

## FINANCIAL REPORT

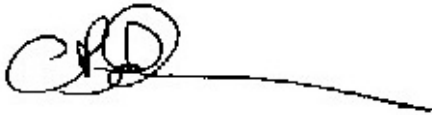
30 September 2005

Tennant Creek Gold Limited (TNG) today released its audited financial statements (attached) for the year ended 30 June 2005.

In accordance with ASX Listing Rules, TNG advises that its Annual General Meeting will be held on Wednesday, 23 November 2005 commencing at 9.30am at the Celtic Club, 48 Ord Street, West Perth, Western Australia.

Yours faithfully

**TENNANT CREEK GOLD LIMITED**



**Chris Bath**  
**Company Secretary**



**Tennant Creek**  
GOLD LIMITED

**ABN 12 000 817 023**

**FINANCIAL REPORT 2005**

**DIRECTORS**

John W Barr (Chairman)  
Neil Biddle (Managing Director)  
Michael Bowen (Non-Executive Director)  
Terence Smith (Non-Executive Director)

**COMPANY SECRETARY**

Christopher Bath

**REGISTERED OFFICE**

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West Perth Western Australia 6005

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**SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Level 2  
45 St George's Terrace  
Perth Western Australia 6000

Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

**AUDITORS**

KPMG

**HOME STOCK EXCHANGE**

Australian Stock Exchange  
Code: TNG

**INTERNATIONAL STOCK EXCHANGE**

Frankfurt Stock Exchange  
Code: HJI

### OVERVIEW

The 2004/05 year represented a significant turning point for the Company, with the acquisition of a substantial portfolio of mineral assets in the Northern Territory, the subsequent evaluation and rationalisation of non-core projects, and the completion of a major fund raising to underpin ongoing exploration & development programs.

As a result of these initiatives, the Company has emerged with a strong balance sheet, a quality asset base including the Manbarrum lead-zinc and Tennant Creek gold-copper-bismuth projects in the Northern Territory, and a portfolio of investments in listed mining and exploration companies in Australia and the United Kingdom.

The following important milestones were achieved during the year:

- The acquisition of Tennant Creek Gold (NT) Pty Ltd was completed, including a substantial portfolio of mineral assets in the Northern Territory of Australia;
- Exploration expenditure in excess of \$1.3 million;
- A \$1.35M share placement to London-based RAB Special Situations (Master) Fund Limited was completed, resulting in the introduction of a new major shareholder;
- Significant steps taken to secure title for the Manbarrum project in the Northern Territory with sign-off expected shortly on a formal access and compensation agreement with the Traditional Owners;
- The sale of the Molyhil molybdenum-tungsten project to Thor Mining PLC was completed, with Thor admitted to the Alternative Investment Market (AIM) of the London Stock Exchange;
- Ongoing royalty flow from mining at the Cawse Extended nickel project near Kalgoorlie in Western Australia;
- Shareholding in ASX-listed Batavia Mining Ltd, which is currently progressing the Gullewa Gold-Copper Project in Western Australia and an extensive portfolio of uranium interests in the Northern Territory, was increased to 20.51%; and
- The sale of the Woolgni project and several iron ore exploration tenements to AIM-admitted company, Red Rock Resources Plc, was announced.

With these major corporate initiatives now complete and the Company in a strong financial position, TNG is well placed to focus on the exploration of its portfolio of projects in Australia, including the Manbarrum project (previously Sandy Creek), where high grade mineralisation has been identified.

The Company takes a positive view on the outlook for commodity markets, underpinned by continuing strong levels of demand from the rapidly growing Chinese economy and has approved an increased exploration budget for 2005/06. An exploration program is currently underway at Tennant Creek Gold's Explorer project in the Northern Territory, as well as at projects owned by Thor and Batavia, giving an optimistic outlook for success during the coming year.

The Board of TNG endeavours to be accessible to all shareholders and stakeholders and therefore encourages interested parties to contact the Company directly or via our website at [www.tennantcreekgold.com.au](http://www.tennantcreekgold.com.au). Shareholders and investors are invited to register on the website to receive regular Company news via email.

### PROJECTS

#### Manbarrum Project

The Manbarrum project (previously referred to as Sandy Creek), is one of two flagship exploration projects held by TNG in the Northern Territory. The formal grant of title over the Project in August 2005 represented a key milestone, clearing the way for field

## Review of Operations and Activities

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exploration activities (including drilling) to commence pending finalisation of an access and compensation agreement, which is expected to be concluded in the near future.

Manbarrum is located 70 kilometres north-east of Kununurra in the Northern Territory. The granted tenements consist of an Exploration Licence and an Authority to Prospect under Section 178 covering a combined area of over 200 square kilometres.

Previously explored by major mining companies including BHP Billiton and Aquataine, the Manbarrum Project area is prospective for the discovery of Mississippi Valley Type (MVT) zinc-lead-silver deposits. Previous exploration activities outlined both strata-bound and structurally-hosted base metal mineralisation during the 1970's.

Potential exists for large tonnage, high-grade open pittable lead-zinc-silver deposits within the Main Zone deposit at Manbarrum, as well as significant regional potential for multiple MVT deposits within a 23 kilometre long structural corridor trending to the north east from the Main Zone deposit.

Manbarrum originally fell within RO 1405, which was created in 1999 to prevent applications for mining tenements in the areas subject to the Ord River Irrigation Area Stage 2 Scheme proposals. In 2004, TNG initiated discussions with the Northern Territory Government requesting approval for exploration over the Manbarrum deposit.

In December 2004, approval to override the Reserve from Occupation Act was granted and the Northern Territory Department of Primary Industry, Fisheries & Mines has now approved the grant of titles.

A field visit was undertaken by management during the year and advanced negotiations are currently underway with the traditional owners and their representatives, the Northern Land Council (NLC). A Native title agreement has been prepared and sign-off is expected shortly, clearing the way for the issue of a site clearance certificate from AAPA.

The anticipated finalisation of these matters and TNG's strong relationship with the traditional owners will enable field work at Manbarrum to commence in the near future. To date, work has been limited to data collection and collation, as well as a comprehensive audit of the database. This process is continuing, with an upgrade of the entire database to digital format currently underway.

Previous resource estimates for the Manbarrum Project predate the JORC Code, and TNG's planned exploration activities are geared towards drilling to upgrade this to JORC compliance as rapidly as possible.

Previous regional drilling defined numerous occurrences of high-grade, near-surface lead-zinc mineralisation along a 23 kilometre long corridor immediately north of the main Manbarrum zone. Geophysical surveys conducted in the period 1992-1996 further increased the prospectivity of the region, resulting in the definition of first order gravity high anomalies in conjunction with Induced Polarisation trends along two structural corridors embracing the regional drill-defined mineralisation.

The Company completed a comprehensive geophysical review of the existing database during the year, and intends to commence an intensive field exploration program as soon as access can be achieved.

### **Tennant Creek Magnetite Gold-Copper-Bismuth Projects**

TNG has a 100% interest in several granted mining and exploration tenements in the immediate vicinity of the town of Tennant Creek in Central Australia. These tenements cover an area of in excess of 6 square kilometres and contain numerous first order Tennant Creek-style magnetic ironstone targets with the potential to host significant gold, and gold-copper-bismuth deposits.

The tenements contain several prospects hosted within the Warramunga Formation and have the same magnetic trend and magnitude as some of the world-class gold and gold-copper-bismuth deposits mined in the Tennant Creek Inlier (eg, Warrego, White Devil, Nobles Nob). Over thirty first order magnetic anomalies remain untested and represent excellent drill targets.

Exploration activities during the year included a comprehensive review of the geological database, extensive ground surveys, and a geophysical interpretation to prioritise drill targets. Drilling of the highest priority magnetic anomalies as part of a 3,000 metre program commenced in August 2005.

### **Other Tennant Creek Prospects**

TNG also owns a number of other granted tenements in the Tennant Creek region, including the Hopeful Star prospect and the Mystery prospect.

The Hopeful Star prospect includes the historic Hopeful Star and Hopeful Star Extended mine workings which have recorded production of over 700 ounces of gold. It is one of the few prospects in the Tennant Creek Goldfields where visible gold is present. Potential exists at this prospect for near surface mineralisation which may extend to the base of oxidation. In addition, two identified bedrock geochemical anomalies remain untested.

The Mystery prospect is a typical first order Tennant Creek-type "bulls eye" magnetic anomaly exploration target. The Hidden Mystery workings and the anomaly lie within and parallel to the Mary Lane Shear Zone, a major regional magnetic discontinuity that hosts a number of economic gold-copper deposits.

The Company's exploration activities at these prospects during the year included remodelling and reinterpretation of airborne magnetic data, gridding, ground gravity and magnetic surveys and RC drilling.

### **Spring Hill**

Spring Hill is located approximately 200 kilometres south of Darwin in the historic Pine Creek gold field in the Northern Territory. The area includes a JORC compliant Indicated Resource of 3.6 million tonnes @ 2.34 g/t Au for 274,000 ounces of contained gold.

Historically, high-grade lodes at Spring Hill were mined in the early part of the last century but more recently the tenements have been the subject to extensive exploration for bulk tonnage-low grade gold deposits. Other previously published resources in the area are non-JORC compliant, however are indicative of the exploration potential.

The Spring Hill project area contains several regional targets, which have been generated from regional geochemistry, airborne magnetics, structural interpretations and geological modelling.

During 2004/05, exploration activities included surveying the mineral lease boundary and negotiating terms and conditions for a mining agreement with the Northern Land Council, however, to date no agreement has been executed. Exploration planned for the forthcoming year will concentrate on gold mineralisation along this highly prospective corridor.

### **Mount Peake**

Mount Peake is located in the Arunta Province 80 kilometres north east of Alice Springs. Subject to a farm-in agreement, Falconbridge may earn a 60% interest in this project.

Known ultramafic intrusions area may be the source of more than one discrete magnetic anomaly. Airborne magnetic surveys have indicated possible ultramafic nickel targets.

### **Tanami East**

Tanami East, also known as Goddard's Prospect, hosts significant malachite mineralisation outcropping over a strike length of 1,200 metres. Numerous values over 1% Cu and 100 ppb Au were obtained from rock chip samples carried out during the 1970s and the area is considered to have exploration potential for copper-gold deposits.

### **Western Australia - Nickel production at Cawse Extended**

The OM Group Inc. (OMG) owns and manages the Cawse Nickel-Cobalt Operation with OMG and TNG jointly owning the adjacent Cawse Extended Project. TNG's interest in the Cawse Extended Project is 20% free-carried to production, convertible at TNG's election to a 2% net smelter return.

TNG has also entered into a separate agreement with OMG for a wet tonne royalty payment, which replaces the current agreement only for ore mined from the Unicorn Pit and transported to the Cawse ROM pad. The Agreement has been structured to allow for variations in the nickel price and the AUD/USD exchange rate such that the wet tonne payment is variable within the range AU\$0.50/wt and AU\$0.90/wt.

Mining at Unicorn commenced in 2003 and, to date, total royalty income of \$506,782 has been received, including \$261,088 in the 2004/05 financial year. TNG has been advised by OMG that mining at the Unicorn Pit will continue until May 2007 with a progressive reduction in tonnes mined. Accordingly, at 30 June 2005, TNG has written down exploration expenditure capitalised in relation to the Unicorn Pit.

TNG believes that Cawse Extended will continue to be an important ore source for OMG.

OMG have also reported positive results from its most recent drilling program including 20m @ 1.53% Ni and 16m @ 1.40%Ni at Unicorn F and 12m @1.18% Ni and 32m @ 1.24% at Jedbob.

### **Other Western Australian Tenements**

TNG holds an interest in three other tenement groups, however, in each case, the Company does not contribute towards exploration expenditure as the projects are subject to joint venture or options for sale. These projects include Duplex Hill South, Kintore East, and McTavish.

### **CORPORATE & INVESTMENT ACTIVITIES**

#### **Tennant Creek Gold Acquisition**

The acquisition of Tennant Creek Gold (NT) Pty Ltd for ten million ordinary fully paid shares and the Company's subsequent name change to Tennant Creek Gold Limited was approved by shareholders with settlement occurring in July 2004. This strategic acquisition focused the Company's interests in the Northern Territory and led directly to several of the other milestones achieved during the year.

#### **Thor Mining PLC (AIM code "THR")**

As part of the Tennant Creek Gold NT acquisition, tenements at Molyhil, Thring Creek and Hatches Creek were acquired. Due to the substantial price increases for tungsten and molybdenum, considerable exploration effort was focused on Molyhil in the early part of the year. This work included drilling, metallurgy and geotechnical studies, as well as regional exploration.

In order to enable TNG to focus on funding its other exploration activities, a decision was subsequently made to spin-off these assets through a separately listed company, and in June 2005 Thor Mining PLC (Thor), which had acquired TNG's Australian specialty metals assets, was admitted to trading on the Alternative Investment Market of the London Stock Exchange after raising over A\$3.8 million.

As a result of this transaction, TNG received a consideration of 45 million shares in Thor, representing an interest of approximately 25% in the company, along with \$590,000 in cash. These shares are restricted from sale for twelve months.

At financial year end, TNG's investment in Thor Mining PLC had a market value of approximately \$4 million.

Thor has reported that it is currently sinking three shafts at Molyhil to obtain bulk samples in order to review the grade of the deposit prior to a new resource being determined. The new resource estimate will provide the basis of a Feasibility Study on the economics of establishing a mining operation at Molyhil.

#### **Batavia Mining Limited (ASX code "BTV")**

TNG acquired a significant interest in Batavia Mining Limited as part of its sponsorship of the reconstruction and subsequent re-listing of Batavia on the Australian Stock Exchange in 2003.

During the year, TNG participated in a rights issue undertaken by Batavia which increased the Company's shareholding to 46 million shares, representing 20.51% of Batavia's issued capital.

At 29 September 2005 TNG held 46 million shares in Batavia acquired at a cost of \$1.570 million with a market value of \$2.3 million. Since that time, the Company has sold options in Batavia realising a profit of \$264,165.

Batavia has reported that it is currently undertaking further drilling at the Gullewa Gold-Copper Project in Western Australia and has acquired the rights to several uranium prospects in the Northern Territory. It has recently announced a planned \$2 million exploration spend on the uranium prospects.



### **Red Rock Resources Plc (AIM code "RRR")**

In order to enable TNG to focus on its key projects, a decision was made to sell other tenements, along with the Woolgni gold project, and in September 2005 a transaction was concluded with Red Rock Resources Plc (AIM Code: "RRR"). Consideration for the sale was 19 million ordinary fully paid shares in Red Rock, whose shares were recently admitted to trade on the AIM market.

The shares in Red Rock have now been issued and are subject to an orderly marketing agreement, but are otherwise fully tradeable.

The agreement with Red Rock replaced a previously announced option agreement with Regency Mines PLC for the proposed sale of the iron ore assets only.

The Woolgni project, and the portfolio of other projects were regarded as non-core assets and the agreement represents an opportunity to realise value for them at a time of strong market interest.

**INTRODUCTION**

Tennant Creek Gold Limited ("**Company**") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.tennantcreekgold.com.au](http://www.tennantcreekgold.com.au):

- Corporate governance disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- policy and procedure for selection and appointment of new directors;
- summary of code of conduct for directors and key executives;
- summary of policy on securities trading;
- Audit Committee Charter;
- policy and procedure for selection of external auditor and rotation of audit engagement partners;
- summary of policy and procedure for compliance with continuous disclosure requirements;
- summary of arrangements regarding communication with and participation of shareholders;
- summary of Company's risk management policy and internal compliance and control system;
- process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

**CORPORATE GOVERNANCE DISCLOSURES**

During the Company's 2004/2005 financial year ("**Reporting Period**") the Company complied with each of the Ten Essential Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council, other than in relation to the matters specified below.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.1, 2.2	Mr Terrence Smith is considered the only independent director	The Board appointed Mr T Smith as a director on 1 July 2004. Mr Smith has been appointed as an independent director. Prior to this the Company had no independent directors. The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's history. The Company considers that each of the non-independent directors possess skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and appoint further independent directors as appropriate.
2	2.4	A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
4	4.2; 4.3	A separate Audit Committee has not been formed.	The role of the Audit Committee is carried out by the full Board. The Board considers that given its size and stage of development, no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board will reconsider establishing a separate Audit Committee as the Company's operations grow.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
8	8.1	The process for evaluation of the Board, individual directors and key executives was not disclosed until the last quarter of the Reporting Period.	The process was not disclosed, however an evaluation of the Board, directors and key executives did occur during the Reporting Period.
9	9.2	There was no separate Remuneration Committee.	The full Board carried out the functions of the Remuneration Committee. All matters of remuneration were determined by the Board in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no directors participated in any deliberation regarding their own remuneration or related issues.

**Skills, experience, expertise and term of office of each Director**

A profile of each director containing the applicable information is set out in the Directors' Report.

**Identification of Independent Directors**

Mr T Smith was appointed on 1 July 2004. Mr Smith is independent in accordance with the criteria set out in Box 2.1 of the ASX Principles and Recommendations.

**Statement concerning availability of independent professional advice**

Subject to the approval of the chairman, an individual director may engage an outside adviser at the expense of Tennant Creek Gold Limited for the purposes of seeking independent advice in appropriate circumstances.

**Names of nomination committee members and their attendance at committee meetings**

The full Board carries out the functions of the Nomination Committee. The Board did not convene formally as the Nomination Committee during the Reporting Period, but rather, discussed relevant issues on an as-required basis.

**Names and qualifications of audit committee members**

The full Board performs the functions of the Audit Committee. Mr Barr, Mr Bowen and Mr Smith are financially literate. Mr Barr, Mr Bowen and Mr Smith possess financial expertise by virtue of their academic qualifications.

**Number of audit committee meetings and names of attendees**

During the Reporting Period Mr Barr met with the external auditors in respect of the half year and full year financial reports.

During the Reporting Period an evaluation of the Board was conducted as an informal review during regular meetings of the Board. The executive directors were reviewed on an individual basis by the Chairman.

### **Company's remuneration policies**

All of the directors received a separate directors' fee of \$30,000 per annum, plus statutory superannuation.

In addition:

- Kensington Consulting Pty Ltd receives a consulting fee for Mr Barr's services; and
- Hatched Creek Pty Ltd receives consulting fees for Mr Biddle's services.

There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of key performance indicators.

Remuneration of directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

### **Names of remuneration committee members and their attendance at committee meetings**

The full Board carried out the function of the Remuneration Committee. During the Reporting Period, the Board did not convene formally as the Remuneration Committee, but rather, dealt with remuneration-related issues on an as-required basis during regular meetings of the Board.

### **Existence and terms of any schemes for retirement benefits for non-executive directors**

There are no retirement benefits for non-executive directors.

## Directors' Report

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The Directors present their report together with the financial report of Tennant Creek Gold Limited ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

### DIRECTORS

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

#### **John W Barr CA, FAICD Chairman**

Mr John W Barr was appointed in December 1998. He is a Chartered Accountant and Fellow of the Australian Institute of Company Directors. He has extensive Australian and international experience with exposure to manufacturing, mining and mineral exploration and development in respect to several commodities including gold, platinum, nickel and copper.

Mr Barr has managed his own consultancy business since 1987 which specialises in the management of public companies including advice on capital raisings, mergers and acquisitions, negotiating onshore and offshore acquisitions and joint ventures, negotiating commodity based funding, and compliance with corporate and stock exchange requirements.

During the last three years Mr Barr has served as a director of the following listed companies:

- Batavia Mining Limited, appointed June 2003 ceasing July 2005;
- Peninsula Minerals Limited, appointed March 2000 ceasing May 2003; and
- Thor Mining PLC appointed April 2005.

#### **Neil Biddle B.App.Sc(Geology), M.Aus.IMM Managing Director**

Mr Neil Biddle was appointed in December 1998. He is a geologist and company director with over 17 years professional and management experience in listed public companies involved in mining and exploration and was formerly managing director of Border Gold Ltd (1995-1999) and Consolidated Victorian Mines NL (1991-1995).

During the last three years Mr Biddle has served as a director of the following listed companies:

- Batavia Mining Limited since April 2005. Previously a director from June 2003 to February 2004; and
- Peninsula Minerals Limited, appointed January 2000 ceasing May 2003.

#### **Michael Bowen B.Juris, B.Law, B.Com Non-Executive director**

Mr Michael Bowen was appointed in January 2004. He graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as barrister and solicitor of the Supreme Court of Western Australia and is an Associate and Certified Practising Accountant of the Australian Society of Accountants.

Mr Bowen is a partner of the law firm Hardy Bowen, practising primarily corporate, securities, commercial and mining law.

During the last three years Mr Bowen has served as a director of the following listed companies:

- IMF (Australia) Ltd since August 2001;
- Medical Corporation Australasia Limited since October 2004;
- Brandrill Limited, appointed March 2001 ceasing October 2003;
- Vietnam Industrial Investments Limited since October 2004.

## Directors' Report

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### **Terence Smith Dip.Bus Independent Non-Executive Director**

Mr Smith was appointed in July 2004. He is the founding partner of Smith Coffey Group which provides taxation, accounting and financial advice to clients. This group has been operating in Perth for 31 years, has 11 partners and a staff of 50. He has a wide range of business skills in the areas of financial planning and corporate management. Mr Smith holds a number of directorships in a number of companies in the wine industry.

During the last three years Mr Smith has not served as a director of any listed companies.

### **DIRECTORS MEETINGS**

The number of Director's meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

<b>Director</b>	<b>Number of meetings held during the time the Director held office</b>	<b>Number of meetings attended</b>
J W Barr	8	8
N G Biddle	8	6
M P Bowen	8	8
T N Smith	8	8

### **PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the course of the financial year were the review of advanced exploration projects for acquisition; the management of its exploration properties; management of the Company's interest in the Cawse Extended Project and the management of its investment in Batavia Mining Limited.

There were no other significant changes in the nature of the activities of the consolidated entity during the year.

### **REVIEW AND RESULTS OF OPERATIONS**

The operating loss of the consolidated entity after income tax for the year was \$3,385,809 (2004: Loss of \$454,063).

A review of the operations during the financial year is set out on pages 2 to 7.

### **DIVIDENDS**

No dividends were paid during the year and the directors do not recommend payment of a dividend.

### **STATE OF AFFAIRS**

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

- In July 2004 and pursuant to shareholder approval the Company issued 10,000,000 ordinary shares at a deemed price of \$0.12 as consideration for the acquisition of all the shares in Tennant Creek Gold (NT) Pty Ltd;
- In July 2004 the Company issued 6,000,000 ordinary shares at \$0.10 to raise \$573,232 net of costs to fund exploration activities;
- In May 2005 the Company made a placement to RAB Special Situations LLP of 13,500,000 ordinary shares, each with one free attaching option, at \$0.10 to raise \$1,350,000 to fund exploration activities;
- In May 2005 the Company sold all the shares in its wholly owned subsidiary, Sunsphere Pty Ltd, to Thor Mining PLC for cash and ordinary shares, taking a 24.8% interest in Thor Mining PLC.

### **REMUNERATION REPORT**

This report details the amount and nature of remuneration of each director of the Company and the executives receiving the highest remuneration.

## Directors' Report

### Remuneration Policy

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning director and executive objectives with shareholder and businesses objectives.

The remuneration policy, setting the terms and conditions for the executive directors and other executives has been developed by the board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

Directors receive a base fee of \$30,000 per annum. Shareholders have approved Directors fee of an amount of up to \$200,000 in aggregate per annum. Superannuation contributions of 9% are paid on these fees as required by law.

Executive Directors and executives receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology. In accordance with current accounting policy the value of these options is not expensed.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at a General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and may receive options.

### Details of remuneration for the year ended 30 June 2005.

The following table discloses the remuneration of the Directors and executive officers of the Company and the consolidated entity:

		Primary				Equity Compensation		Option value as a %	
		Directors Fees	Consulting Fees	Salary	Super	Motor Vehicle	Value of options (A)	Total	
<b>Specified Directors</b>									
<i>Executive</i>									
J W Barr	2005	30,000	53,400	-	2,700	-	158,995	245,095	65%
	2004	20,000	72,930	-	1,800	-	-	94,730	-
N Biddle	2005	30,000	154,500	-	2,700	-	284,950	472,150	61%
	2004	20,000	141,250	-	1,800	-	-	163,050	-
<i>Non-Executive</i>									
M Bowen	2005	30,000	-	-	-	-	106,795	136,795	78%
	2004	9,534	-	-	-	-	-	9,534	-
T Smith	2005	30,000	-	-	2,700	-	106,795	139,495	77%
	2004	-	-	-	-	-	-	-	-
A Corp	2005	-	-	-	-	-	-	-	-
	2004	10,440	21,000	-	940	-	-	32,380	-
<b>Total Specified Directors</b>									
	2005	120,000	207,900	-	8,100	-	657,535	993,535	
	2004	59,974	235,180	-	4,540	-	-	299,694	
<b>Specified Executives</b>									
C Bath	2005	-	-	120,794	10,871	15,485	106,316	253,466	42%
	2004	-	-	126,692	14,161	-	-	140,853	-
P Kastellorizos	2005	-	54,000	50,811	4,573	-	11,398	120,782	10%
P Kastellorizos	2004	-	-	-	-	-	-	-	-
<b>Total Specified Executives</b>									
	2005	-	54,000	171,605	15,444	15,485	117,714	374,248	
	2004	-	-	126,692	14,161	-	-	140,853	

## Directors' Report

(A) The fair value of the options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period equally over the period from grant date to vesting date. As these options vest immediately at the time of grant the value disclosed above is the total fair value of the options being issued.

The following assumptions were used in determining the fair value of options on grant date:

Grant date	Expiry date	Fair value	Exercise price	Price of shares at grant	Volatility	Risk free interest rate	Dividend yield
28/7/04	31/5/07	\$0.0570	\$0.15	\$0.125	70.0%	6.10%	Nil
20/5/05	31/5/07	\$0.0522	\$0.15	\$0.150	56.1%	5.27%	Nil

### Options granted to directors and senior executives

During the year, the Company granted options for no consideration over unissued ordinary shares in the Company to the following Directors and Officers:

Director/Officer	Number of Options	Exercise Price	Expiry Date
J W Barr	3,000,000	\$0.15	31 May 2007
N G Biddle	5,000,000	\$0.15	31 May 2007
M P Bowen	2,000,000	\$0.15	31 May 2007
T N Smith	2,000,000	\$0.15	31 May 2007
C J Bath	2,000,000	\$0.15	31 May 2007
P Kastellorizos	200,000	\$0.15	31 May 2007

Shareholders approved the issue of options in July 2004 and May 2005. All options were granted during the financial year.

### Share Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of options
30 April 2007	\$0.12	13,500,000
31 May 2007	\$0.15	15,966,000

No shares were issued on the exercise of options during the year.

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### DIRECTORS' INTEREST

The relevant interest of each Director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the companies within the consolidated entity and other related body corporates, as notified by the Directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over Ordinary Shares
J W Barr	9,000,000	2,300,000
N G Biddle	6,054,372	4,500,000
M P Bowen	750,002	1,100,000
T N Smith	1,600,000	2,000,000

### LIKELY DEVELOPMENTS

The consolidated entity will continue to develop its Northern Territory exploration projects, manage its interest in Cawse Extended and manage its investments in Thor Mining PLC and Batavia Mining Limited.

Additional comments on likely developments of the consolidated entity are included under the review of operations and activities on pages 2 to 7 of this report.



**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has previously agreed to indemnify current and former directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or for a pecuniary penalty under section 1317G or a compensation order under section 1317H of the Corporations Act 2001.

**INSURANCE PREMIUMS**

The directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

**ENVIRONMENTAL REGULATIONS**

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

**EVENTS SUBSEQUENT TO REPORTING DATE**

The Company has executed an agreement to sell its interests in a number of non core tenements located in the Northern Territory to Red Rock Resources Plc (Red Rock). Red Rock is admitted to trading on the AIM market. Consideration for the sale is 19 million ordinary fully paid shares in Red Rock, which are freely tradeable subject to an orderly marketing agreement.

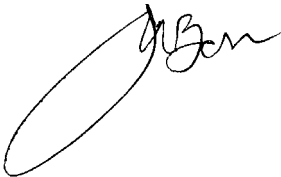
**NON AUDIT SERVICES**

KPMG, the Company's auditor did not perform any other services in addition to their statutory duties.

**AUDITOR INDEPENDENCE DELCARATION**

The auditor's independence declaration is included on page 16 of the financial report and forms part of this report.

Signed in accordance with a resolution of the Directors.



**John W Barr**  
*Chairman*

30 September 2005



***Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001***

To: the directors of Tennant Creek Gold Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

  
KPMG



D P McCOMISH  
Partner

Perth

Dated: 30 September 2005



**Statements of Financial Performance  
For the Year Ended 30 June 2005**

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Other revenues from ordinary activities	2	1,593,159	1,170,198	1,749,611	1,299,503
Total revenue		1,593,159	1,170,198	1,749,611	1,299,503
Occupancy costs		81,702	53,073	74,760	49,601
Administrative costs		305,358	239,553	254,108	216,998
Corporate costs		781,505	525,144	681,127	481,948
Borrowing costs		3,301	-	3,211	-
Other					
Provision for diminution in associated entities	3(a)	1,103,347	-	1,103,347	-
Provision for diminution in controlled entities		-	-	22,298	-
Carrying amount of controlled entities/investments disposed	3(a)	1,535,758	-	2,036,926	-
Carrying amount of non-current assets sold	3(a)	-	437,190	-	467,190
Carrying amount of fixed assets sold		2,096	5,030	2,096	5,030
Share of net losses of associates accounted using the equity method	27	-	115,997	-	-
Exploration evaluation and development expenditure written off	3(a)	54,274	131,847	20,171	50,000
Amortisation of exploration costs in production phase	3(b)	87,495	115,845	-	-
Write down in exploration costs to recoverable amount	3(a)	1,024,132	-	-	-
Other expenses from ordinary activities		-	582	-	1,729
<b>Profit/(loss) from ordinary activities before related income tax expense</b>		<b>(3,385,809)</b>	<b>(454,063)</b>	<b>(2,448,433)</b>	<b>27,007</b>
Income tax expense relating to ordinary activities	5	-	-	-	-
<b>Profit/(loss) from ordinary activities after related income tax expense</b>		<b>(3,385,809)</b>	<b>(454,063)</b>	<b>(2,448,433)</b>	<b>27,007</b>
<b>Net Profit/(loss) attributable to members of the Company</b>	20	<b>(3,385,809)</b>	<b>(454,063)</b>	<b>(2,448,433)</b>	<b>27,007</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners attributable to member of Tennant Creek Gold Limited</b>		<b>(3,385,809)</b>	<b>(454,063)</b>	<b>(2,448,433)</b>	<b>27,007</b>
Basic earnings per share	6	(\$0.048)	(\$0.008)		
Diluted earnings per share	6	(\$0.048)	(\$0.008)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 20 to 52.

**Statements of Financial Position  
As at 30 June 2005**

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Current Assets</b>					
Cash assets	8	1,550,702	1,712,693	1,308,638	1,592,869
Receivables	9	431,612	183,779	345,879	81,240
Other	11	47,977	7,275	29,421	7,275
<b>Total Current Assets</b>		<b>2,030,291</b>	<b>1,903,747</b>	<b>1,683,938</b>	<b>1,681,384</b>
<b>Non-Current Assets</b>					
Receivables	9	-	475,123	-	475,123
Other financial assets	10(a)	-	1,615,075	3,575,988	2,101,069
Investments accounted using the equity method	10(b)	1,949,803	-	-	-
Plant and equipment	12	112,518	71,395	107,401	70,531
Exploration, evaluation and development expenditure	13	4,393,373	4,843,368	-	20,000
<b>Total Non-Current Assets</b>		<b>6,455,694</b>	<b>7,004,961</b>	<b>3,683,389</b>	<b>2,666,723</b>
<b>Total Assets</b>		<b>8,485,985</b>	<b>8,908,708</b>	<b>5,367,327</b>	<b>4,348,107</b>
<b>Current Liabilities</b>					
Payables	14	274,594	441,598	274,594	422,956
Interest bearing liabilities	15	6,379	-	6,379	-
Provisions	17	17,241	32,556	17,241	32,556
<b>Total Current Liabilities</b>		<b>298,214</b>	<b>474,154</b>	<b>298,214</b>	<b>455,512</b>
<b>Non-Current Liabilities</b>					
Interest bearing liabilities	15	29,498	-	29,498	-
Non-interest bearing liabilities	16	-	-	562,679	76,754
<b>Total Non-Current Liabilities</b>		<b>29,498</b>	<b>-</b>	<b>592,177</b>	<b>76,754</b>
<b>Total Liabilities</b>		<b>327,712</b>	<b>474,154</b>	<b>890,391</b>	<b>532,266</b>
<b>NET ASSETS</b>		<b>8,158,273</b>	<b>8,434,554</b>	<b>4,476,936</b>	<b>3,815,841</b>
<b>Equity</b>					
Contributed equity	18	6,581,394	3,471,866	6,581,394	3,471,866
Reserves	19	4,653,656	4,653,656	70,000	70,000
(Accumulated losses)/retained profits	20	(3,076,777)	309,032	(2,174,458)	273,975
<b>TOTAL EQUITY</b>		<b>8,158,273</b>	<b>8,434,554</b>	<b>4,476,936</b>	<b>3,815,841</b>

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 20 to 52.

**Statements of Cash Flows**  
**For the Year Ended 30 June 2005**

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Cash flows from operating activities</b>					
Cash payments in the course of operations		(1,012,005)	(744,887)	(812,990)	(688,799)
Interest received		36,729	132,502	53,915	132,502
Proceeds from royalties		304,533	153,873	-	-
<b>Net cash used in operating activities</b>	28(b)	(670,743)	(458,512)	(759,075)	(556,297)
<b>Cash flows from investing activities</b>					
Proceeds on disposal of non-current assets		452	4,412	452	4,412
Proceeds on sale of investments		-	105,752	-	105,752
Proceeds on repayment of advances to other parties		-	1,526,374	-	1,526,374
Proceeds from sale of Sunsphere		293,772	-	293,773	-
Loan to controlled entities		-	-	(1,379,864)	(21,146)
Advances to other parties		-	(806,920)	-	(806,920)
Payments for plant and equipment		(51,511)	(35,430)	(51,512)	(35,430)
Payments for investments		(320,278)	(923,635)	(290,278)	(923,635)
Payments for exploration and development expenditure		(1,315,956)	(2,770)	-	-
<b>Net cash used in investing activities</b>		(1,393,521)	(132,217)	(1,427,429)	(150,593)
<b>Cash flows from financing activities</b>					
Proceeds on issue of shares		1,950,000	-	1,950,000	-
Transaction costs from issue of shares		(40,473)	-	(40,473)	-
Finance lease payments		(7,254)	-	(7,254)	-
<b>Net cash received from financing activities</b>		1,902,273	-	1,902,273	-
<b>Net decrease in cash held</b>		(161,991)	(590,729)	(284,231)	(706,890)
Cash at the beginning of the financial year		1,712,693	2,303,422	1,592,869	2,299,759
<b>Cash at the end of the financial year</b>	28(a)	1,550,702	1,712,693	1,308,638	1,592,869

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 20 to 52.

**1 Statement of significant accounting policies**

The significant accounting 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.

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

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy are consistent with those of the previous year.

**(b) Principles of consolidation**

***Controlled entities***

The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

***Associates***

Associates are those entities, other than partnerships, 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 commenced until the date significant influence ceased. Other movements in reserves are recognised directly in consolidated reserves.

***Transactions eliminated on consolidation***

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

**(c) Revenue recognition – Note 2**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

***Sale of goods and services***

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Revenue from services is recognised at the time the service is provided.

***Interest revenue***

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

***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 of sale 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.

***Dividends***

Revenue from dividends from controlled entities is recognised by the Company when they are declared by the controlled entities.

Revenue from dividends from associates and other investments is recognised when dividends are received.

**(d) 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 Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part 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.

**(e) Borrowing costs**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets.

**(f) Taxation – Note 5**

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.

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

Capital gains tax, if applicable, is provided for in establishing period income tax when an asset is sold.

***Tax Consolidation***

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 26. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

**(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 as 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.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

***Subsequent additional costs***

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

**(h) Receivables – Note 9**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

***Trade debtors***

Trade debtors to be settled within 60 days are carried at amounts due.

**(i) Investments**

***Controlled entities***

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

***Associates***

In the Company's financial statements investments in associates are carried at the lower of cost and recoverable amount.

***Other entities***

Investments in other listed and unlisted entities are carried at lower of cost and recoverable amount.

**(j) Leased assets**

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

***Operating leases***

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.



**(k) Exploration expenditure**

Exploration costs are accumulated in respect of each separate area of interest.

Exploration costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

When an area of interest is abandoned or the Directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

**(l) 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 expenditure carried forward (refer note 1(k)), are reviewed to determine whether they are in excess of their 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 expensed 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.

**(m) Depreciation and amortisation**

***Useful lives***

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account estimated residual values, with the exception of carried forward exploration in the production phase which is amortised on a units of production basis over the life of economically recoverable reserves and finance lease assets which are amortised over the term of the relevant lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until commercial production commences.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation/amortisation rates for each class of assets are as follows:

	<b>2005</b>	<b>2004</b>
<i>Property, plant and equipment</i>		
Leasehold improvements	33-50%	33-50%
Plant and equipment	20-40%	20-40%
<i>Exploration, evaluation and development expenditure</i>		
Production phase (units of production)	3,229t	2,538t

**(n) Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(o) **Employee benefits**

***Wages, salaries, annual leave and sick leave and non monetary benefits***

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

Non-accumulating non-monetary benefits, such as interest free loans, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

***Employee share and option plans***

Where shares or options are issued to employees as remuneration for past services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

Other share or options issued to employees are recorded in contributed equity at the fair value of consideration received, if any.

Transactional costs associated with issuing shares and options are recognised in equity subject to the extent of the proceeds received, otherwise expensed. Other administrative costs are expensed.

***Superannuation plans***

The Company and controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

(p) **Joint ventures**

The consolidated entity's interest in an unincorporated joint venture 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 venture
- liabilities incurred by the consolidated entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable
- expenses incurred in relation to the joint venture
- revenue from sale of output.

(q) **Earnings per share**

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the Company for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(r) **Use and revision of accounting estimates**

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on best estimates and historical experience that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements  
For the Year Ended 30 June 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>2 Revenue from ordinary activities</b>					
<b>Other revenues:</b>					
<i>From operating activities</i>					
Interest:					
Other parties		53,445	128,903	53,186	128,903
Royalties		261,088	245,695	-	-
Consideration on distribution of investments		-	668,479	-	668,479
<i>From outside operating activities</i>					
Gross proceeds on sale of controlled entity		1,274,576	-	1,694,915	-
Gross proceeds from sale of non-current assets		-	105,753	-	480,753
Gross proceeds on sale of fixed assets		452	4,412	452	4,412
Other		3,598	16,956	1,058	16,956
<b>Total revenue from ordinary activities</b>		<b>1,593,159</b>	<b>1,170,198</b>	<b>1,749,611</b>	<b>1,299,503</b>
<b>3 Profit/(Loss) from ordinary activities before income tax expense</b>					
<b>(a) Individually significant items included in profit/(loss) from ordinary activities before income tax expense</b>					
Proceeds from sale of controlled entities		1,274,576	-	1,694,915	-
Carrying amount of controlled entities		1,535,758	-	2,036,926	-
Net loss on sale	26(b)	(261,182)	-	(342,011)	-
Proceeds and consideration from sale of non current assets		-	774,232	-	1,149,232
Carrying amount of non current assets sold		-	437,190	-	467,190
Net gain		-	337,042	-	682,042
Proceeds from sale of fixed assets		452	4,412	452	4,412
Carrying amount of fixed assets sold		2,096	5,030	2,096	5,030
Net loss		(1,644)	(618)	(1,644)	(618)
Exploration expenditure written off		54,274	131,847	20,171	50,000
Provision for diminution associated entity	10(b)	1,103,347	-	1,103,347	-
Write down in exploration costs to recoverable amount	13	1,024,132	-	-	-

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>3 Profit/(loss) from ordinary activities before income tax expense (continued)</b>				
<b>(b) Profit/(Loss) from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:</b>				
Depreciation of:				
Plant and equipment	30,227	32,878	28,262	32,533
Plant and equipment under lease	9,565	-	9,565	-
Amortisation of:				
Exploration costs	87,495	115,845	-	-
Leasehold improvements	-	4,041	-	4,041
Total depreciation and amortisation	<u>127,287</u>	<u>152,764</u>	<u>37,827</u>	<u>36,574</u>
Net expense/(benefit) from movements in provision for:				
Employee entitlements	<u>(15,315)</u>	<u>(8,821)</u>	<u>(15,315)</u>	<u>(8,821)</u>
Operating lease rental expense:				
Minimum lease payments	<u>102,633</u>	<u>89,849</u>	<u>95,691</u>	<u>89,849</u>
Net gain/(loss) on disposal of non-current assets:				
Plant and equipment	(1,644)	(618)	(1,644)	(618)
Controlled entities	(261,182)	-	(342,011)	-
Investments	-	337,042	-	682,042
	<u>(262,826)</u>	<u>336,424</u>	<u>(343,656)</u>	<u>681,424</u>
<b>4 Auditors' remuneration</b>				
Auditors of the Company				
KPMG Australia:				
Audit and review of financial reports	<u>37,000</u>	<u>34,700</u>	<u>37,000</u>	<u>34,700</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>5 Taxation</b>				
<b>(a) Income tax expense</b>				
Prima facie income tax expense/(benefit) calculated at 30% (2004: 30%) on the profit/(loss) from ordinary activities	(1,015,743)	(136,219)	(734,530)	8,102
Increase in income tax expense due to:				
Entertainment	3,751	1,640	3,751	1,640
Legal costs	3,687	7,448	3,261	7,448
Share of associates net loss	-	34,799	-	-
Write down exploration expenditure	-	39,355	-	15,000
Profit on sale of listed investment	-	(4,217)	-	99,284
Write down of production costs	307,240	-	-	-
Other	-	(581)	-	130
Decrease in income tax expense due to:				
Non assessable profit on disposal of controlled entity	78,355	-	104,195	-
Capital loss brought to account	-	(105,328)	-	(105,328)
Income tax expense related to current and deferred tax transactions of the wholly owned subsidiaries in the tax consolidated group	-	-	(306,627)	(189,379)
Income tax benefit not brought to account	622,710	163,103	929,950	163,103
Income tax expense benefit attributable to operating profit/(loss)	-	-	-	-
<b>(b) Future income tax benefit not taken to account</b>				
The potential future income tax benefit arising from tax losses has not been recognised as an asset because recovery of tax losses is not virtually certain	704,015	442,304	704,015	442,304

**5 Taxation (continued)**

The potential future income tax benefit will only be obtained if:

- (i) the group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the group in realising the benefit.

**6 Earnings per share**

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Net loss	(3,385,809)	(454,063)
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculation of basic earnings per share	69,997,448	53,478,270

Diluted earnings per share has not been calculated as there are no potential ordinary shares considered dilutive.

**7 Segment Reporting**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

**Business Segments**

The consolidated entity comprises the following main business segments, based on the consolidated entity's management reporting system.

- Exploration                      Exploration and development on tenements.
- Investments                      Investments in publicly listed and other companies.

**Geographical segments**

The consolidated entity's business segments all operate in Australia.

Notes to the Financial Statements  
For the Year Ended 30 June 2005

7 Segment Reporting (continued)

Primary Reporting Business Segments	Exploration \$	Investments \$	Eliminations \$	Total \$
<b>2005</b>				
<b>Revenue</b>				
External segment revenue	261,088	1,328,021	-	1,589,109
Total segment revenue	261,088	1,694,915		
Other unallocated revenue				4,050
<b>Total revenue</b>				<u>1,593,159</u>
<b>Result</b>				
Segment result	(817,318)	(1,364,529)	-	(2,181,847)
Unallocated corporate expenses				(1,203,962)
Loss from ordinary activities before income tax				(3,385,809)
Income tax expense				-
<b>Net profit/(loss)</b>				<u>(3,385,809)</u>
<b>Depreciation and amortisation</b>				
	87,495	-	-	87,495
<b>Unallocated corporate depreciation and amortisation</b>	-	-	-	<u>39,792</u>
				<u>127,287</u>
<b>Individually significant items</b>				
Exploration expenditure written off	54,274	-	-	54,274
Net loss on disposal of controlled entity		261,182		261,182
Provision for diminution of associate	-	1,103,347	-	1,103,347
Write down in exploration costs to recoverable amount	1,024,132	-	-	1,024,132
				<u>2,442,935</u>
<b>Assets</b>				
Segment assets	4,393,373	1,863,668	-	6,257,041
Unallocated corporate assets				2,228,944
<b>Consolidated total assets</b>				<u>8,485,985</u>
<b>Liabilities</b>				
Segment liabilities	-	-	-	-
Unallocated corporate liabilities				327,712
<b>Consolidated total liabilities</b>				<u>327,712</u>

Notes to the Financial Statements  
For the Year Ended 30 June 2005

7 Segment Reporting (continued)

Primary Reporting Business Segments	Exploration \$	Investments \$	Eliminations \$	Total \$
<b>2004</b>				
<b>Revenue</b>				
External segment revenue	245,695	790,082	-	1,035,778
Total segment revenue	245,695	790,082	-	1,035,778
Other unallocated revenue				134,420
<b>Total revenue</b>				<u>1,170,198</u>
<b>Result</b>				
Segment result	(1,997)	236,896	-	234,899
Unallocated corporate expenses				(688,962)
Loss from ordinary activities before income tax				(454,063)
Income tax expense				-
<b>Net profit/(loss)</b>				<u>(454,063)</u>
<b>Depreciation and amortisation</b>	115,845	-	-	115,845
<b>Unallocated corporate depreciation and amortisation</b>	-	-	-	<u>36,919</u>
				152,764
<b>Individually significant items</b>				
Exploration expenditure written off	131,847	-	-	131,847
Net gain on disposal of investments		337,042		337,042
<b>Assets</b>				
Segment assets	4,843,368	1,615,073	-	6,458,441
Unallocated corporate assets				<u>2,450,267</u>
<b>Consolidated total assets</b>				<u>8,908,708</u>
<b>Liabilities</b>				
Segment liabilities	-	-	-	-
Unallocated corporate liabilities				<u>474,154</u>
<b>Consolidated total liabilities</b>				<u>474,154</u>



**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>8 Cash assets</b>					
Cash		1,480,702	200,790	1,238,638	80,966
Bank short term deposits		70,000	1,511,903	70,000	1,511,903
		<u>1,550,702</u>	<u>1,712,693</u>	<u>1,308,638</u>	<u>1,592,869</u>
<p>The bank short term deposits, maturing within 90 days and paying interest at a weighted average interest rate of 5.30% at 30 June 2005 (2004 5.33%).</p>					
<b>9 Receivables</b>					
<b>Current</b>					
Trade debtors		19,481	19,961	-	19,961
Other debtors		412,131	163,818	345,877	61,279
		<u>431,612</u>	<u>183,779</u>	<u>345,877</u>	<u>81,240</u>
<b>Non current</b>					
Loans to controlled entities		-	-	1,776,729	1,754,381
Less: Provision for doubtful debts		-	-	(1,776,729)	(1,754,381)
Loans to other entities		-	475,123	-	475,123
		<u>-</u>	<u>475,123</u>	<u>-</u>	<u>475,123</u>
<b>10 Other financial assets</b>					
<b>(a) Non Current</b>					
Investments in controlled entities	26				
Unlisted shares at cost		-	-	2,492,261	1,235,938
Less: Provision for diminution		-	-	(835,938)	(835,938)
		<u>-</u>	<u>-</u>	<u>1,656,323</u>	<u>400,000</u>
Investments in other entities					
Associated entities		-	-	3,023,012	-
Less: Provision for diminution	3(a)	-	-	(1,103,347)	-
Listed shares/options at cost		-	1,570,736	-	1,656,730
Unlisted shares at cost		-	44,339	-	44,339
		<u>-</u>	<u>1,615,075</u>	<u>1,919,665</u>	<u>1,701,069</u>
		<u>-</u>	<u>1,615,075</u>	<u>3,575,988</u>	<u>2,101,069</u>
<b>(b) Non Current</b>					
Investments accounted for using the equity method					
Batavia Mining Ltd	27	2,023,424	-	-	-
Less provision for diminution		(1,103,347)	-	-	-
		<u>920,077</u>			
Thor Mining PLC	27	1,029,725	-	-	-
		<u>1,949,802</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>11 Other current assets</b>				
Prepayments	47,977	7,275	29,421	7,275
<b>12 Plant &amp; equipment</b>				
Leasehold improvements				
<i>At cost</i>	22,736	20,566	22,736	20,566
<i>Accumulated amortisation</i>	(20,566)	(20,566)	(20,566)	(20,566)
	2,170	-	2,170	-
Plant and equipment				
<i>At cost</i>	233,125	205,898	225,174	204,518
<i>Accumulated depreciation</i>	(151,471)	(134,503)	(148,637)	(133,987)
	81,654	71,395	76,537	70,531
Motor vehicle under lease				
<i>At cost</i>	38,259	-	38,259	-
<i>Accumulated depreciation</i>	(9,565)	(134,503)	(9,565)	(133,987)
	28,694	-	28,694	-
Total plant and equipment net book value	112,518	71,395	107,401	70,531
<b>Reconciliations</b>				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
<b>Leasehold improvements</b>				
Carrying amount at beginning of year	-	-	-	-
Additions	2,170	4,041	2,170	4,041
Amortisation	-	(4,041)	-	(4,041)
Carrying amount at end of year	2,170	-	2,170	-
<b>Plant &amp; equipment</b>				
Carrying amount at beginning of year	71,395	69,050	70,531	67,841
Additions	42,582	40,252	36,364	40,252
Disposals	(2,096)	(5,029)	(2,096)	(5,029)
Depreciation	(30,227)	(32,878)	(28,262)	(32,533)
Carrying amount at end of year	81,654	71,395	76,537	70,531
<b>Motor vehicle under lease</b>				
Carrying amount at beginning of year	-	-	-	-
Additions	38,259	-	38,259	-
Amortisation	(9,565)	-	(9,565)	-
	28,694	-	28,694	-

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>13 Exploration, evaluation and development expenditure</b>				
Costs carried forward in respect of areas of interest in:				
Production phase				
At cost	1,287,418	1,287,418	-	-
Accumulated amortisation	(203,340)	(115,845)	-	-
	<u>1,084,078</u>	<u>1,171,573</u>	-	-
Less: Write down to recoverable amount	1,024,132	-	-	-
	<u>59,946</u>	<u>1,171,573</u>	-	-
Exploration phase – at cost	<u>4,333,427</u>	<u>3,671,795</u>	-	20,000
Total exploration, evaluation and development expenditure	<u>4,393,373</u>	<u>4,843,368</u>	-	20,000

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

*Valuation*

An independent valuation was carried out in January 2000 by Continental Resource Management Pty Ltd (CRM) and used the Prospectivity Enhancement Multiplier method, which is based on previous exploration expenditure and, in the case of Cawse Extended, the yardstick, or comparative deal method. The Cawse Extended valuation was also cross checked against the discounted insitu contained metal value of the tenement. The Directors are of the opinion that this basis provides a reasonable estimate of recoverable amount.

In June 2002 CRM provided an updated valuation of Cawse Extended. CRM concluded that the value of Cawse Extended falls within the range of \$4,800,000 to \$8,600,000, with a preferred value of \$7,200,000.

In June 2005 the Company commissioned CRM to provide a further updated valuation report. This updated report takes into consideration the mining that has occurred at Unicorn, additional drilling at Cawse Extended and changes to the price of nickel. The in situ contained metal method has been used to estimate the value of the contained metal contained within the pit shells and forms the range of values for the valuation. An alternate method of valuation was to calculate the potential royalty due based on the same arrangement as for the Unicorn pit. CRM's preferred value for the Company's 20% interest in Cawse Extended is \$4,200,000, which is in excess of its carrying value of \$3,675,000.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>14 Payables</b>				
<b>Current</b>				
Trade creditors	-	324,949	-	324,836
Other creditors and accruals	274,594	116,649	274,594	98,120
	<u>274,594</u>	<u>441,598</u>	<u>274,594</u>	<u>422,956</u>
<b>15 Interest bearing liabilities</b>				
<b>Current</b>				
Lease liability	<u>6,379</u>	-	<u>6,379</u>	-
<b>Non-Current</b>				
Lease liability	<u>29,498</u>	-	<u>29,498</u>	-

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Note	Consolidated 2005 \$	2004 \$	The Company 2005 \$	2004 \$
<b>16 Non-interest bearing liabilities</b>					
<b>Non-Current</b>					
Other loans – controlled entities	31(a)	-	-	562,679	76,754
<b>17 Provisions</b>					
<b>Current</b>					
Employee entitlements	29	17,241	32,556	17,241	32,556
<b>Number of employees</b>					
Number of employees at year end		8	5	8	5
<b>18 Contributed equity</b>					
<b>Issued and paid-up share capital</b>					
82,978,270 (2004: 53,478,270) ordinary shares, fully paid		6,581,394	3,471,866	6,581,394	3,471,866
		Number	\$	Number	\$
<b>(a) Movements in shares on issue</b>					
Balance at the beginning of year		53,478,270	3,471,866	53,478,270	3,471,866
Share placement		6,000,000	600,000	6,000,000	600,000
Consideration for acquisition of Tennant Creek Gold (NT) Pty Ltd		10,000,000	1,200,000	10,000,000	1,200,000
Share Placement		13,500,000	1,350,000	13,500,000	1,350,000
Share issue costs		-	(40,472)	-	(40,472)
Balance at end of year		82,978,270	6,581,394	82,978,270	6,581,394

During the year the Company undertook capital raisings to fund the acquisition of Tennant Creek Gold (NT) Pty Ltd and to fund exploration activities and fund corporate and administrative costs. The details of these issues are as follows:

*Share Placements*

On 14 July 2004 the Company issued 6,000,000 ordinary shares at \$0.10 to raise \$573,232 (net of expenses) to fund the pre-feasibility study in the Molyhil Molybdenum/tungsten project and other exploration activities. The placement was ratified by shareholders on 2 November 2004.

Pursuant to shareholder approval received on 20 May 2005 the Company issued 13,500,000 ordinary shares at \$0.10 each with one free attaching option to RAB Special Situations LLP raising \$1,345,267 (net of expenses) to fund ongoing exploration and development activities.

*Acquisition of Tennant Creek Gold (NT) Pty Ltd*

Pursuant to shareholder approval received on 1 July 2004 the Company issued 10,000,000 ordinary shares at a deemed issue price of \$0.12 as consideration for the acquisition of all the issued shares of Tennant Creek Gold (NT) Pty Ltd.

*Terms and conditions of contributed equity*

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation.

**(b) Options**

Movements in options on issue are as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number at beginning of year</b>	<b>Issued</b>	<b>Exercised</b>	<b>Expired</b>	<b>Number at end of year</b>
30 April 2007	\$0.12	-	13,500,000	-	-	13,500,000
31 May 2007	\$0.15	-	15,810,000	-	(210,000)	15,600,000

*Options Issue*

- i. Pursuant to shareholder approval received on 20 May 2005 the Company issued 13,500,000 shares to RAB Special Situations (Master) Limited at \$0.10 each with one free attaching option exercisable at \$0.12 on or before 30 April 2007.
- ii. During the financial year 15,810,000 unlisted options were issued to Directors, consultants and employees. In July 2004 shareholders approved the issue of 6,500,000 options to Directors and in July 2004 the Company also issued 2,210,000 options to consultants and employees. In May 2005 shareholders approved a further issue of 7,100,000 options. The options approved by shareholders were not issued under the Tennant Creek Gold 2004 Employee and Consultant Share Option Scheme. The terms of all option issued include an expiry date of 31 May 2007 and exercise price of \$0.15.
- iii. During the year 210,000 options lapsed.

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>19 Reserves</b>				
Asset revaluation	4,653,656	4,653,656	70,000	70,000

There was no movement in the asset revaluation reserve during the year.

**Nature and purpose of reserves**

**Asset Revaluation**

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. An amount of \$4,653,656 (the Company: \$70,000) is not available for future asset write-downs as a result of using the deemed cost election for exploration expenditure when adopting AASB 1041.

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>20 (Accumulated losses)/retained profits</b>				
Retained profits at beginning of year	309,032	1,431,574	273,975	915,447
Net profit/(loss) attributable to members of the Company	(3,385,809)	(454,063)	(2,448,433)	27,007
Dividends recognised during the year	-	(668,479)	-	(668,479)
(Accumulated losses)/Retained profits at the end of the year	<u>(3,076,777)</u>	<u>309,032</u>	<u>(2,174,458)</u>	<u>273,975</u>

**21 Dividends**

No dividends were declared or paid during the 2005 financial year.

Dividend franking account	The Company	
	2005	2004
	\$	\$
30% Franking credits available to shareholders of Tennant Creek Gold Ltd for subsequent financial years	<u>750,571</u>	<u>750,571</u>

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare the dividends.

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

**22 Additional financial instruments disclosure**

**(a) Interest rate risk**

**Interest rate risk exposures**

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate %	Floating interest rate 1 year or less \$	Fixed interest rate 1 year or less	Fixed interest rate 1 year to 5 years	Non interest Bearing \$	Total \$
<b>2005</b>							
<i>Financial Assets</i>							
Cash at bank	8	4.10	1,480,702	-	-	300	1,480,702
Interest bearing deposits	8	5.30	70,000	-	-	-	70,000
Receivables	9		-	-	-	431,612	431,612
Other financial assets	10		-	-	-	1,949,803	1,949,803
			<u>1,550,702</u>	<u>-</u>	<u>-</u>	<u>2,381,715</u>	<u>3,932,117</u>
<i>Financial Liabilities</i>							
Payables	14		-	-	-	274,594	274,594
Employee benefits	17		-	-	-	17,241	17,241
Lease Liability	15	7.09	-	6,378	29,498	-	35,877
			<u>-</u>	<u>6,378</u>	<u>29,498</u>	<u>264,335</u>	<u>327,212</u>
<b>2004</b>							
<i>Financial Assets</i>							
Cash at bank	8	2.96	200,490	-	-	300	200,790
Interest bearing deposits	8	5.33	1,511,903	-	-	-	1,511,903
Receivables	9		-	-	-	658,902	658,902
Other financial assets	10		-	-	-	1,615,075	1,615,075
			<u>1,712,393</u>	<u>-</u>	<u>-</u>	<u>2,274,277</u>	<u>3,986,670</u>
<i>Financial Liabilities</i>							
Payables	14		-	-	-	441,598	441,598
Employee benefits	17		-	-	-	32,556	32,556
			<u>-</u>	<u>-</u>	<u>-</u>	<u>474,154</u>	<u>474,154</u>

**22 Additional financial instruments disclosure** (continued)

**(b) Net fair values of financial assets and liabilities**

	Consolidated			
	2005	2005	2004	2004
	Carrying amount	Net fair value	Carrying Amount	Net fair Value
	\$	\$	\$	\$
<i>Recognised financial instruments</i>				
The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:				
<i>Financial assets</i>				
Cash assets	1,480,702	1,480,702	200,790	200,790
Interest bearing deposits	70,000	70,000	1,511,903	1,511,903
Receivables	431,612	431,612	183,779	183,779
Loans to other entities	-	-	475,123	475,123
Other financial assets:				
Investments in associated companies – listed	1,949,802	5,160,359	-	-
Investments in other entities - listed	-	-	1,576,734	2,303,792
Investments in other entities - unlisted	-	-	44,339	44,339
<i>Financial liabilities</i>				
Payables	274,594	274,594	441,598	441,598
Employee entitlements	17,241	17,241	32,556	32,556
Lease liability	35,877	35,877	-	-

**Valuation approach**

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

**Recognised financial instruments**

The net fair value of listed shares are determined by valuing them at the current quoted market bid price adjusted for transaction costs necessary to realise the asset.

Refer to note 27 for details on the escrow of shares held in Thor Mining PLC.

**23 Commitments**

**Exploration expenditure commitments**

In order to maintain current rights of tenure to exploration tenements, the Company and the consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Exploration commitments not provided for in the financial report payable:				
Within one year	27,840	20,000	-	-



**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

23	Commitments (continued)	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
	<b>Non-cancellable operating lease expense commitments</b>				
	Future operating lease commitments not provided for in the financial statements and payable:				
	Within one year	112,238	104,509	112,238	104,509
	One year or later and no later than five years	25,933	22,947	25,933	22,947
		<u>138,171</u>	<u>127,456</u>	<u>138,171</u>	<u>127,456</u>

The consolidated entity leases property under non-cancellable operating leases expiring within two years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are re-negotiated.

24	Contingent liabilities	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
	The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information which could lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.				
	<b>Litigation</b>				
	Constructive trust claim over the Kanowna Securities. Refer below.	277,000	277,000	277,000	277,000
	<b>Guarantees</b>				
	A guarantee has been provided to support unconditional environmental performance bonds	70,000	70,000	70,000	70,000
	<b>Indemnities</b>				
	Indemnities have been provided to Directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2005.	-	-	-	-
	<b>Total estimated contingent liabilities</b>	<u>347,000</u>	<u>347,000</u>	<u>347,000</u>	<u>347,000</u>

**Resolution of matters arising from 1998**

In the period September to December 1998 management control of Tennant Creek Gold was held by interests associated with Davis Samuel Pty Ltd (Davis Samuel). The Davis Samuel nominee directors committed Tennant Creek Gold to a series of transactions involving expenditure totalling \$1,526,000. The Australian Stock Exchange Ltd (ASX) ruled that the transactions required shareholder approval. Shareholders subsequently voted against approving the transactions.

## **24 Contingent liabilities** (continued)

In December 1998, Tennant Creek Gold entered into a settlement agreement with Davis Samuel and its directors which effectively provided for the repayment of the funds expended, and Tennant Creek Gold would in turn transfer its shares and options in Kanowna Lights Limited (the Kanowna Securities) to Davis Samuel.

The Commonwealth of Australia (the Commonwealth) in proceedings in the Supreme Court of the Australian Capital Territory claimed that it was entitled to a constructive trust over the Kanowna Securities and obtained an injunction preventing Tennant Creek Gold from selling or otherwise disposing of them. The Commonwealth has claimed that as constructive trustee, the Commonwealth claims Tennant Creek Gold is liable to account for the market value of the shares at the time they were acquired. The Commonwealth gave an undertaking as to damages.

Subsequently, in September 1999, Davis Samuel purported to rescind the December 1998 Settlement Agreement.

The Commonwealth is on notice that if Tennant Creek Gold suffers damages as a result of the Commonwealth's injunction, and the Commonwealth ultimately fails to prove its constructive trust claim, Tennant Creek Gold will claim the damages from the Commonwealth.

### **Legal action against Davis Samuel**

Tennant Creek Gold, as a party to the proceedings instituted by the Commonwealth, issued cross-claims against Davis Samuel and several other parties including Messrs Allan Endresz, Peter Cain, William Forge, David Muir and Peter Clark.

In July 2001 Messrs William Forge, David Muir and Peter Clark were charged in relation to offences under the Corporations Law of Western Australia relating to the October 1998 transactions, pursuant to which Tennant Creek Gold expended \$1,526,000. In March 2004 Messrs Forge & Clarke were convicted and sentenced on charges of making improper use of their positions as company directors.

Tennant Creek Gold made an application to the Court for a reparation order to be made against Mr Forge and Mr Clark however the Court declined to make a reparation order.

## **25 Deed of cross guarantee**

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998 the wholly owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and directors reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are Connaught Mining NL and Enigma Mining Limited.

In accordance with the terms of the Class Order a consolidated statement of financial performance and consolidated statement of financial position comprising the entities that are party to the Deed should be disclosed.

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2005 is set out on the following page.

	<b>Consolidated</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
<b>25 Deed of cross guarantee (continued)</b>		
<b>Statement of financial performance</b>		
<i>Profit/(loss) from ordinary activities before income tax</i>	(3,303,588)	(454,063)
Income tax benefit relating to ordinary activities	-	-
<i>Profit/(loss) from ordinary activities after related income tax expense</i>	<u>(3,303,588)</u>	<u>(454,063)</u>
<i>Net profit/(loss)</i>	(3,303,588)	(454,063)
Retained profits at beginning of year	309,032	1,431,574
Dividends recognised during the year	-	(668,479)
<i>Retained profits at end of year</i>	<u>(2,994,556)</u>	<u>309,032</u>
 <b>Statement of financial position</b>		
Cash assets	1,537,063	1,712,693
Receivables	404,164	183,779
Other	29,421	7,275
<i>Total current assets</i>	<u>1,970,648</u>	<u>1,903,747</u>
Receivables	-	475,123
Other financial assets	3,206,126	1,615,075
Plant & equipment	107,921	71,395
Exploration, evaluation and development expenditure	3,695,084	4,843,368
<i>Total non-current assets</i>	<u>7,009,131</u>	<u>7,004,961</u>
<i>Total assets</i>	<u>8,979,779</u>	<u>8,908,708</u>
Payables	274,593	441,598
Lease liability	6,379	-
Provisions	17,241	32,556
<i>Total current liabilities</i>	<u>298,213</u>	<u>474,154</u>
Lease liability	29,498	-
Amounts owing to controlled entity	411,574	-
<i>Total non-current liabilities</i>	<u>441,072</u>	<u>-</u>
<i>Total liabilities</i>	<u>739,285</u>	<u>474,154</u>
<i>Net assets</i>	<u>8,240,494</u>	<u>8,434,554</u>
Contributed equity	6,581,394	3,471,866
Reserves	4,653,656	4,653,656
Retained profits	(2,994,556)	309,032
<i>Total Equity</i>	<u>8,240,494</u>	<u>8,434,554</u>

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Country of Incorporation	2005 % of Equity Interest	2004 % of Equity Interest
<b>26 Controlled entities</b>			
<b>(a) Particulars in relation to controlled entities</b>			
<b><i>Controlled entities</i></b>			
Connaught Mining NL	Australia	100	100
Enigma Mining Limited	Australia	100	100
Tennant Creek Gold (NT) Pty Ltd ( acquired 21/7/04)	Australia	100	100
Sandy Creek Mining Pty Ltd (acquired 10/2/2005)	Australia	100	100

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
<b>(b) Acquisition/disposal of controlled entities</b>				

***Acquisitions of entities***

During the financial year, the consolidated entity acquired of all the ordinary shares of Tennant Creek Gold (NT) Pty Ltd , Sunsphere Pty Ltd and Sandy Creek Pty Ltd. Details of the acquisitions are as follows (in aggregate):

Consideration (cash)	2	-	2	-
Consideration (non cash)	1,200,000	-	1,200,000	-
<b>Total consideration</b>	<b>1,200,002</b>	<b>-</b>	<b>1,200,002</b>	<b>-</b>
Fair value of assets of entities acquired:				
Cash	16,716	-	16,716	-
Plant and equipment	2,849	-	2,849	-
Receivables	3,208	-	3,208	-
Mineral exploration	1,301,406	-	1,301,406	-
Loans	(121,443)	-	(121,443)	-
Trade creditors	(2,734)	-	(2,734)	-
	<b>1,200,002</b>	<b>-</b>	<b>1,200,002</b>	<b>-</b>

***Disposal of entity***

During the financial year, the consolidated entity disposed of its interest in a wholly owned controlled entity Sunsphere Pty Ltd, in exchange for cash and shares to give it a 24.8% interest in Thor Mining PLC, which became an associated entity. Details of the disposal are:

Consideration (cash)	605,327	-	605,327	-
Consideration (non cash)	669,249	-	1,089,588	-
Less carrying amount of disposal	(2,018,300)	-	(2,036,926)	-
Less retained interest	482,542	-	-	-
<b>Loss on disposal</b>	<b>(261,182)</b>	<b>-</b>	<b>(342,011)</b>	<b>-</b>
Net assets of entities disposed of:				
Cash	20	-	20	-
Plant and equipment	185,000	-	185,000	-
Mineral exploration	1,877,209	-	1,877,209	-
Loans	(43,929)	-	(25,303)	-
	<b>2,018,300</b>	<b>-</b>	<b>2,036,926</b>	<b>-</b>

**27 Investments accounted for using the equity method**

*Details of investments in associates*

*Thor Mining PLC*

On 20 May 2005 the Company acquired 45,000,000 shares in Thor Mining PLC pursuant to the Sale and Purchase Agreement under which Sunsphere Pty Ltd, a wholly owned subsidiary, was sold to Thor Mining PLC. At the completion of this transaction the Company held a 45% interest in Thor Mining PLC. Thor Mining PLC subsequently completed a placement of 81,675,000 shares as part of its Admission to AIM. The Company's shareholding on completion of the AIM admission was 24.8% of the issued capital of Thor Mining PLC. The principal activity is mineral exploration and development.

The shares held in Thor Mining PLC are subject to escrow for 12 months, expiring June 2006.

Mr Barr is a director of Thor Mining PLC.

The Company has adopted the equity method of accounting for its investment in Thor Mining PLC in accordance with AASB 1016. The results of this company for the period have not been equity accounted as the amount is not material in nature.

*Batavia Mining Limited*

The consolidated entity previously equity accounted its investment in Batavia Mining Limited (Batavia), however the use of the equity method was discontinued from 13 February 2004 in respect of the consolidated entity's interest in Batavia due to the inability of the consolidated entity to exercise significant influence over the company. The principal activity is mineral exploration and development.

In June 2005 the Company participated in a pro rata rights issue undertaken by Batavia that resulted in the Company's shareholding increasing to 20.51%. As at 30 June 2005 two directors of Tennant Creek Gold Limited, Messrs Barr and Biddle were on the board of Batavia. As a consequence the Company adopted the equity method of accounting for its investment in accordance with AASB 1016 effective from 22 June 2005. The results of this company for the period have not been equity accounted as the amount is not material in nature.

**Summary financial position of associates**

	<b>Consolidated</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:		
Current assets	1,225,877	-
Non current assets	1,354,334	-
Total assets	<u>2,580,210</u>	-
Current liabilities	24,178	-
Total liabilities	<u>32,238</u>	-
Net assets	<u>2,547,972</u>	-
Commitments		
Share of associates exploration expenditure commitments not provided for payable:		
Not later than one year	<u>144,071</u>	-

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>28 Notes to the statements of cash flows</b>					
<b>(a) Reconciliation of cash</b>					
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 positions as follows:					
Cash assets	8	1,550,702	1,712,693	1,308,638	1,592,869
<b>(b) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash provided by operating activities</b>					
Profit/(loss) from ordinary activities after income tax		(3,385,809)	(454,063)	(2,448,433)	27,007
Add/(less) items classified as investing/financing activities:					
Profit on sale investments		-	(337,042)	-	(682,042)
Loss on sale of controlled entities		261,182	-	342,011	-
Loss on sale of non-current assets		1,644	618	1,644	618
Add/(less) non-cash items:					
Write down in exploration costs to recoverable amount		1,024,132	-	-	-
Depreciation/amortisation		127,287	152,764	37,828	36,574
Diminution in value of investments		1,103,347	-	1,125,694	-
Foreign exchange loss		8,891	-	8,891	-
Provision for non recovery of loan		-	-	-	1,145
Share of associates net loss		-	115,997	-	-
Exploration expenditure written off		54,274	131,847	20,171	50,000
Net cash used by operating activities before change in assets and liabilities		(805,052)	(389,879)	(912,194)	(566,698)
Change in assets and liabilities adjusted for effects of sale of controlled entity during the financial year:					
(Increase)/decrease in prepayments		(40,702)	(1,451)	(22,147)	(1,451)
(Increase)/decrease in debtors		219,489	(150,300)	219,178	(56,702)
Decrease in provision for income tax		-	-	-	-
(Decrease)/increase in accounts payable		(29,163)	74,296	(28,597)	59,732
(Decrease)/increase in provisions		(15,315)	8,822	(15,315)	8,822
Net cash used in operating activities		(670,743)	(458,512)	(759,075)	(556,297)
<b>(c) Non-cash financing and investing activities</b>					

In July 2004 the Company issued 10,000,000 ordinary shares at a deemed issue price of \$0.12 as consideration for the acquisition of all the issued shares in Tennant Creek Gold (NT) Pty Ltd.

In May 2005 the Company sold all the shares held in its wholly owned subsidiary, Sunsphere Pty Ltd, for 45,000,000 shares in Thor Mining PLC and cash of £250,000, with £125,000 (\$293,772) received prior to 30 June 2005 and £125,000 received in July 2005.

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>29 Employee Benefits</b>					
Aggregate liability for employee benefits, including on-costs					
<i>Current</i>					
Employee benefits provision	17	17,241	32,556	17,241	32,556
		<u>17,241</u>	<u>32,556</u>	<u>17,241</u>	<u>32,556</u>

#### Equity-based plans

##### **Employee share option plan**

The Tennant Creek Gold Limited 2004 Employee and Consultant Option Scheme was approved by shareholders on 1 July 2004.

Each option issued under the plan is convertible to one ordinary share. Under the rules of the plan the exercise price of the options is as the directors determine, in their absolute discretion, provided that it shall not be less than that amount which is equal to 80% of the average weighted trading price of the Company's shares in the 5 days immediately preceding the day on which the directors resolve to offer the options.

All options expire on the earlier of their expiry date or termination of the employee's relationship with the Company or a subsidiary, other than by reason of death, retirement or retrenchment of that participant.

During the year 2,210,000 options were issued under the Option Scheme and 210,000 options lapsed.

29 Employee Benefits (continued)

*Summary of options over unissued ordinary shares granted in accordance with the employee share option plan*

Consolidated and Company  
2005

Grant dates	Expiry date	Exercise price \$	Number of options at the beginning of year	Options granted	Options lapsed	Options exercised	Number of options at end of year on issue
28 July 2004	31 May 2007	\$0.15	-	2,210,000	(210,000)	-	2,000,000
			-	2,210,000	(210,000)	-	2,000,000

Consolidated and Company 2004

30 June 2000	30 June 2004	0.19	3,280,000	-	(3,280,000)	-	-
11 October 2002	30 June 2004	0.14	1,180,000	-	(1,180,000)	-	-
			4,460,000	-	(4,460,000)	-	-

30 Director and executive disclosures

(a) Details of specified directors and specified executives

*Specified Directors*

J W Barr (Chairman)  
N Biddle (Managing Director)  
M Bowen  
T Smith (Appointed 1 July 2004)

*Specified Executives*

C Bath (Company Secretary)  
P Kastellorizos (Exploration Manager)

(b) Remuneration of directors and specified executives by the consolidated entity

Details of the Company's remuneration policies, employment contracts and remuneration paid to directors and specified executives are disclosed in the Directors Report at pages 13 and 14.

(c) Equity instruments

All options refer to options over ordinary shares of Tennant Creek Gold Limited, which are exercisable on a one for one basis as approved by shareholders.

*Options and rights over equity instruments granted as remuneration*

During the reporting period, the following options over ordinary shares were granted to directors and specified executives and approved by shareholders.



Notes to the Financial Statements  
For the Year Ended 30 June 2005

30 Director and executive disclosures (Continued)

Grant dates	Expiry date	Exercise price \$	Number of options at the beginning of year	Options granted	Options lapsed	Options exercised	Number of options at the end of year
28/7/04	31/5/07	\$0.15	-	6,500,000	-	-	6,500,000
20/5/05	31/5/07	\$0.15	-	7,100,000	-	-	7,100,000
			-	13,600,000	-	-	13,600,000

13,600,000 options were issued outside the Tennant Creek Gold Limited 2004 Employee and Consultant Option Scheme to directors and executives and do not expire on the director or executive ceasing to be an director or employee.

**Option holdings**

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

	Held at 1 July 2004	Granted as remuneration	Exercised	Sales	Held at 30 June 2005	Vested and exercisable at 30 June 2005
<b>Specified Directors</b>						
J W Barr	-	3,000,000	-	-	3,000,000	3,000,000
N Biddle	-	5,000,000	-	-	5,000,000	5,000,000
M Bowen	-	2,000,000	-	(250,000)	1,750,000	1,750,000
T Smith	-	2,000,000	-	-	2,000,000	2,000,000
<b>Specified Executives</b>						
C Bath	-	2,000,000	-	-	2,000,000	2,000,000
P Kastellorizos	-	200,000	-	-	200,000	200,000

No options held by specified directors or specified executives are vested but not exercisable.

**Equity holdings and transactions**

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

	Held at 1 July 2004	Purchases	Received on exercise of options	Sales	Held at 30 June 2005
<b>Specified Directors</b>					
J W Barr	8,700,000	3,700,000	-	(3,400,000)	9,000,000
N Biddle	6,043,372	220,000	-	-	6,263,372
M Bowen	793,747	-	-	-	793,747
T Smith	-	1,855,016 <sup>1</sup>	-	(208,000)	1,647,016
<b>Specified Executives</b>					
C Bath	589,985	60,000	-	-	649,985
P Kastellorizos	-	-	-	-	-

<sup>1</sup> Includes 938,946 held on becoming a Director

**30 Director and executive disclosures (continued)**

**(d) Other transactions with the specified directors and specified executives**

A number of specified directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company or its subsidiaries in the reporting period. Their 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, specified executives and their personally-related entities, were total revenue of \$Nil and total net expense after reimbursement of office costs of \$249,837 (2004: \$253,917). Details of the transactions are as follows:

	Transaction	Note	2005 \$	2004 \$
<b>Specified Directors</b>				
J W Barr	Consulting fees	(i)	53,000	72,930
	Office costs reimbursed	(ii)	(3,000)	(3,000)
N Biddle	Consulting fees	(iii)	154,500	141,250
	Corporate charters	(iv)	2,300	1,650
	Office costs reimbursed	(v)	(3,000)	(3,000)
M Bowen	Legal fees	(vi)	43,072	21,394
T Smith				-
<b>Specified Executives</b>				
C Bath	Purchases	(vii)	2,965	1,693

- (i) The Company used the management consulting services of Kensington Consulting Pty Ltd, a company of which Mr J W Barr is a director.
- (ii) The Company invoiced Cavendish Corporation Limited, a company of which Mr J W Barr is a director for the reimbursement of office and administration costs.
- (iii) The Company used the geological and management consulting services of Hatched Creek Pty Ltd and Biddle Partners Pty Ltd, companies of which Mr Neil Biddle is a director and related party respectively.
- (iv) The Company invoiced Biddle Partners Pty Ltd, a company of which Mr N Biddle is a related party for the reimbursement of office and administration costs.
- (v) The Company used the services of Hannan Street Corporate Charters, a company of which Mr N Biddle is a director.
- (vi) The Company used the legal services of Hardy Bowen Lawyers, a legal firm of which Mr Michael Bowen is a partner.
- (vii) The Company purchased beverages from B<sup>2</sup> Corporation Pty Ltd trading as Coffeefresh, a company of which Mr C Bath is a director.

Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

**31 Non-director related parties**

**(a) Wholly owned group transactions**

Details of interest in wholly owned controlled entities are set out in Note 26. Details of these dealings are set out below.

**Loans**

Loans between entities in the wholly owned group are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the Company.

**31 Non-director related parties (continued)**

*Transactions*

	<b>The Company</b>	
	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Balances with entities in the wholly-owned group		
Receivable – non current	1,776,729	1,754,381
Provision for non recovery	<u>(1,776,729)</u>	<u>(1,754,381)</u>
	-	-
Payables – non current	<u>562,679</u>	<u>76,754</u>

**(b) Other related transactions**

*Loans*

The Company had provided a short term unsecured loan of \$566,325 to Batavia Mining Limited during the previous financial year which was repaid within the previous financial year.

Messrs Barr and Biddle were directors of Batavia Mining Limited during the previous financial year.

*Sales*

The Company invoiced to controlled or associated entities \$282,141 (2004: \$240,919) for the reimbursement of office and administration costs during the year.

### 32 Interests in joint venture operations

Joint venture party	Joint venture	Principal activities	Consolidated Interest		Exploration expenditure	
			2005	2004	2005	2004
			%	%	\$	
OMG Group Inc.	Cawse Extended	Nickel/Cobalt	20%	20%	-	1,335
Mines and Resources Australia Pty Ltd	Kintore East	Gold	23.75%	23.75%	-	-

Exploration expenditure represents direct expenditure incurred by the consolidated entity.

### 33 Impact of Adopting AASB Australian Equivalent to IFRS

Tennant Creek Gold Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS at 1 June 2004 being the Company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the known or reliably estimated impact of the changes on total equity as at the date of transition and 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Company, (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC, and (c) emerging and accepting practice in the interpretation and application of AIFRS and UIG Interpretations.

#### Share Based Payments

Under AASB 2 "Share-based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration at grant date and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity-based remuneration. AASB 2 applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. A portion of the options on issue were granted before 1 January 2005 (with immediate vesting), therefore the Company has elected to apply the exemption under AASB 1 First Time Adoption of International Financial Reporting Standards not to expense these options. A total of 7,100,000 options were issued subsequent to 1 January 2005. The value of these options issued is \$370,620. As a result there is an increase in employee benefits expense and a decrease in retained earnings of \$370,620 for the financial year ended 30 June 2005, representing options expense for the period.

#### Income Taxes

Under the AASB 112 "Income Taxes", the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. After assessing the major changes relating to the transition of AIFRS, the Company is now in the process of assessing the differences, however, it is not expected that there will be any further material impact as a result of adoption of this standard due to the Company's unutilised available tax losses and the uncertainty over whether they will be realised in the future.

The provision for deferred income tax arising as a result of the transfer from the asset revaluation reserve (see note below) is offset by the recognition of sufficient unutilised available tax losses and, accordingly, has been transferred to retained earnings on transition to AIFRS.

### **Exploration and Evaluation of Mineral Resources**

AASB 6 "Exploration for and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating unit's level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The Company has analysed its deferred exploration and evaluation expenditure and is satisfied that no expenses were deferred which were incurred before title to tenements was deemed to have been granted. As a result of this analysis there is no impact from adopting AASB 6.

### **Impairment of Assets**

Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of net selling price and value of use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy impairment of assets may be recognised sooner and that the amount of write-downs may be greater. The Company assessed the impairment triggers under AASB 136 and the facts and circumstances under AASB 6 relevant to the Company and the consolidated entity at transition date and 30 June 2005 and concluded that the assets have not been impaired.

### **Financial Instruments**

AASB 139 "Financial Instruments Recognition and Measurement" will require financial instruments to be classified into one of the following categories which in turn determines the accounting treatment for the item. The classifications are:

- Financial assets held for trading – which are to be measured at fair value and fair value changes applied through the Statement of Financial Performance;
- Financial assets held to maturity – which are to be measured at amortised costs;
- Loans and receivables – which are measured at amortised cost;
- Available for sale financial assets – which are measured at fair value with fair value changes taken to equity;
- Non-trading financial liabilities – which are measured at amortised cost.

The Company has decided to apply the exemption provided in AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" which permits entities not to apply the requirements of AASB 132 "Financial Instruments": Presentation and Disclosures and AASB 139 "Financial Instruments": Recognition and Measurement for the financial year ended 30 June 2005. As a result there is no impact on the consolidated entity of the Company's financial statements at transition date and for the year ended 30 June 2005.

### **Asset Revaluation Reserve**

In accordance with AASB 112 an amount of \$398,082, being the income tax effect arising as a result of the difference between carrying value and income tax cost base, will, on transition to AIFRS be transferred from the asset revaluation reserve to provision for deferred income tax.

In accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. the company has reclassified the remaining balance of the asset revaluation reserve to retained earnings in its opening Australian equivalents to IFRS balance sheet. Any future impairment in the value of assets carried at deemed cost will be charged to the profit & loss account.

**Notes to the Financial Statements  
For the Year Ended 30 June 2005**

**Reconciliation of equity as presented under AGAAP to that under AIFRS**

	<b>Consolidated 2005 \$</b>	<b>The Company 2005 \$</b>
Total equity under AGAAP	8,158,273	4,476,936
Adjustments to retained earnings	4,653,656	(70,000)
Adjustment to asset revaluation reserve	(4,653,656)	(70,000)
Total equity under AIFRS	<u>8,158,273</u>	<u>4,476,936</u>

This represents the cumulative adjustments as at the date of transition to AFRS as at 30 June 2005.

**Reconciliation of retained earnings under AGAAP to that under AIFRS**

	<b>Consolidated 2005 \$</b>	<b>The Company 2005 \$</b>
Accumulated losses as reported under AGAAP	(3,076,777)	(2,174,458)
Share based payment expense	(370,620)	(370,620)
Transfer from asset revaluation reserve	4,255,574	70,000
Recognition of deferred tax asset	398,082	-
Retained profits/(accumulated losses) Under AIFRS	<u>1,206,259</u>	<u>(2,475,078)</u>

**34 Events subsequent to balance date**

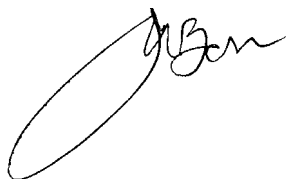
The Company has executed an agreement to sell its interests in a number of non core tenements located in the Northern Territory to Red Rock Resources Plc (Red Rock). Red Rock is admitted to trading on the AIM market. Consideration for the sale is 19 million ordinary fully paid shares in Red Rock, which are freely tradeable subject to an orderly marketing agreement.

## Directors' Declaration

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- 1 In accordance with a resolution of the Directors of Tennant Creek Gold Limited I state that:
  - (a) the financial statements and notes including the remuneration disclosures that are contained on pages 17 to 52 of the Directors' report of the Company and of the consolidated entity, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance, for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia including AASB 1046 Director and Executive Disclosures by Disclosing Entities and the Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the controlled entities pursuant to ASIC Class Order 98/1418.
- 3 This declaration is made after receiving the declarations required to be made to directors by the chief executive officer and the chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2005.

On behalf of the board.



**John W Barr**

Chairman

Dated at Perth 30 September 2005



## **Independent audit report to members of Tennant Creek Gold Limited**

### ***Scope***

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

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, the disclosures made as required by Australian Accounting Standard AASB 1046 *Director and Executive Disclosures by Disclosing Entities* in the "Remuneration report" in the Directors' report as permitted by the *Corporations Regulations 2001* ("remuneration disclosures") and the directors' declaration for both Tennant Creek Gold Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report and the Remuneration 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 and the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*. 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 and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the *Corporations Regulations 2001*.

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*.







***Audit opinion***

In our opinion, the financial report, including the remuneration disclosures in the Remuneration report in the Directors' report of Tennant Creek Gold Limited 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 2005 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia, including AASB 1046 *Director and Executive Disclosures by Disclosing Entities*, and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

*KPMG*

KPMG

*D P McCOMISH*

D P McCOMISH  
Partner

Perth

Dated: *30 September 2005*