,911)	(150,911)	(150,911)
	159,691	159,691	2,320,291	159,691
Shares in controlled entity - at cost [Note 10(b)]	-	-	3,085,938	3,085,938
Less provision for diminution in value	-	-	(72,706)	(72,706)
	-	-	3,013,232	3,013,232
	159,691	159,691	5,333,523	3,172,923

10(a) Securities in listed entities

Glengarry Resources Ltd (ACN 009 468 099) ("GGY")

At 30 June 2004, Tanami Gold NL held 4,435,862 [2003: 4,435,862] ordinary fully paid shares and 2,217,931 [2003: 2,217,931] options, exercisable at 15 cents each on or before 31 March 2005, in GGY, a junior exploration company. At balance date, the shareholding represented approximately 3.5% [2003: 4.1%] of the issued capital of GGY. The investment is carried at net written down value, which was below the market value of the securities of $173,000 as at 30 June 2004.

Jabiru Metals Ltd (ACN 060 620 751) ("JML")

Refer to Note 9 for details of Tanami Gold NL's investment in JML, which has been accounted for on a consolidated basis using the equity method..

10(b) Shares in controlled entity	Class of Shares	Beneficial Interest	2004 $	2003 $
Tanami Exploration NL				
ACN 063 213 598 (Incorporated in WA)	Ordinary	100%	3,013,232	3,013,232

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
11. PROPERTY, PLANT & EQUIPMENT				
Buildings at cost	90,000	-	-	-
Less: accumulated depreciation	-	-	-	-
	90,000	-	-	-
Plant and equipment at cost	582,474	356,308	-	-
Less: accumulated depreciation	(330,524)	(322,846)	-	-
	251,950	33,462	-	-
Motor vehicles at cost	443,700	199,402	-	-
Less: accumulated depreciation	(191,131)	(199,402)	-	-
	252,569	-	-	-
	594,519	33,462	-	-

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Buildings				
Carrying amount at beginning of year	-	-	-	-
Additions	90,000	-	-	-
Disposals	-	-	-	-
Depreciation	-	-	-	-
Carrying amount at end of year	90,000	-	-	-
Plant and equipment				
Carrying amount at beginning of year	33,462	19,539	-	-
Additions	264,480	32,426	-	-
Disposals	-	-	-	-
Depreciation	(45,992)	(18,503)	-	-
Carrying amount at end of year	251,950	33,462	-	-
Motor Vehicles				
Carrying amount at beginning of year	-	-	-	-
Additions	296,368	-	-	-
Disposals	-	-	-	-
Depreciation	(43,799)	-	-	-
Carrying amount at end of year	252,569	-	-	-

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
12. EXPLORATION & EVALUATION EXPENDITURE				
Exploration and evaluation tenements (at cost net of amounts written off) [Note 12(a)]	23,377,174	5,496,274	-	-
12(a) Exploration and evaluation expenditure				
Costs carried forward in respect of:				
- areas of interest in exploration and/or evaluation phase	6,256,300	3,126,264	-	-
- acquisition costs of tenements	17,120,874	2,370,010	-	-
	23,377,174	5,496,274	-	-

The ultimate recoupment of exploration and evaluation expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

13. INTEREST-BEARING LIABILITIES

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Current (secured)				
Bank loan	5,000,000	-	-	-

In May 2004 Tanami Gold NL secured a $5 million bridging facility for the purpose of funding the final $5 million payment due to AngloGold Ashanti Australia Limited, for the acquisition by the Company of the Coyote Gold Project. The facility has been secured by way of a fixed and floating charge over the assets and undertakings of Tanami Gold NL and Tanami Exploration NL, including all shares held in Jabiru Metals Ltd and Glengarry Resources Ltd, a first-ranking charge over any applicable licences and permits, sales contracts, mortgages over any applicable mining licences, and all rights as beneficiary of any proceeds under insurance and hedging arrangements. The loan bears interest at the bank's prime rate plus 2% per annum, payable on a three-monthly basis or other period agreed to by the bank. The maturity date of the facility was initially 30 October 2004, but was subsequently extended to 30 December 2004, subject to certain further conditions being met, including completion of the Coyote Gold Project Bankable Feasibility Study.

14. PAYABLES

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Current (unsecured)				
Trade creditors	1,525,047	191,337	-	-
Other creditors and accruals	150,512	36,889	-	-
	1,675,559	228,226	-	-

15. PROVISIONS

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Current				
Employee entitlements	75,910	64,000	-	-

The controlled entity has 16 equivalent full time employees as at 30 June 2004 (2003: 6).

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
16. CONTRIBUTED EQUITY				
Share capital				
279,888,902 [2003: 165,748,902] ordinary shares, fully paid	49,598,942	29,557,096	49,598,942	29,557,096
85,074,451 [2003: 85,074,451] contributing shares, issued at 20 cents each and paid to 1 cent each	831,490	831,490	831,490	831,490
	50,430,432	30,388,586	50,430,432	30,388,586
Movements in contributed equity				
Balance at beginning of year	30,388,586	26,325,857	30,388,586	26,325,857
Shares issued				
- 89,140,000 (2003: 21,000,000) shares issued for cash [Note 16(a)]	15,620,000	4,200,000	15,620,000	4,200,000
- 25,000,000 (2003: Nil) shares issued as consideration for the acquisition of mining tenements [Note 16(b)]	5,000,000	-	5,000,000	-
- Transaction costs arising from issues for cash	(578,154)	(137,271)	(578,154)	(137,271)
Balance at end of year	50,430,432	30,388,586	50,430,432	30,388,586

Notes:

16(a) Shares issued for cash during the year:

- On 17 November 2003, the Company issued 24,800,000 ordinary fully paid shares at an issue price of 14 cents per share to raise $3,472,000. Costs of the issue totalling $149,870 were incurred.
- On 4 December 2003, the Company issued 340,000 ordinary fully paid shares at an issue price of 20 cents per share, as a result of the exercise of options by employees, raising $68,000.
- On 7 January 2004, the Company issued 28,000,000 ordinary fully paid shares at an issue price of 20 cents per share, to raise $5,600,000. Costs of the issue totalling $265,200 were incurred.
- On 1 June 2004, Tanami Gold NL issued 36,000,000 ordinary fully paid shares at an issue price of 18 cents per share, to raise $6,480,000. Costs of the issue totalling $163,084 were incurred.

16(b) On 16 January 2004, Tanami Gold NL issued 25,000,000 ordinary fully paid shares at an issue price of 20 cents per share, to AngloGold Australia Ltd as part consideration for the acquisition of the Western Tanami Project.

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends that are declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of a winding up of the Company, ordinary shareholders rank after creditors.

Terms and conditions of contributing shares

Contributing shares rank equally in all respects with ordinary shares on issue. The contributing shares are a type of partly paid share and are paid to the extent of 5%. Accordingly, in the event of a poll being held at a shareholders' meeting, each contributing share has 5% of a vote

The directors make a call upon the contributing shareholders to pay the whole or portion of the balance of the issue price. The directors have resolved that no call will be made in respect of the contributing shares before 29 February 2004. A shareholder can elect to pay a call or the shares will be forfeited. In the event of winding up of the Company, all assets which may be legally distributed amongst the shareholders will be distributed in proportion to the shares held by them, irrespective of the amount paid up on a share. Contributing shareholders participate in dividends also irrespective of the amount paid up on a share.

16. CONTRIBUTED EQUITY (cont'd)

Options

The following options to subscribe for ordinary fully paid shares are outstanding at balance date:

- 5,650,000 options exercisable at 20 cents each on or before 29 November 2005 (UNLISTED)
- 1,500,000 options exercisable at 20 cents each on or before 27 November 2008 (UNLISTED)

The following options were granted by the Company during the year:

- 1,500,000 options exercisable at 20 cents each on or before 27 November 2008 (UNLISTED)

The following options to subscribe for ordinary fully paid shares were exercised during the year:

- 340,000 options exercisable at 20 cents each on or before 29 November 2003 (UNLISTED)

The following options to subscribe for ordinary fully paid shares lapsed during the year:

- 490,000 options exercisable at 20 cents each on or before 29 November 2003 (UNLISTED)

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
17. RESERVES				
Capital reserve	95,906	95,906	95,906	95,906

Nature and purpose of reserve

Capital Reserve

Upon disposal of revalued assets, any related revaluation increment standing to the credit of the asset revaluation reserve is transferred to the capital reserve.

18. ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(22,579,462)	(20,586,410)	(22,579,462)	(20,586,410)
Net loss for year	(2,953,076)	(1,993,052)	(2,965,908)	(1,993,052)
Accumulated losses at the end of the year	(25,532,538)	(22,579,462)	(25,545,370)	(22,579,462)

19. CONTINGENT LIABILITIES

i) Department of Industry & Resources

Performance Bonds totalling $126,000 (2003: $36,000) have been granted in favour of the Department of Industry & Resources by the National Australia Bank Limited. Security given by the parent entity for these bonds is a right of indemnification from term deposits totalling $126,000 (2003: $36,000) which is included in Note 7.

ii) Financial Support of Controlled Entity

The Company has agreed to financially support its controlled entity Tanami Exploration NL.

iii) Claims of Native Title

In Western Australia, Native title has been applied for over most vacant crown land and pastoral leases. Tanami Exploration NL's tenements are subject to the procedures of the Native Title Act 1993.

20. COMMITMENTS

(i) Exploration Expenditure

The consolidated entity has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the consolidated entity's exploration program and priorities. These obligations are also subject to variations by negotiation, joint venturing or relinquishing some of the relevant tenements. As at balance date, total exploration expenditure commitments of the consolidated entity which have not been provided for in the financial statements amount to $5,269,025 per annum (2003: $2,029,000).

(ii) Financial support to subsidiary

Tanami Gold NL has provided an undertaking to continue providing financial support to its controlled entity, Tanami Exploration NL.

(iii) Management contracts

The Company has entered into a management agreement with Mr Waddell for his services as Executive Chairman. Under the contract, a termination notice period of twelve months is required, which based on current remuneration rates would amount to a termination payment of $275,000.

(iv) Operating lease commitments

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
Future operating lease rentals for premises not provided for in the financial statements and payable:				
Not later than one year	131,359	17,500	131,359	17,500
Later than one year but not later than five years	202,642	-	202,642	-
	334,001	17,500	334,001	17,500

21. EMPLOYEE SHARE OPTION PLAN

The consolidated entity operates an employee incentive scheme known as the Tanami Gold NL Employee Share Incentive Scheme ("Scheme").

During the year, 340,000 options exercisable at 20 cents each on or before 29 November 2003 were exercised under the Scheme. A further 490,000 options exercisable at 20 cents each on or before 29 November 2003 lapsed.

No options were issued under the Scheme during the year.

Unissued ordinary shares of the Company under option under the Scheme are:

Expiry Date	*Exercise Price*	*Number of Options*
29 November 2005	20 cents	5,650,000

The market value of shares under these options at 30 June 2004 was 20 cents (2003: 11.5 cents).

22. DIRECTOR AND EXECUTIVE DISCLOSURES

Remuneration of specified directors and specified executives by the consolidated entity

Executive Directors and key executives are remunerated by way of a salary or consultancy fees, commensurate with their required level of services. Non-executive Directors receive a fixed monthly fee for their services.

The Company does not have any scheme relating to retirement benefits for non-executive Directors.

Refer to Note 20 for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with specified directors.

22. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

The following table provides the details of all directors of the Company ("specified directors") and the nature and amount of the elements of their remuneration for the year. The Company did not have any "specified executives" at balance date.

	Salary & fees		Superannuation benefits		Equity Compensation Value of Options @		Total	
	$ 2004	$ 2003	$ 2004	$ 2003	$ 2004	$ 2003	$ 2004	$ 2003
Specified directors								
Executive								
D P Waddell	251,902	193,625	22,300	16,500	-	-	274,202	210,125
G E Comb #	94,850	19,260	8,962	3,340	79,079	-	182,891	22,600
Non-executive								
M E Kavanagh *	199,712	165,907	5,429	15,355	-	-	205,141	181,262
Specified executives	-	-	-	-	-	-	-	-
Total	546,464	378,792	36,691	35,195	79,079	-	662,234	413,987

\# Mr Comb became an executive director as from 1 January 2004.

* Effective 1 July 2003, Mr Martin Kavanagh resigned as an executive director of Tanami Gold NL and has continued in the capacity of a non-executive director. In accordance with the terms of Mr Kavanagh's employment agreement, a gross payment of $140,000 was made, together with other entitlements.

@ The fair value of the options is calculated at the date of grant using the Black-Scholes model for attributing a theoretical value to these options.

Equity holdings and transactions

The movement during the reporting period in the number of shares held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

Ordinary fully paid shares

	Held at 1 July 2003	Purchases	Sales	Held at 30 June 2004
Specified directors				
Mr D P Waddell	3,225,001	210,000	-	3,435,001
Mr G E Comb	1,017,599	40,700	-	1,058,299
Mr M E Kavanagh	47,500	36,250	-	83,750

Contributing shares

	Held at 1 July 2003	Purchases	Sales	Held at 30 June 2004
Specified directors				
Mr D P Waddell	8,612,501	-	-	8,612,501
Mr G E Comb	8,399,596	-	-	8,399,596
Mr M E Kavanagh	3,023,750	-	-	3,023,750

22. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Equity instruments

Option holdings

Unlisted Director Options

The movement during the reporting period in the number of options over ordinary shares exercisable at $0.20 on or before 27 November 2008 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2003	Granted as remuneration	Exercised	Held at 30 June 2004
Specified directors				
Mr D P Waddell	-	-	-	-
Mr G E Comb	-	1,500,000	-	1,500,000
Mr M E Kavanagh	-	-	-	-

The options were granted on 27 November 2003, have an expiration date of 27 November 2008 and an exercise price of 20 cents per share. They were provided at no cost to the recipient, and their fair value is calculated at the date of grant using the Black-Scholes model for attributing a theoretical value to options. The following factors and assumptions were used in determining the fair value of the options on grant date:

Number of options	Fair Value per option	Price of shares on grant date	Estimated volatility	Risk free interest rate	Other discount factors
500,000	$0.079	$0.22	69.282%	5.365%	25%/25%
500,000	$0.053	$0.22	69.282%	5.365%	25%/50%
500,000	$0.026	$0.22	69.282%	5.365%	25%/75%

Each option entitles the holder to purchase one ordinary share in the Company. All options expire on the earlier of their expiry date or 6 months after cessation of the holder with the Company.

Unlisted Employee Plan Options

The movement during the reporting period in the number of options over ordinary shares exercisable at $0.20 on or before 29 November 2005 held, directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2003	Granted as remuneration	Exercised	Held at 30 June 2004
Specified directors				
Mr D P Waddell	3,500,000	-	-	3,500,000
Mr G E Comb	800,000	-	-	800,000
Mr M E Kavanagh	1,000,000	-	-	1,000,000

22. DIRECTOR AND EXECUTIVE DISCLOSURES (cont'd)

Other transactions with the Company or its controlled entities

Two of the specified directors hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

Both of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to specified directors or their personally-related entities, were total expense of $133,535. Details of the transactions are as follows:

	Transaction	Note	2004 $
Specified directors			
Mr G E Comb	Technical consultancy fees	(i)	8,150
Mr M E Kavanagh	Technical consultancy fees	(ii)	125,385

- The Company engaged the services of Wildsouth Pty Ltd, a company associated with Mr Comb, to provide technical services in the period prior to Mr Comb's appointment as an executive director. Amounts were billed based on normal market rates for such services, and were due and payable under normal payment terms.
  - The Company engaged the services of Conway Bay Pty Ltd, a company associated with Mr Kavanagh, to provide geological services during the year. Amounts were billed based on normal market rates for such services, and were due and payable under normal payment terms.

23. NON-DIRECTOR RELATED PARTIES

Wholly-Owned Group

Details of the Company's interest in a wholly-owned controlled entity are set out at Note 10. Details of dealings with this entity are set out below.

Loans

The loan to the controlled entity is unsecured, interest-free and of no fixed term. The loan is provided primarily to fund exploration expenditure by the controlled entity. Accordingly, the ultimate recoupment of the loan is dependent upon successful development and commercial exploitation, or alternatively, sale of respective tenement interests.

Other Transactions

The Company charges the controlled entity a management fee for services provided. The fee is in the normal course of business.

Balances with Controlled Entity

The aggregate amount receivable from the wholly-owned controlled entity by the Company at balance date is $39,700,832 [2003: $19,350,735].

Associate

In August 2003, the Company announced that it had taken a 15% placement ($1,110,600) in Jabiru Metals Limited ("Jabiru"), made up of 12.34 million shares at 9 cents each, to fund ongoing exploration and to continue the feasibility study of Jabiru's high grade base metal Jaguar Project located 60 kilometres NNW of Leonora. As a result of the placement, Tanami Gold's Managing Director, Denis Waddell was appointed Managing Director of Jabiru.

In January 2004, the Company entered into an arrangement with Jabiru to provide a short-term loan facility of up to $1,000,000 to that company, based on normal commercial terms. The facility was fully drawn and was subsequently repaid in full, together with interest payable.

From time to time, the Company may purchase various goods and services which are subsequently used by Jabiru, and vice versa. The entities also share facilities such as leased premises and administrative overheads. Inter-entity charges are raised to recoup costs incurred on behalf of each other.

24. INTEREST IN JOINT VENTURES

Current joint venture equities are as follows:

Joint Ventures	Managers	Interest	Principal Activity
Larranganni *	TGNL	92.5% (2003: 41.5%)	Gold Exploration
Western Australian	BGAL**	49.0% (2003: 49%)	Gold Exploration
Northern Territory	BGAL**	49.0% (2003: 49%)	Gold Exploration
Mt Solitary	TGNL	Earning 60% (2003: 60%)	Gold Exploration
Yuendumu	TGNL	80% (2003: Earning 80%)	Gold Exploration

BGAL = Barrick Gold of Australia Limited
GRNL = Glengarry Resources NL
TGNL = Tanami Gold NL

* GRNL retain 7.5% free carried interest
** BGAL have earned a 51% interest

Included in the assets and liabilities of the consolidated entity are the following items, which represent the consolidated entity's interest in the assets and liabilities employed in the above joint ventures:

	2004 $	2003 $
Non-Current Assets		
Exploration and evaluation expenditure	5,983,138	5,153,350

25. SEGMENT INFORMATION

The consolidated entity operates predominantly in the gold exploration industry in the Tanami region of Australia.

26. EARNINGS PER SHARE

	Number of shares	
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share	213,401,533	165,745,091

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is not disclosed for this reason.

27. NOTES TO THE STATEMENT OF CASH FLOWS	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:				
Cash assets	4,727,098	2,458,398	42,439	2,416,110
(b) Reconciliation of net cash flow from operating activities to loss from ordinary activities				
Loss from ordinary activities	(2,953,076)	(1,993,052)	(2,965,908)	(1,993,052)
Add/(less) non-cash items:				
Exploration expenditure written off	1,918,515	1,546,635	-	21
Provision for non-recovery of loan	-	-	3,057,541	2,108,541
Depreciation	89,791	18,503	-	-
Share of associate's net loss	(12,832)	-	-	-
Add/(less) items classified as investing/financing activities:				
Profit on disposal of fixed assets	(24,818)	-	-	-
Loss on disposal of investments	1,748	-	1,748	-
Net cash (used in)/provided by operating activities before changes in assets and liabilities	(980,672)	(427,914)	93,381	115,510
Changes in assets and liabilities during the financial year:				
(Increase) in capitalised exploration expenditure	(5,048,551)	(1,618,426)	-	(21)
(Increase)/Decrease in receivables	(382,230)	(20,273)	3,547	(3,547)
(Increase)/Decrease in inventories	(70,027)			
(Decrease) / Increase in provisions	11,910	2,010	-	-
(Decrease) / Increase in payables	1,332,255	63,545	-	-
Net cash provided by/(used in) operating activities	**(5,137,315)**	**(2,001,058)**	**96,928**	**111,942**

(c) Non-cash financing and investing activities

On 16 January 2004, Tanami Gold NL issued 25,000,000 ordinary fully paid shares at an issue price of 20 cents per share, to AngloGold Australia Ltd as part consideration for the acquisition of the Western Tanami Project. This transaction is not reflected in the statements of cash flows.

28. FINANCIAL INSTRUMENTS DISCLOSURE

- *Interest Rate Risk Exposure*

Cash includes funds held in commercial bills and in cheque and business management accounts, which during the year earned interest at rates ranging between 0% and 5.36% (2003: 0% and 4.90%), depending on account balances.

Interest-bearing liabilities comprise a bank loan which attracted interest during the year at 7.52%.

All other financial assets and liabilities are non-interest bearing.

- *Credit Risk Exposures*

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity's exposure to credit risk arises primarily from the mining industry.

The consolidated entity is not materially exposed to any individual overseas country or individual customer.

- *Net Fair Values*

The financial assets and liabilities included in assets and liabilities in the statement of financial position are carried at amounts that approximate net fair values. The fair value of investments in listed companies is disclosed at Note 10(a).

29. EVENTS SUBSEQUENT TO BALANCE DATE

On 30 August 2004, Tanami Gold NL acquired a further 5,882,354 shares in Jabiru Metals Ltd ("JML") for a cost of $1 million, increasing its total shareholding to 23,222,354 shares, representing 18.5% of the issued capital of JML.

On 5 August 2004 the Company announced that it had purchased the Brocks Creek gold processing plant for $800,000 from the Harmony Gold Mining Company Limited and Northern Gold NL Joint Venture. The CIP plant is complete from crushing station to CIP gold recovery circuit and includes laboratory, spare parts inventory, store and workshop.

The financial effect of these transactions have not been brought to account in the financial statements for the year ended 30 June 2004.

DIRECTORS' DECLARATION

In the opinion of the Directors of Tanami Gold NL:

(a) the financial statements and notes, set out on pages 7 to 28, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

(b) as set out in Note 1(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they have become due and payable.

Dated at Perth this 30th day of September 2004

Signed in accordance with a resolution of the directors:

D P Waddell

EXECUTIVE CHAIRMAN

KPMG

Independent audit report to members of Tanami Gold NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Tanami Gold NL (the "Company") and the Consolidated Entity, for the year ended 30 June 2004. The Consolidated Entity comprises both the company and the entity it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

KPMG

Audit opinion

In our opinion, the financial report of Tanami Gold NL is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

D P McCOMISH
Partner

Perth
30 September 2004