CUE CONSOLIDATED GOLD MINES PTY LTD

A.B.N. 25 008 736 543

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

The directors present their report together with the financial report of Cue Consolidated Gold Mines Pty Ltd ("the Company") for the year ended 30 June 2005 and the auditors report thereon.

The Company is a proprietary limited company that was incorporated in Western Australia on 26 June 1970 and its registered office and principal place of business is located at 64 Great Eastern Highway, South Guildford in Western Australia.

Directors

The names and details of the directors in office during or since the end of the year are:

* Mr Kent J Swick - appointed 26 May 1997; and
* Mr Randal Lloyd Swick - appointed 15 January 2001.

Information on directors in office at the date of this report:

Name & qualifications	Age	Experience and special responsibilities
Kent Jason SWICK B.Eng. (Mech) *Managing Director*	36	Mr Swick is a mechanical engineer with many years experience in civil construction, mining maintenance, surface and underground drilling. Immediately prior to joining the Company, Mr Swick was employed by Atlas Copco Australia as a Maintenance Engineer managing underground maintenance. It was in this role that he developed a strong understanding of underground mining methods and a solid basis in the operation and maintenance of underground equipment. Since July 2003, Mr Swick has been the Managing Director of the Company. In addition to overseeing every aspect of the Company's business, Mr Swick specifically focuses on business development, rig design and construction, and personnel development.
Randal Lloyd SWICK B.Eng. (Mech) *Director*	38	Mr Swick is a mechanical engineer with many years experience in the metals and mining industry with a strong focus on gold and nickel exploration. Up until July 2003, Mr Swick managed the surface drilling operations of the Company and its predecessor companies. In July 2003, Mr Swick handed the reigns to younger brother Kent and focussed on the establishment and eventual ASX listing of Cougar Metals NL, a company involved in gold exploration, for which he is the Managing Director. Mr Swick provides the Company with the considerable benefit of his practical experience in mineral drilling as well as his senior managerial experience gained from his involvement in the management of Cougar Metals NL.

CUE CONSOLIDATED GOLD MINES PTY LTD
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Directors' meetings

The number of directors' meetings held during the period and the number of meetings attended by each of the directors of the Company during the period are:

Director	Board Meetings	
	A	**B**
Mr K J Swick	2	2
Mr R L Swick	2	2

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

Directors' interests

The relevant interest of each director in the share capital of the Company at the date of this report is as follows:

	Ordinary shares Number
Mr K J Swick	2
Mr R L Swick	-

Directors' and senior executives' emoluments

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance and that the remuneration is comparative in attracting, retaining and motivating people of the highest quality.

To give effect to this policy the Company reviews available information which measures the remuneration levels in the various labour markets in which it competes.

During the period to 30 June 2005, the following emoluments were paid to the directors:

	Annual Emoluments				Long Term Emoluments			
Name	Salary	Bonus	Other	Termination Payments	Number Granted	Value at Grant Date	Total Option Value	Superannuation
Kent Swick	86,499	-	-	-	-	-	-	7,785
Randal Swick	-	-	-	-	-	-	-	-

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Options

Since the commencement of the financial year and at the date of this report, there have been no options over ordinary shares of the Company issued.

Principal activities

The principal activity of the Company during the course of the financial period was that of the provision of drilling services, principally in the areas of reverse circulation surface drilling, underground long-hole drilling and underground diamond drilling. These services are provided to a diverse range of clients.

During the year the fleet of drilling rigs grew significantly as reflected in the following table:

Drill Type	Quantity as at 30 June 2005	Quantity as at 30 June 2004
Reverse circulation drilling rigs	1	1
Underground long-hole rigs	3	3
Underground diamond rigs	4	1
Surface blast-hole rigs	2	-
TOTALS	**10**	**5**

The provision of underground diamond drilling services is an area in which the Company will focus its expansion opportunities over the next few years due to the competitive advantage of its mobile rigs.

Review and results of operations

The operating profit after tax of the Company was $579,179 (2004: $860,672).

The result was strong particularly in terms of revenue which almost doubled in comparison to the previous year. The foundation has been laid during this current year for significant future growth in revenue and profits with the Company appointing numerous senior operations and administration personnel in addition to upgrading workshop and office facilities.

Dividends

No dividends were paid or declared by the Company during the financial period.

State of affairs

There were no significant changes in the state of affairs of the Company during the period.

Likely Developments

The directors anticipate that the forthcoming financial year will offer increased opportunities for expansion of the underlying business particularly in the area of underground diamond drilling.

Significant events after balance date

There were no significant events after balance date.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Indemnification and insurance of officers and auditors

Not during or since the end of the financial period, has the Company entered into any deeds of indemnity, insurance or access with any of the directors.

In addition, the Company has not entered into any agreement to indemnify the auditors against any claims by third parties arising from their report on the annual financial report.

Signed in accordance with a resolution of the directors:

KENT SWICK
MANAGING DIRECTOR

Perth
31st March 2006

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $	2004 $
Sales revenue	2	10,308,047	5,440,944
Cost of sales		(4,585,106)	(2,442,180)
Gross profit		5,722,941	2,998,764
Expenses from ordinary activities			
Administration Expenses		(51,355)	(59,154)
Salaries and wages expense		(4,477,186)	(1,693,755)
Borrowing cost expense		(115,746)	(96,981)
Other expenses		(499,475)	(288,202)
		(5,143,762)	(2,138,092)
Profit from ordinary activities before income tax expense		579,179	860,672
Income tax expense relating to ordinary activities	4	-	-
Net profit from ordinary activities after income tax expense attributable to members of the company		579,179	860,672 ~~579,179~~
Total changes in equity other than those resulting from transactions with owners as owners		579,179	860,672

The accompanying notes form part of these financial statements.

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	2005 $	2004 $
CURRENT ASSETS			
Cash assets	5	479	295
Receivables	6	1,664,710	634,525
Other	7	45,939	490
TOTAL CURRENT ASSETS		1,711,128	635,310
NON-CURRENT ASSETS			
Receivables	6	1,483,408	666,108
Investments	8	48,632	42,331
Plant and equipment	9	438,382	554,916
TOTAL NON-CURRENT ASSETS		1,970,422	1,263,355
TOTAL ASSETS		3,681,550	1,898,665
CURRENT LIABILITIES			
Payables	10	1,564,306	776,175
Interest bearing liabilities	11	26,097	31,401
Provisions	12	93,005	39,765
TOTAL CURRENT LIABILITIES		1,683,408	847,341
NON – CURRENT LIABILITIES			
Payables	10	2,134,415	1,703,618
Interest bearing liabilities	11	215,567	278,725
TOTAL NON - CURRENT LIABILITIES		2,349,982	1,982,343
TOTAL LIABILITIES		4,033,390	2,829,684
NET ASSETS (LIABILITIES)		**(351,840)**	**(931,019)**
EQUITY			
Contributed equity	13	4	4
Accumulated losses	14	(351,844)	(931,023)
TOTAL EQUITY		**(351,840)**	**(931,019)**

The accompanying notes form part of these financial statements.

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 $	2004 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,278,132	4,832,487
Payments to suppliers and employees		(8,499,397)	(4,391,741)
Interest paid		(106,181)	(88,721)
Net cash inflow from operating activities	15(b)	672,554	352,025
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(153,586)	(46,711)
Proceeds on disposal of plant and equipment		-	28,000
Proceeds on disposal of exploration tenements		-	550,000
Purchase of convertible notes		-	(290,000)
Purchase of Investments		(6,300)	(42,131)
Advances to related parties		(907,368)	(848)
Repayment of advances from related parties		-	(150,933)
Advances from related parties		580,595	-
Net cash inflow from/(used in) investing activities		(486,659)	47,377
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of finance lease obligations		(34,573)	(75,356)
Repayment of borrowings		(60,000)	(145,686)
Repayment of bank loan		(63,144)	(63,144)
Net cash inflow from financing activities		(157,717)	(284,186)
Net increase (decrease) in cash held		28,178	115,216
Cash at the beginning of the financial year		(41,072)	(156,288)
Cash at the end of the financial year		**(12,894)**	**(41,072)**

The Statement of Cashflows should be read together with the accompanying notes.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which are consistent with the previous financial year unless otherwise stated, have been adopted in the preparation of this financial report:

(a) Basis of preparation

This financial report is a special purpose financial report which has been prepared for use by directors and members of the Company. The directors have determined that the Company is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

AASB 1002:	Events Occurring After Reporting Date
AASB 1008:	Leases
AASB 1018:	Statement of Financial Performance
AASB 1020:	Accounting for Income Tax (Tax-effect Accounting)
AASB 1025:	Application of the Reporting Entity Concept and Other Amendments
AASB 1031:	Materiality
AASB 1034:	Financial Report Presentation and Disclosures
AASB 1040:	Statement of Financial Position

No other Australian Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report has been prepared on an accruals basis and is based on historic costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

Notwithstanding the deficiency in net assets, the financial statements have been prepared on a going concern basis as the directors have received a guarantee of continued financial support and the directors believe that such financial support will continue to be made available.

(b) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible into cash within 2 working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is expensed as it accrues.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Receivables

Trade and sundry receivables are recognised and carried at their original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bade debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is only taken up as income when received.

(d) Recoverable amount of non-current assets

Non-current assets valued on the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds the 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 amount of non-current assets the relevant cash flows have not been discounted to the present value, except where stated.

(e) Investments

Listed shares held for trading are carried at net market value. Changes in net market value are recognised as a revenue or expense in determining the net profit for the period.

Where listed shares have been revalued, any capital gains tax which may become payable has not been taken into account in determining the revalued carrying amount. Where it is expected that a liability for capital gains tax exists, this is recognised in the net profit for the reporting period.

All other non-current investments are carried at the lower of cost and recoverable amount.

(f) Plant and equipment

All items of plant and equipment are recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Depreciation

All plant and equipment have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives, from the date the item is ready for use.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Plant and equipment (continued)

All items of plant and equipment are recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Depreciation

All plant and equipment have limited useful lives and are depreciated using the straight line or diminishing value method over their estimated useful lives, from the date the item is ready for use.

The depreciation rates or useful lives used for each class of plant and equipment are as follows:

Plant and Equipment	2005	2004
Office furniture and equipment	1.5% to 40% diminishing value	1.5% to 40% diminishing value
Drilling plant and equipment	11.25% to 30% diminishing value	11.25% to 30% diminishing value
Leasehold improvements	7.5% diminishing value	N/a
Workshop equipment	10% diminishing value	N/a
Mine equipment	20% to 40% diminishing value	20% to 40% diminishing value
Mine fixtures	20% to 25% diminishing value	20% to 25% diminishing value
Motor vehicles	18.75% to 22.50% diminishing value	18.75% to 22.50% diminishing value

(g) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods or services received, whether or not billed.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(h) Interest Bearing Liabilities

Loans and debentures are carried at their principal amounts which represent the present value of future cash flows associated with servicing debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(i) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement s as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

The cost of improvements to or on leased property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(k) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Revenue Recognition (continued)

Rendering of a Service

Revenue from the rendering of a service is recognised upon delivery of the service to the client.

Interest Revenue

Interest revenue is recognised as it accrues.

(m) Employee Benefits

Provision is made for benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues are recognised against profits on a net basis in their respective categories.

(n) Taxation

The Company 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.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses are not recorded unless realisation is virtually certain.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of 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 an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

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.

(p) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	2005 $	2004 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenues from operating activities		
Revenue from services	10,308,047	5,148,919
Revenues from non-operating activities		
Profit on disposal of plant	-	2,025
Profit on disposal of mining tenements	-	290,000
	-	292,025
Total revenues from ordinary activities	**10,308,047**	**5,440,944**
3. EXPENSES AND LOSSES/(GAINS)		
(a) Expenses		
Depreciation of plant and equipment	267,311	102,799
Amortisation of exploration expenditure	-	63,853
Interest expense	105,781	89,141
(b) Losses/(gains)		
Proceeds on disposal of plant	-	28,000
Book value of plant disposed of	-	(25,975)
Net gain on disposal of plant	-	2,025
Proceeds on disposal of exploration tenements	-	550,000
Book value of exploration tenements disposed of	-	(260,000)
Net gain on disposal of exploration tenements	-	290,000

	2005 $	2004 $
4. TAXATION		
a) Income tax expense		
Profit from ordinary activities	579,179	860,672
Prima facie income tax expense @ 30%	173,754	258,201
Tax effect of permanent differences		
Non-deductible / non-assessable amounts		
- gain on sale of mining tenements	-	(87,000)
- amortisation of exploration costs carried forward	-	19,075
Future income tax benefit not brought to account		
- employee entitlements	-	11,930
Recoupment of tax losses not brought to account	(173,754)	(202,206)
Income tax expense attributable to operating profit	-	-

As at 30 June 2005, the Company has estimated net unrecognised income tax losses of $197,630 (2004: $776,809) available to be offset against future years taxable income. These losses are expected to be realised at an applicable rate of 30%. The benefit of these losses of $59,289 (2004: $223,043) has not been brought to account as realisation is not virtually certain.

The potential future income tax benefit will be obtained if:

a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
c) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

5. CASH ASSETS

	2005	2004
Cash on hand	479	295

	2005 $	2004 $
6. RECEIVABLES		
Current		
Trade Debtors	1,660,117	630,202
Provision for Doubtful Debts	-	-
	1,660,117	630,202
Amounts receivable from related entities	4,593	4,323
	1,664,710	634,525
Non-Current		
Amounts receivable from related entities	1,193,408	376,108
Convertible Notes – Cougar Metals NL	290,000	290,000
	1,483,408	666,108

Terms and conditions relating to the above financial instruments:

(i) Trade debtors are non-interest bearing and generally on 30 day terms.
(ii) Amounts receivable from related entities are non-interest bearing and repayable on demand.
(iii) Convertible Notes – Cougar Metals NL are interest bearing at 5% per annum payable quarterly in arrears. The Company has the option of being paid in full or converting the notes into fully paid ordinary shares at 20 cents or the average price of the last 5 days immediately prior to the conversion date. The convertible notes cannot be redeemed prior to 16 June 2006.

7. OTHER

	2005 $	2004 $
Sundry Receivables	45,939	490

8. INVESTMENTS

	2005 $	2004 $
Shares in listed entities	48,632	42,331

9. PLANT AND EQUIPMENT

	2005 $	2004 $
Office Furniture & Equipment	50,541	20,231
Less: Accumulated depreciation	7,957	3,977
	42,584	16,254
Drilling Plant & Equipment	69,901	638,297
Less: Accumulated depreciation	7,091	432,818
	62,810	205,479
Leasehold Improvements	47,501	-
Less: Accumulated depreciation	2,362	-
	45,139	-
Workshop Equipment	1,141	-
Less: Accumulated depreciation	53	-
	1,088	-
Mine Equipment	447,725	497,824
Less: Accumulated depreciation	336,302	354,488
	111,423	143,336
Mine Fixtures	126,269	126,269
Less: Accumulated depreciation	6,168	5,791
	120,101	120,478
Motor Vehicles	128,697	128,697
Less: Accumulated depreciation	73,460	59,328
	55,237	69,369
	438,382	554,916

	2005 $	2004 $
10. CREDITORS AND BORROWINGS		
CURRENT		
Bank Overdraft	13,373	41,367
Trade Creditors	992,860	601,080
Other Creditors	558,073	133,728
	1,564,306	776,175
NON- CURRENT		
Amounts payable to related entities	2,134,415	1,703,618

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and generally settled on 60 day terms.
(ii) Other creditors are non-interest bearing and are generally settled on 60 day terms.
(iii) Aggregate amounts payable to related entities are non-interest bearing and will be paid progressively subject to availability of funds.

11. INTEREST BEARING LIABILITIES

	2005 $	2004 $
CURRENT		
Hire Purchase Liabilities	26,097	31,401
NON- CURRENT		
Hire Purchase Liabilities	-	26,097
Borrowings secured by mortgage – bank loans	215,567	252,628
	215,567	278,725

Terms and conditions relating to the above financial instruments:

(i) Hire purchase liabilities generally have a lease term of 5 years with the financier having an interest in the asset until the final payment is made. The average interest rate is 7.4%. Financiers secure their interest by registering a charge over the leased assets and by obtaining personal guarantees from each of the directors and their related entities.
(ii) Bank loans are repayable monthly with final instalments due on 31 March 2010. Interest is recognised at an average rate of 7.55%.

	2005 $	2004 $

12. PROVISIONS

	2005 $	2004 $
Employee Benefits	93,005	39,765

13. CONTRIBUTED EQUITY

a) Share Capital

	2005 $	2004 $
4 ordinary shares, fully paid	4	4

b) Movements in Share Capital

There were no movements in the number or value of shares on issue (2004: Nil).

c) Fully Paid Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

14. ACCUMULATED LOSSES

	2005 $	2004 $
Balance at the beginning of the year	(931,023)	(1,791,695)
Net profit attributable to the members	579,179	860,672
	(351,844)	(931,023)

	2005 $	2004 $

15. STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand, cash at bank and short term deposits at call. Cash as at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the statement of financial position as follows:

	2005 $	2004 $
Cash	479	295
Bank Overdraft	(13,373)	(41,367)
	(12,894)	(41,072)

b) Reconciliation of Profit From Operating Activities after Income Tax to Net Cash provided by Operating Activities

	2005 $	2004 $
Profit after income tax	579,179	860,672
Add/(less) non-cash items		
Depreciation and amortisation	270,119	166,652
Profit on sale of plant	-	(2,025)
Profit on sale of exploration tenements	-	(290,000)
	849,298	735,299
Changes in assets and liabilities		
(Increase)/decrease in current receivables	(1,075,854)	(316,431)
(Increase)/decrease in non-current receivables	(817,300)	(376,108)
(Increase)/decrease in other financial assets	490	(490)
(Increase)/decrease in other assets	(270)	-
(Increase)/decrease in payables	869,365	268,560
(Increase)/decrease in hire purchase obligations	3,172	8,019
(Increase)/decrease in related party loans	817,570	
Increase/(decrease) in bank loans	26,083	33,176
Net cash (outflow) inflow from operating activities	**672,554**	**352,025**

16. EXPENDITURE COMMITMENTS

a) Lease expenditure commitments

	2005 $	2004 $
Finance Leases		
- not later than one year	29,256	36,968
- later than one year and not later than five years	-	31,254
- later than five years	-	-
Minimum lease payments	29,256	68,222
Less: future finance charges	(3,159)	(10,724)
Lease liability	26,097	57,498
- current liability	26,097	31,401
- non-current liability	-	26,097
	26,097	**57,498**

17. IMPACT OF ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS

Cue Consolidated Gold Mines Pty Ltd has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). As Cue Consolidated Gold Mines Pty Ltd has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Cue Consolidated Gold Mines Pty Ltd prepares its first fully IFRS compliant financial report for the year ending 30 June 2006. At this stage, the directors are still determining the impact that IFRS's will have on the company.

CUE CONSOLIDATED GOLD MINES PTY LTD
A.B.N. 25 008 736 543

DIRECTOR'S DECLARATION

The directors of Cue Consolidated Gold Mines Pty Ltd have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of Cue Consolidated Gold Mines Pty Ltd declare that the financial statements:

1. The financial statements and notes as set out on pages 5 to 21, are in accordance with the *Corporations Act 2001*; and

a) comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and

b) give a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.

2. 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.

Director ....
Kent Swick

Dated this 31st day of March 2006

A Member Firm of PKF International

PKF

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& Business Advisers

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Auditor's Independence Declaration to the Directors of Cue Consolidated Gold Mines Pty Ltd

As lead engagement partner for the audit of Cue Consolidated Gold Mines Pty Ltd for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

(I) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

(II) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF
Chartered Accountants

IAN P OLSON
Partner

Dated at Perth, Western Australia this 31st day of March 2006

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& Business Advisers

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CUE CONSOLIDATED GOLD MINES PTY LTD

Scope

We have audited the attached financial report, being a special purpose financial report, of Cue Consolidated Gold Mines Pty Ltd for the year ended 30 June 2005 as set out on pages 6 to 22. The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion to the members of Cue Consolidated Gold Mines Pty Ltd. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows. (These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements).

The audit opinion expressed in this report has been formed on the above basis.

PKF

Independence

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

Audit Opinion

In our opinion, the financial report of Cue Consolidated Gold Mines Pty Ltd is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

  (ii) complying with Accounting Standards in Australia to the extent described in Note 1 and complying with the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia to the extent described in Note 1.

PKF

PKF
Chartered Accountants

IAN P OLSON
Partner

Dated at Perth this 31st day of March 2006