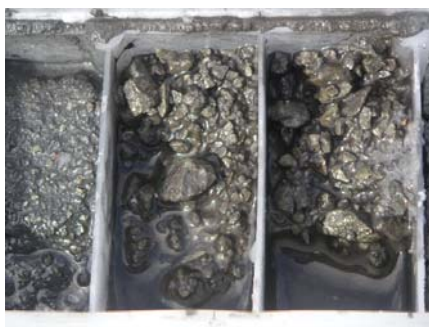


Annual Report 2006



1. DIRECTORY



DIRECTORS

Brian Gomez
Chairman
B Sc (Earth Sciences)
FAICD

Dr Robert Creelman
BA. MSc (Hons), PhD.,
F.AUS.IMM.CP Geol.

Brian Thornton
B.Ec., F.Fin

COMPANY SECRETARY

Anthony deGovrik LL.B

MANAGEMENT

Steven Lian
Chief Executive

REGISTERED OFFICE

Level 7, Simpson House
249 Pitt Street
SYDNEY NSW 2000
Tel: 61 2 9283 5711
Fax: 61 2 9283 5766

Email:
info@gatewaymining.com.au

Website:
www.gatewaymining.com.au

SHARE REGISTRY

Computer Registry Services
GPO Box 7045
SYDNEY NSW 1115
Tel: 1300 855 080

SOLICITORS

A.C. deGovrik & Associates
7 Cammeray Road
CAMMERAY NSW 2026

BANKER

Citibank
2 Park Street
SYDNEY NSW 2000

AUDITORS

Priestley & Morris
Chartered Accountants
PO Box 19
PARRAMATTA NSW 2124

GEOLOGICAL CONSULTANTS

MJ Geoservices
Mark Gordon
PO Box 3361
Manuka ACT 2603

Geeland Pty Ltd
Simon Taylor
6 Fay Street
North Curl Curl NSW 2099

Alan Pellegrini
12 Holland Street
Wembley WA 6014

AUSTRALIAN STOCK EXCHANGE

Ordinary Shares GML
Options GMLO

2. CHAIRMAN'S REPORT



These are exciting times for Gateway Mining NL. Since my last report a number of respected farm-in partners have made significant exploration commitments, with the aim of making major discoveries, at company-owned tenements in Western Australia, New South Wales and in Queensland.

This is happening during a period described by gold and base metals analysts as a commodities super-cycle. Prices for minerals have skyrocketed in the face of strong international demand and sound economic growth in most developed and developing countries.

The higher prices have translated into near record level exploration activity with Australian mineral exploration expenditure rising to just over A\$1 billion in 2005-06, according to the Australian Bureau of Agricultural and Resource Economics.

This is about 50% more than it was five years ago. However, spending on gold exploration has not risen much in the past five years, hitting A\$400 million 2005-06.

By contrast exploration spending on base metals and cobalt has more than doubled in this period to A\$360 million.

The relative decline in gold exploration partly reflects the record prices enjoyed for base metals as well as the scarcity of major new gold discoveries. Australian explorers have been forced increasingly to utilise various remote sensing technologies to seek out "blind deposits".

From this point of view the coming year will be one of exceptional promise for Gateway Mining shareholders. Much of our 400 sq km lease areas at Gidgee, Western Australia, have been farmed out in two highly attractive deals.



2006

The first of these was with Placer Dome, which was subsequently taken over by Barrick Gold. Barrick is expected this November to put down three 500-metre diamond drill holes into our Victory Creek prospect, a large geophysical anomaly under 30 metres of soil cover north of Airport.

Gateway shareholders have much to look forward to. Barrick, the world's biggest gold producer, is putting down these deep holes at considerable expense because of a perceived opportunity to discover a deposit containing a minimum of five million ounces of gold.

Barrick is understood to have upgraded this prospect after air core holes at Julia's Fault, at the southern end of a 4.5km anomalous structure that extends to Victory Creek, all intersected gold. Barrick has to spend A\$4 million to earn a 70% stake in an 80 sq km area and is committed to spending A\$400,000 within the first year.

2. CHAIRMAN'S REPORT

2006

At the time of writing, following the end of the 2005-06 financial year, Gateway has also concluded a deal with WCP Diversified Investments Ltd under which significant drilling is anticipated at our Airport and Barrelmaker leases at Gidgee.

More than a dozen priority targets are ready for drilling, along with further work to prove up our Rosie North discovery. Once again significant drilling is anticipated in coming months, as outlined in WCP's latest annual report.

Since the end of the financial year, Gateway has also announced to the Australian Stock Exchange two further deals that will result in stepped up activity at our highly prospective Surprise leases, near Cloncurry in Queensland, and at Cowra in New South Wales. Both agreements have been concluded with the Adelaide-headquartered Minotaur, which will bring its special geophysical expertise in delineating top class targets to our exploration efforts at Surprise and Cowra.

At Surprise, Gateway has made two significant virgin copper discoveries at Startle and Shock and outlined the 4.6 km long Jolt gold anomaly.

At Cowra, within the highly productive Lachlan Fold Belt, our focus has been on the 4 x 7 km Kiola copper-gold anomaly, where previous drilling by Gateway has yielded grades of up to 25.3 g/t gold and 8.4 g/t gold in narrow zones.

Pending further geophysical surveys by Minotaur, drilling is anticipated in both these tenement areas with significant activity anticipated in the current year.

Gateway successfully placed 8.8 million shares at 15 cents each during the year and is presently in a comfortable financial position and ready to meet future challenges.

Brian Gomez

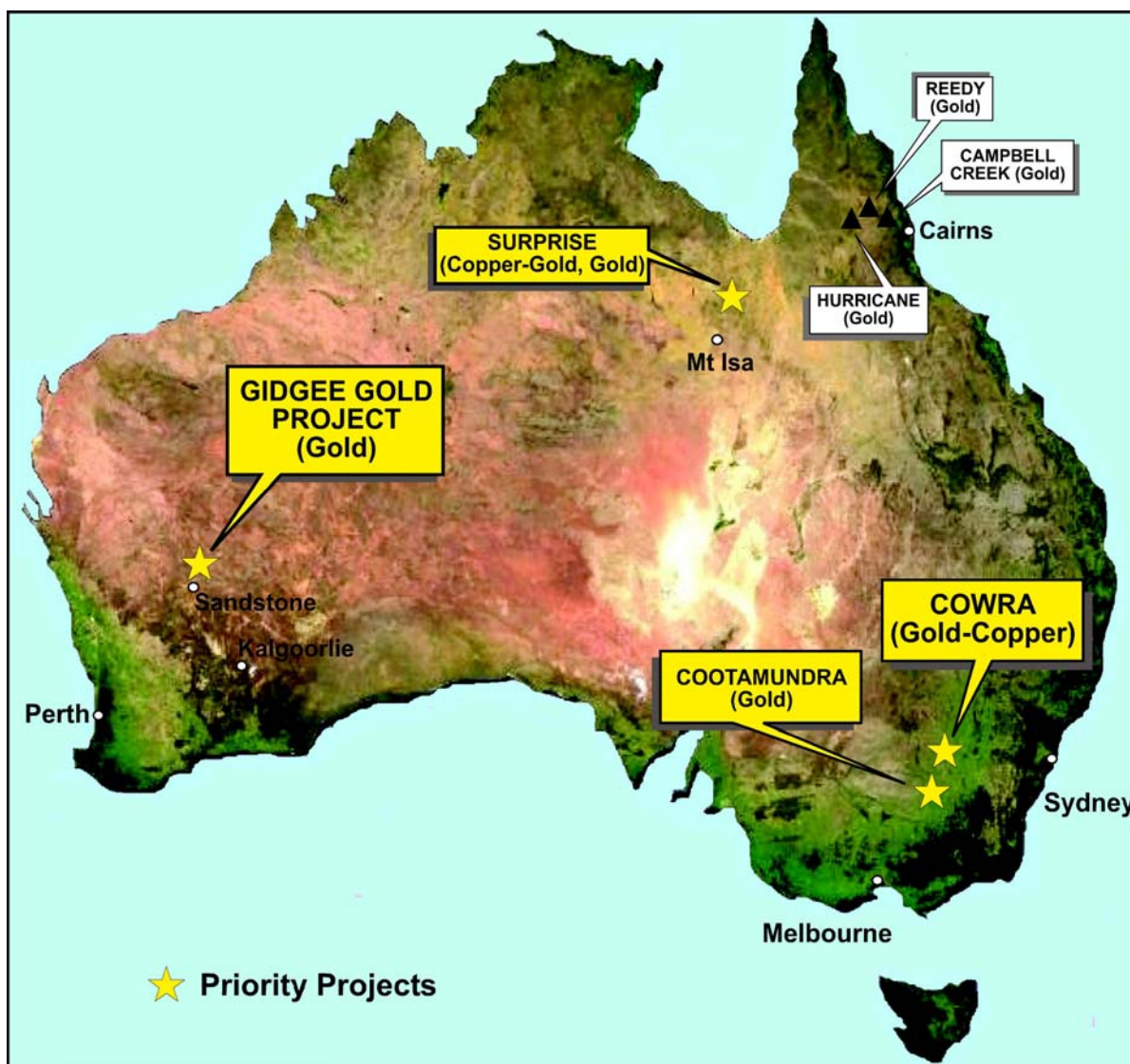


Chairman



3. OPERATIONS REVIEW

Operations Review



Gateway Mining has had another active and exciting year with several key developments highlighted by the farming out of part of the Gidgee leases in Western Australia to Barrick Gold, the world's largest gold producer. Barrick is planning to drill some deep diamond holes at Victory Creek in pursuit of a multi-million ounce orebody.

Barrick was attracted to our Gidgee property through the use of extensive 3D modeling of aeromagnetic and gravity data. This success represents a tribute to the exploration strategies adopted by Gateway in Western Australia, New South Wales and Queensland.

A total of 16,140 metres of drilling comprising of 13,109 metres of rotary air blast drilling (RAB), 2,358 metres of air core drilling and 673 metres of reverse circulation (RC) drilling was completed on company projects, primarily in Western Australia and New South Wales.

3. OPERATIONS REVIEW

Gidgee Gold Project

The Project comprises of over 400 square kilometres located in the Gum Creek Greenstone Belt some 600 kilometres northeast of Perth. The Belt has produced in excess of 1.5 million ounces of gold.

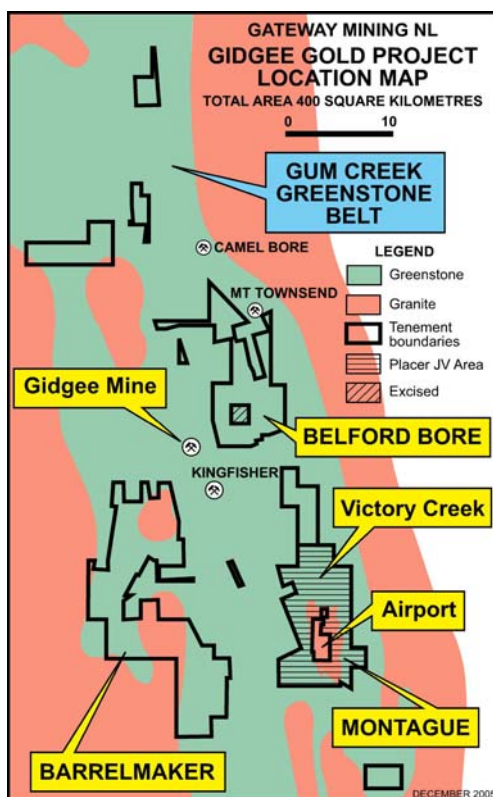
The company believes the Project and in particular the Montague area that hosts the Airport Gold Trend and Victory Creek is largely under explored below a depth of 50 metres.

Only 24% of drill holes have tested below 50 metres depth whilst only 2% of drilling has tested below 100 metres depth. This is highlighted by the fact that Gateway has discovered virgin mineralisation at Victory Creek under 20-30 metres of transported cover as well as at Julia's Fault, Two Dogs and Hypotenuse.

Placer Dome Farm-In Agreement

During the year the company announced that it had completed discussions with Placer Dome Australia Limited (Placer) and signed two Farm-In Agreements over a portion of the project area.

The involvement of Placer is a major stepping stone in the company's growth and recognition that the Gum Creek Greenstone Belt has the potential to host a multi million ounce gold resource. Placer has indicated they will be targeting a minimum of 5 million ounces of gold.



Results of exploration success by Gateway, and in particular the results of three-dimensional modelling of gravity and magnetics coupled with multi-element analysis, has delineated an exploration model that fits the minimum exploration target required by Placer.

The key terms of the Agreements include

- **Placer to spend over \$4 million to earn 70% of selective tenements totalling 80 square kilometres within the Montague Project.**

Western Australia

- **Placer must spend \$400,000 within the first year and before it can exit.**
- **Placer and Gateway agree to include any further acquisitions adjoining the area on a Placer 70% - Gateway 30% basis.**

Subsequent to the signing of the Agreements, Barrick Gold Corp (Barrick) completed a successful takeover of Placer Dome. As a result of the Barrick-Placer takeover, Gateway now has Agreements in place with the world's largest gold producer.

The Company looks forward to an exciting period of intensive exploration at Victory Creek and the extensive Julia's Fault area, which have the potential to be a significant company maker.

Gateway will now focus its efforts on its remaining leases, which make up its total acreage of 400 square kilometres.

Previous high-grade intersections at its adjoining Airport leases and at Barrelmaker have provided Gateway with confidence that further discoveries will be made outside the Victory Creek/Montague area.

3. OPERATIONS REVIEW

Victory Creek

Western Australia

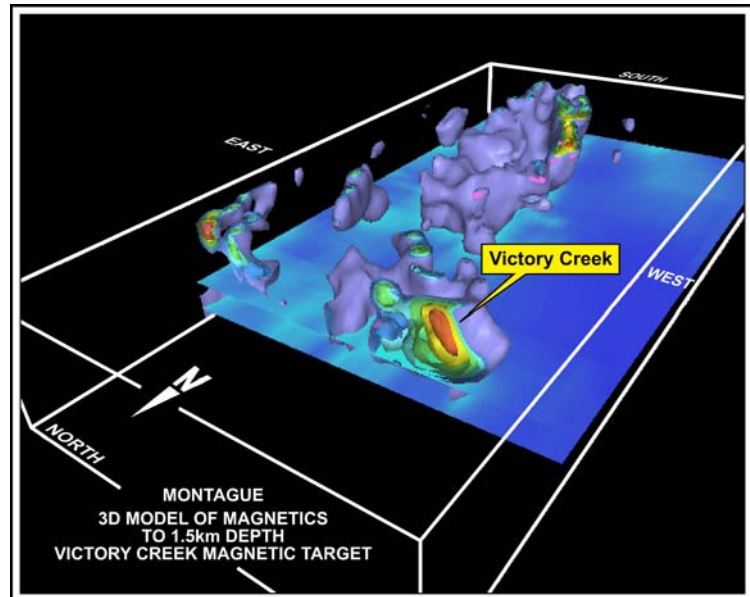
Victory Creek Targets

Barrick-Placer earning 70%

Placer will conduct deep diamond drilling in late 2006 at a priority target at **Victory Creek** within the overall 80 square kilometre lease area providing the basis for aggressive exploration activity, in conjunction with Gateway's gold discovery at **Julia's Fault**.

Victory Creek shows similarities to Placer's Wallaby deposit in the Laverton Tectonic Zone that contains a total gold resource of 7.1 million ounces.

Multi-element analysis, air core, RAB and RC drilling will be conducted along the Julia's Fault to Victory Creek trend.



3D Model showing Victory Creek magnetic target

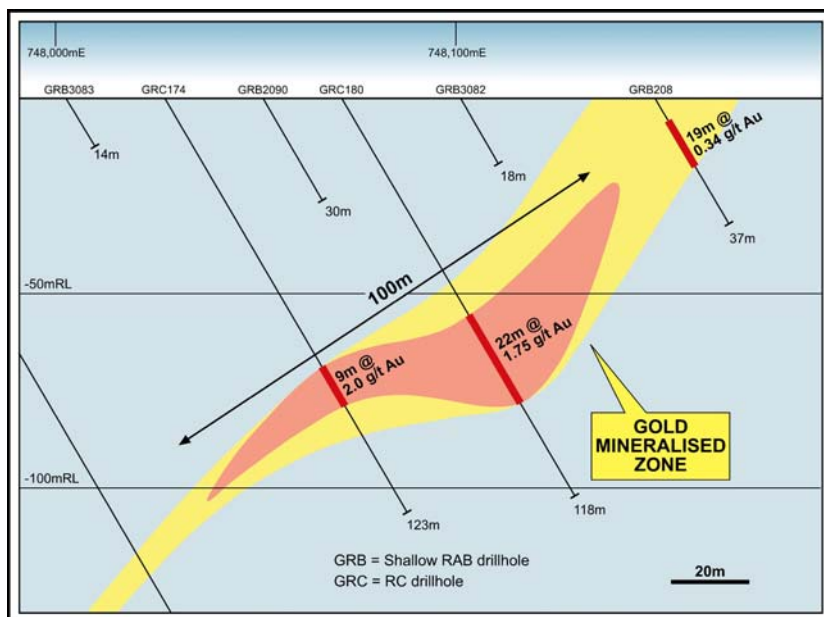
Julia's Fault is located on the western side of the Montague block at the southern end of a 4.5 kilometre long structure highly anomalous in arsenic and antimony that extends to Victory Creek.

Most of the structure northeast from Julia's Fault is blind to surface hidden below up to 40 metres of cover in some places.

Barrick completed 2,358 metres of aircore drilling along the inferred Julia's Fault gold-arsenic trend within mining leases M57/429 and M57/485.

Drilling by Barrick confirmed due diligence assessment that mineralisation is related to a disseminated to massive pyrite lens within a black shale sequence. Aircore drilling tested the sulphide zone for approximately 500 metres.

Several holes finished in gold anomalous material and confirmed Gateway's initial shallow RAB drilling that highlights the anomalous gold arsenic trend that has the potential to host a large low-grade bulk tonnage gold resource.



JULIA'S FAULT
Drilling Section 6,969,000mN

3. OPERATIONS REVIEW

Victory Creek

Best results of the drilling included 7 metres @ 1.97 g/t gold from 36-43 metres that included a 2 metre zone that returned 3.73 g/t gold. This intersection is located 100 metres north of previous reverse circulation drilling of Gateway that returned 22 metres @ 1.75 g/t gold and 9 metres @ 2.0 g/t gold.

Barrick-Placer also intends to further investigate the potential associated with outstanding anomalism at the **Cup** and **Bypass** prospects where historical RAB drilling returned 12 metres @ 3.16 g/t gold that has never been followed up.

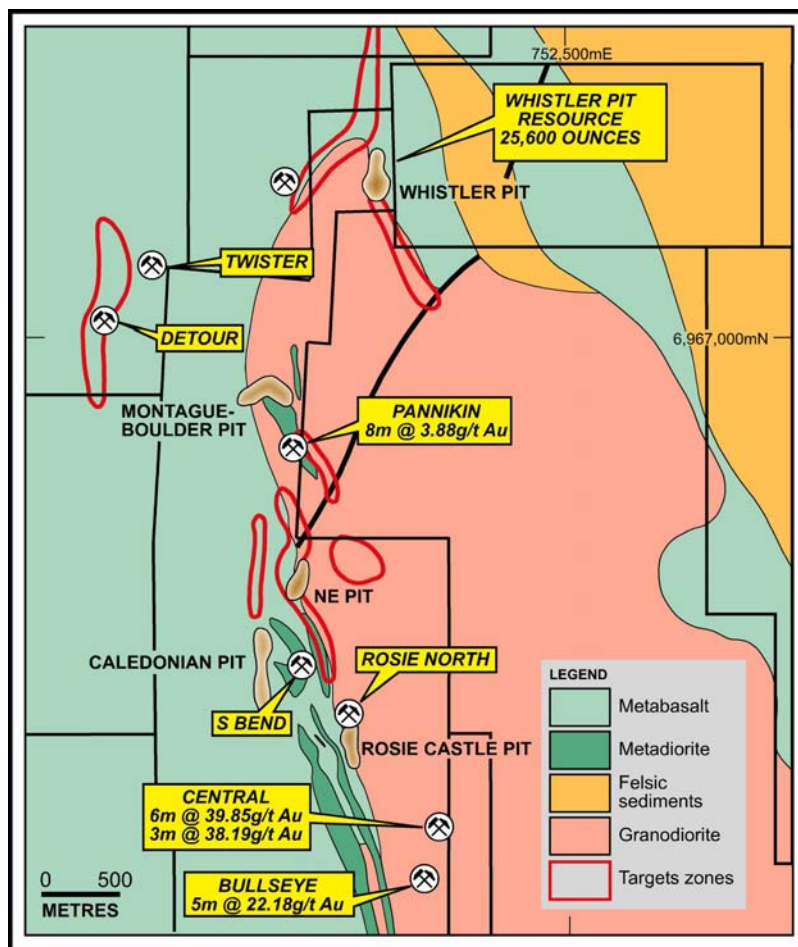
Additionally significant gold anomalism at **South Airport** will be further investigated which includes 2 kilometres of the southern extension to the **Airport Gold Trend**.

Airport

Located on the western edge of the Montague granodiorite, the Airport area has produced over 100,000 ounces of gold from 5 shallow (50 metres) open pit mines. Four of the five open pits mined in the late 1980's are located along the granodiorite basalt contact zone.

Three dimensional modelling of the granodiorite contact using magnetic and gravity data has been completed.

Western Australia



AIRPORT GOLD TARGETS

This model will aid in selecting additional drilling targets to those already delineated from geological interpretations.

At Rosie North scout RAB drilling tested for additional hanging wall reef structures to the east of the main mafic granodiorite contact zone, where Gateway has intersected ore grade material over an open ended strike of 300 metres.

Drilling was successful in intersecting further gold mineralised veins. RAB drill hole GRB 2386 (6964900N, 751350E) intersected **6 metres @ 8.2 g/t gold** from 30 to 36 metres down hole. The result was from a 6 metre composite sample.

This hole was 100 metres south of previous shallow drilling that returned results of 5 metres @ 1.4 g/t gold and 5 metres @ 1.0 g/t gold from 5 metre composites.

3. OPERATIONS REVIEW

Airport

Rosie North now requires deeper reverse circulation drilling to test the contact and hanging wall veins at depth.

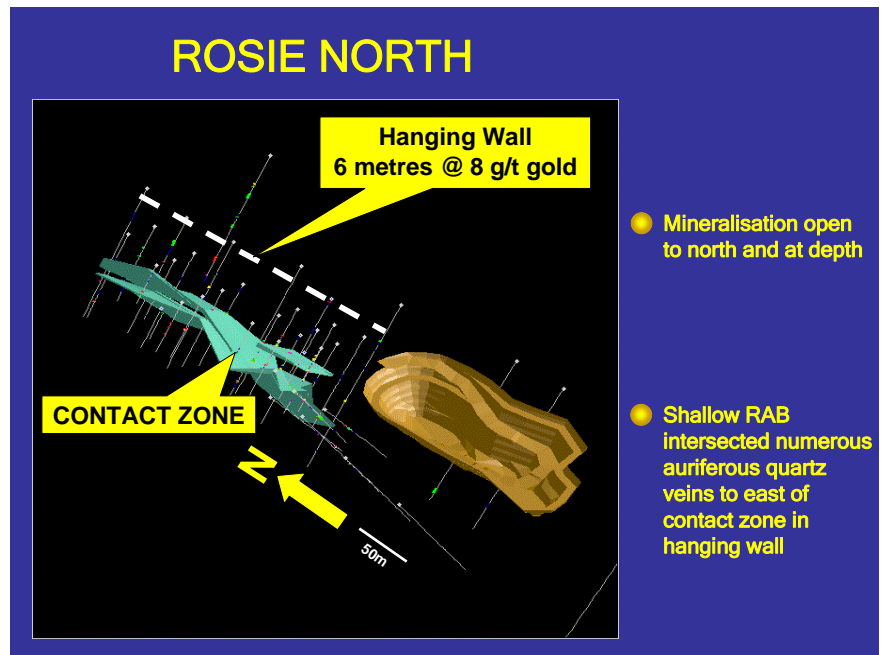
A series of RC holes to depths of 150-200 metres are now being planned to explore for blind high-grade reefs. A reasonably coherent trend over 500 metres (6964900N-6965400N) has now been defined east of the contact zone intersecting multiple quartz veins in the top 30 metres.

The hanging wall structures sit some 90 metres to the east of the contact and if proved to be continuous along strike, will significantly enhance the economic viability of the Rosie gold resource.

At **Montague Boulder** drilling returned encouraging gold grades up to **1.26 g/t gold** at the granodiorite basalt contact zone that also requires follow up drilling.

At **Caledonian** RAB drill hole GRB2421 returned an intersection of **10 metres @ 1.6 g/t gold** located 100 metres north of the Caledonian open cut mine. West of the open cut, hole GRB2425 returned strong gold anomalism including 10 metres @ 0.67 g/t gold. Both intersections will be followed up with further drilling.

Western Australia

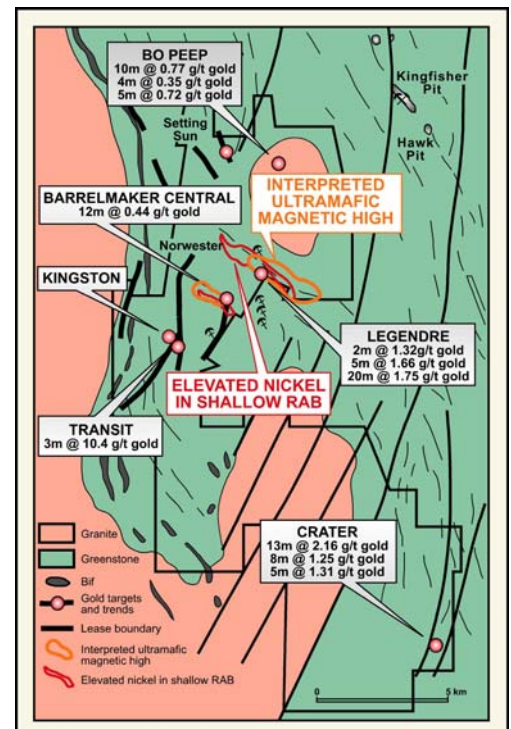


Barrelmaker

The Barrelmaker project located on the western side of the Gum Creek Greenstone Belt comprises of a highly prospective landholding covering nearly 200 square kilometres.

The project contains a large strike length of the under explored Bolger Well shear zone and Bo Peep granodiorite. As well as significant gold potential the project contains significant strike lengths of concealed komatiitic flows with anomalous nickel geochemistry. The area contains up to 12 priority gold drill targets.

Rotary airblast drilling of regional targets returned anomalous gold values up to a maximum of 0.46 g/t gold.



3. OPERATIONS REVIEW

Cowra Project EL5515, 6102

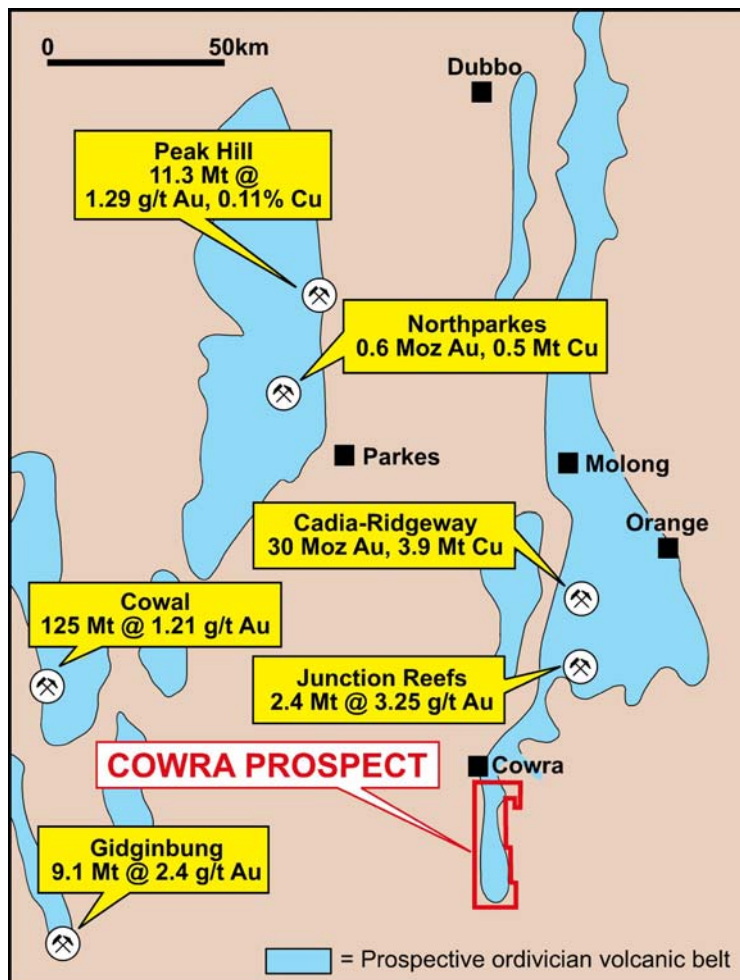
New South Wales

The Cowra Project is located within the Molong volcanic belt in the Lachlan Fold Belt in New South Wales. The project covers a package of prospective Ordovician rocks over a 50 kilometre strike length. The Cowra Project is a joint venture with Goldminco Corporation (GCP TSX Venture Exchange).

Goldminco has advised that three magnetic targets were drill tested for skarn associated mineralisation during the year. A total of three holes for 359 metres were completed.

At Dollys drilling intersected a magnetic skarn at depth with significant magnetite and sulphides associated with the magnetic high. No significant economic mineralisation was intersected at each of the three targets. Further work involving gravity and drilling is now required along strike to the north of Dollys at Nasdaq where initial drilling by Gateway has intersected significant gold mineralisation.

Goldminco advised that they would withdraw from the Cowra Joint Venture.



Tuckerbox Gold Project EL4811

The Company continues to focus its exploration on the Johnstons Hill line of lode that includes the Tuckerbox prospect.

A ground magnetic survey was completed during the year with preliminary modelling indicating a distinct magnetic low on the eastern side of the Johnstons Hill line of load.

Results of preliminary modeling indicate a distinct mag low on the eastern side of the Johnstons Hill line of lode.

This may represent a wide quartz vein or a zone of magnetic destruction around a fracture zone. This will be further investigated.

Barra Project EL5947

Results of initial reconnaissance at Barra did not warrant any further work and the project was relinquished during the year.

3. OPERATIONS REVIEW

Surprise Project

Located south of Kajabbi in the Mt Isa region, the project includes the historic Surprise Mine, its northern and southern strike extensions and numerous prospector pits and historical workings in the central and northeastern parts of the project.

Results of soil sampling to the north of the Jolt gold-in-soil anomaly are encouraging. Results have confirmed the gold trend extends northwards with a peak value of up to 0.11 g/t gold being returned. Infill sampling at Shock has confirmed the copper-in-soil anomaly previously outlined from wide spaced soil lines.

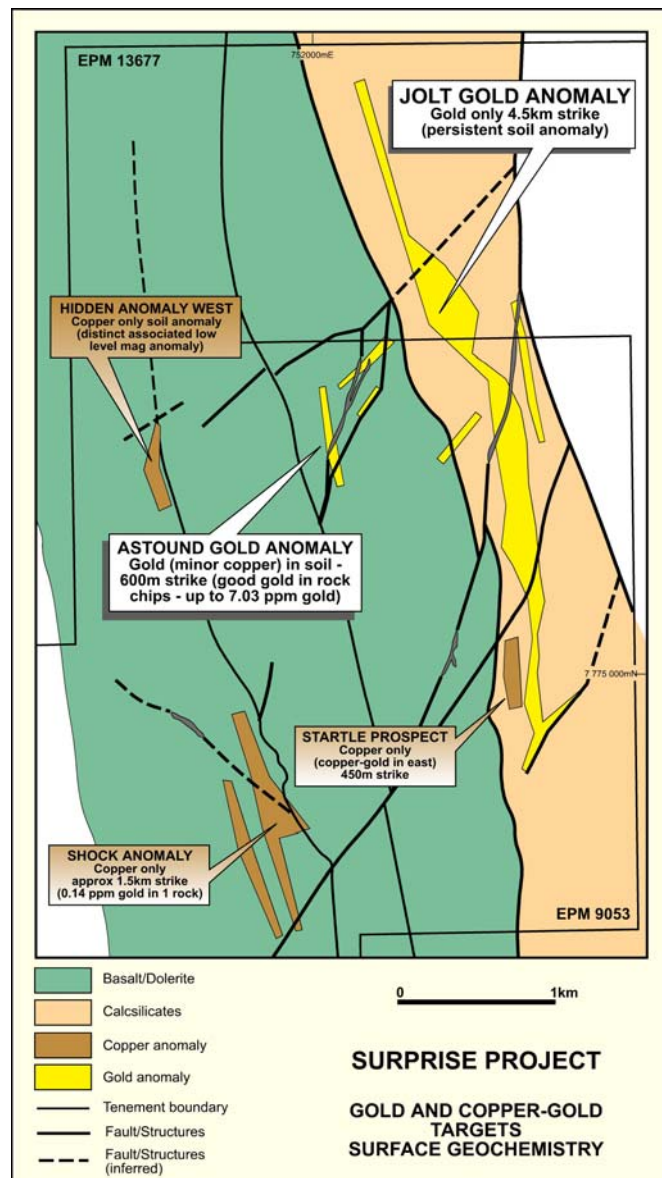
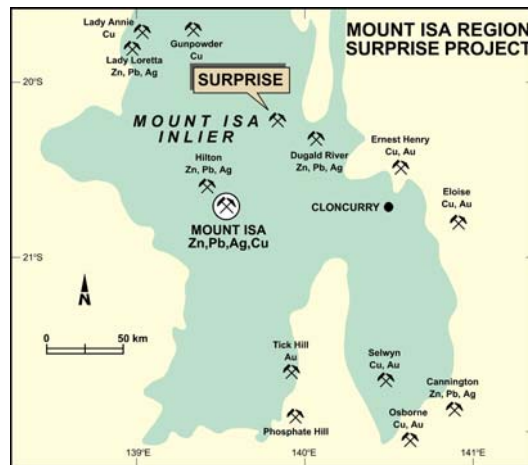
The company now seeks a joint venture partner to advance the project.

Hodgkinson Basin

Through a joint venture with Republic Gold Limited (RGL) Gateway retains a 6% free carried interest in four projects within the Hodgkinson Basin. At a decision to mine, Gateway can elect to contribute or dilute to a 2.6% share and contribute or to a 0.6% NSR royalty.

Gateway has been issued with 1,350,000 shares in RGL after the successful transfer of its interest to RGL was confirmed by the Department of Natural Resources and Mines.

Queensland



3. OPERATIONS REVIEW

The company holds the following percentage interest in the undermentioned tenements: -

| TENEMENT SCHEDULE | | |
|--------------------------|---|-------------------|
| PROJECT | TENEMENTS | % INTEREST |
| GIDGEE | P53/673 - 674 (MLA53/593), P53/676 (MLA53/592), P57/801-802 (MLA57/452), P57/844 (MLA57/453), E57/255 (MLA57/467, 468) | 90 |
| | MLA53/938, PLA57/976, P53/1004, MLA53/939 & MLA53/905, MLA53/906, MLA53/926, P57/879 (MLA57/483), P57/882 (MLA57/472)-P57/884 & 885 (MLA57/471), P57/893 (MLA57/497), (MLA57/464, 504), E57/342 (MLA57/487), E57/343 (MLA57/486), E57/359 (MLA57/460, 495 & 496), MLA57/462, 463, MLA57/466, 484, E57/394 (MLA57/470, 498), ELA57/401, ELA57/402, ELA57/405, ELA57/417, ELA57/418, ELA57/562, ELA57/563, E57/554, M57/909 | 100 |
| | E57/232 (MLA57/387, 388)(Legendre JV) | (earning) 80 |
| | MLA53/907, 987, MLA57/445, 446, 461, 502 & 503 (Yardarino JV) | 75 |
| | E57/334 (MLA57/447, 488, 489), E57/335 (MLA57/448, 449, 490, 491)(Herald Resources JV) | 80 |
| | M57/429, M57/ 485, ELA57/561 (Estuary Resources JV) | 75 |
| | M57/48,98,99,217, G57/2 (Herald Resources JV) | 85 |
| COWRA | EL 5514 | 100 |
| | EL 6102 | 100 |
| COOTAMUNDRA | EL 4811 | 100 |
| HODGKINSON BASIN | EPM 9934 | 6 |
| | EPM 10026 | 6 |
| | EPM(A) 11765 | 60* |
| | EPM 12240 | 6 |
| | MDL(A) 254 | 100* |
| SURPRISE | ML 2483, 2509, 2686, 90102 | 100 |
| | EPM 9053, EPM 13677 | 100 |

*Denotes- Transfers to be lodged with Department of Natural Resources and Mines. Gateway to reduce to 6% on approval.

4. DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2006.

1. DIRECTORS

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

Names, Qualifications, Experience and Special Responsibilities

Brian Gomez (Non-Executive Chairman)

B.Sc (Earth Sciences) from Macquarie University

Appointed Chairman in 1995. Board member since 1995. Brian has been analysing and writing about resource projects and issues in Australia and internationally for more than two decades. He has acted in a corporate advisory capacity to a number of listed and unlisted resource companies and delivered papers at International Conferences. Brian is a former Jefferson Fellow at the East West Center in Honolulu and a Fellow of the Institute of Company Directors.

Dr Robert A. Creelman (Non-Executive Director)

BA.MSc (Hons), PhD., F.Aust.IMM.CP (Geol)

Board member since 1994. Dr Creelman is a Fellow of the Australian Institute of Mining and Metallurgy, and a Certified Professional (Geology) with the Institute. He has had over 30 years experience in the geosciences and allied engineering disciplines and has been a director of public companies involved in exploration and mining.

He recently accepted an Adjunct Associate Professorship on a part time basis at the University of Western Sydney, and is a Research Fellow at the University of Newcastle in coal combustion and utilisation. He has in the past been in CSIRO involvement in the development of automated mineralogy for the minerals industry. Through his consultancy, he has been involved in exploration for gold, base metals, fuel and platinum resources.

Brian F. Thornton (Non-Executive Director)

B.Ec., F.Fin

Board member since 2001. Brian Thornton, a graduate in Economics from the Australian National University and a Fellow of the Financial Services Institute of Australia, has a diverse background covering the public and private sectors. He has worked as an adviser to the resources sector for almost 20 years and consults to a number of listed gold base metals and bulk commodity companies. His expertise covers IPOs, mergers and acquisitions and capital raisings. He is also a director of Gel Resources Pty Limited and Chairman of Xanadu Mines Ltd.

Directors and Specified Executives (being key management personnel) Interests`

As at the date of this report, the interests of the directors and specified executives in the shares and options of the company were:

| Directors: | Ordinary shares: | Options over ordinary shares |
|-----------------------|------------------|------------------------------|
| B. Gomez | 301,250 | 211,250 |
| R.A. Creelman | 130,500 | 199,500 |
| B.F. Thornton | 10,215,482 | 1,275,639 |
| Specified Executives: | Ordinary shares: | Options over ordinary shares |
| S.Lian | 380,000 | 300,000 |
| S.Taylor | 394,500 | 262,500 |

No options were exercised or granted as remuneration during the year.

4. DIRECTORS' REPORT

2. COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year: Mr. Anthony C. de Govrik - Solicitor. Mr. de Govrik also acts as the company solicitor and was appointed company secretary on 8 October 1992.

3. PRINCIPAL ACTIVITIES

The principal activities of the company during the financial year were resource exploration and investment. There were no significant changes in the nature of the activities of the company that occurred during the year.

4. RESULTS AND DIVIDENDS

The profit after tax for the year was \$157,249 (2005 loss - \$435,832). No dividends have been declared or paid during the year.

5. REVIEW OF OPERATIONS

The company continues to assess and evaluate its exploration tenements in Western Australia, New South Wales and Queensland. The company's focus is the Gidgee Gold Project in Western Australia and the Cowra Project in NSW. The company signed two Farm-In Agreements with the world's largest gold producer, Barrick Gold Corp, over an 80 sq. km area in Gidgee in Western Australia. Barrick Gold Corp is to spend \$4 million to earn a 70% interest in selective tenements over a five-year period. It must spend \$400,000 within the first year before it can exit. The agreement also includes any further acquisitions adjoining the area on a 70%/30% interest basis for Barrick Gold Corp/Gateway Mining respectively.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND FINANCIAL POSITION

Shareholders' net contributed equity increased from \$18,516,506 to \$20,150,506 an increase of \$1,634,000. The movements were the result of \$380,000 raised through a placement on 29th August 2005 and \$1,254,000 raised through a placement on 16th March 2006, a total of \$1,634,000 raised and a total of 13,800,000 new issues of shares during the year.

7. ENVIRONMENTAL REGULATION

The company's operations are subject to various environmental regulations under State regulations. The Directors are not aware of any material breaches during the financial year.

8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future periods.

9. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The directors believe, on reasonable grounds, that it would unreasonably prejudice the interests of the company if any further information on likely developments, future prospects and business strategies in the operations of the company and the expected results of these operations, were included herein.

10. SHARE OPTIONS

At the date of this report, there were 9,692,828 unissued ordinary shares under options (2005 - 9,692,828). The options are exercisable at 30 cents on or before 1st March 2007.

4. DIRECTORS' REPORT

11. EMPLOYEES

There were 2 employees as at 30 June 2006 (2005 - 2)

12. REMUNERATION REPORT

Directors' and Specified Executives (being key management personnel) Remuneration

The company's policy for determining the nature and amount of emoluments of board members and executives is as follows:

Company officers and directors are remunerated to a level consistent with the size of the company. The company's aim is to remunerate at a level that will attract and retain suitably qualified directors and employees.

The remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders of the company from time to time. This remuneration is by way of a fixed fee and supplemented by the issue of incentive options as approved by shareholders in a general meeting of the company.

The remuneration structure for executive officers is based on a number of factors including experience of the individual concerned and their overall performance. The contracts for service between the company and executives are on a continuing basis the terms of which are not expected to change in the immediate future.

No remuneration is linked to the current performance of the company. This may change in time.

Directors' Remuneration

| | Short-term benefits | | | Post-employment benefits | Share-based payments | Total |
|--------------------------|---------------------|-----------------------|---------------------------|--------------------------|----------------------|---------------|
| | Fees | Non-monetary benefits | Other short-term benefits | Super-Contribution | Options | |
| Non-executive Directors: | \$ | \$ | \$ | \$ | \$ | \$ |
| B. Gomez | 25,000 | - | - | - | - | 25,000 |
| R.A. Creelman | 22,000 | - | - | - | - | 22,000 |
| B.F.Thornton | 20,000 | - | - | - | - | 20,000 |
| | 67,000 | - | - | - | - | 67,000 |

Specified Executives Remuneration

| Name: | Short-term benefits | | | | Post-employment benefits | Share-based payments | Total |
|----------------------------|---------------------|---------------|-----------------------|---------------------------|--------------------------|----------------------|----------------|
| | Cash Salary | Fees | Non-monetary benefits | Other short-term benefits | Super-Contribution | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| S. Lian (CEO) | 120,000 | - | - | 17,305 | 10,800 | - | 148,105 |
| S.Taylor (Exploration Mgr) | - | 88,000 | - | 18,425 | - | - | 106,425 |
| | 120,000 | 88,000 | - | 35,730 | 10,800 | - | 254,530 |

4. DIRECTORS' REPORT

12. REMUNERATION REPORT

No termination benefits or other long-term benefits were paid during the financial year.

Related Party Transactions

Since the end of previous financial year, other than the remuneration disclosed above, no director has received any benefits, other than an amount of \$31,500 being placement fees paid to Bikini Atoll Resources Pty Ltd, a company associated with Brian Thornton, director of the company.

13. DIRECTORS' MEETINGS

During the financial year, 5 meetings of directors (including committees) were held. Attendances were:

| | Meetings held | Meetings attended |
|--------------|---------------|-------------------|
| B. Gomez | 5 | 5 |
| R.A.Creelman | 5 | 3 |
| B.F.Thornton | 5 | 4 |

The company does not have an Audit Committee as this function is performed by the Board of Directors.

14. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gateway Mining NL support and adhered to the principles of corporate governance. These principles have been formalised by the Board in the corporate governance statement contained in the additional ASX information section of the annual report.

15. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

16. NON-AUDIT SERVICES

There were no non-audit services performed by the external auditor during the financial year.

17. AUDITOR INDEPENDENCE DECLARATION

The auditor independence declaration for the year ended 30 June 2006 has been received and can be found on page 17 of the annual report.

18. ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 of this financial report.

4. DIRECTORS' REPORT

19. INDEMNIFYING OFFICERS OR AUDITOR

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who has been an officer or auditor of the company.

Signed in accordance with a resolution of the Board of Directors.



Brian Gomez
Director

Dated this 29th day of September 2006
Sydney

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GATEWAY MINING NL**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there has been:

- (1) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (2) no contraventions of any applicable code of professional conduct in relation to the audit.



**Priestley & Morris
Chartered Accountants**



**P A Cordwell
Partner**

Dated this 29th day of September 2006

Priestley & Morris - ABN: 51 502 720 047

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Liability limited
by a scheme
approved
under
Professional
Standards
Legislation



5. INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

| | NOTE | 2006 \$ | 2005 \$ |
|---|------|----------------|------------------|
| • Revenue | 3 | 612,577 | 133,587 |
| • Depreciation and amortisation expense | 4 | (8,453) | (5,329) |
| • Employee benefit expenses | | (192,039) | (189,096) |
| • Professional services rendered | | (105,870) | (103,710) |
| • Office expenses | | (45,638) | (45,599) |
| • Compliance fees | | (23,504) | (21,986) |
| • Share registry fees | | (18,182) | (19,091) |
| • Exploration costs written off | 4 | - | (54,095) |
| • Loss on sale of financial assets | | - | (17,010) |
| • Diminution charge in financial assets | | - | (62,931) |
| • Travel and entertainment expenses | | (27,827) | (22,918) |
| • Other expenses | | (33,815) | (27,654) |
| • Profit (loss) before income tax expense | 4 | 157,249 | (435,832) |
| • Income tax expense | 5 | - | - |
| • Profit (loss) for the year | | 157,249 | (435,832) |
| • Net profit (loss) attributable to members of Gateway Mining NL | 15 | 157,249 | (435,832) |
| • Basic earnings per share | 7 | 0.0017 | (0.0053) |
| • Diluted earnings per share | 7 | 0.0015 | (0.0048) |

The accompanying notes form part of these financial statements.

6. BALANCE SHEET

AS AT 30 JUNE 2006

| | NOTE | 2006 \$ | 2005 \$ |
|---|------|-------------------|------------------|
| CURRENT ASSETS | | | |
| • Cash and cash equivalents | | 1,846,243 | 346,432 |
| • Trade and other receivables | 8 | 68,293 | 68,205 |
| | | 1,914,536 | 414,637 |
| TOTAL CURRENT ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| • Trade and other receivables | 8 | 12,608 | 25,608 |
| • Financial assets | 9 | 1,206,853 | 1,223,867 |
| • Plant and equipment | 10 | 7,840 | 16,293 |
| • Deferred exploration and evaluation expenditure | 11 | 7,063,234 | 6,469,713 |
| | | 8,290,535 | 7,735,481 |
| TOTAL NON-CURRENT ASSETS | | | |
| | | 10,205,071 | 8,150,118 |
| TOTAL ASSETS | | | |
| CURRENT LIABILITIES | | | |
| • Trade and other payables | 12 | 58,660 | 48,552 |
| • Short-term provisions | 13 | 9,001 | - |
| | | 67,661 | 48,552 |
| TOTAL CURRENT LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| • Long-term provisions | 13 | 12,000 | - |
| | | 12,000 | - |
| TOTAL NON-CURRENT LIABILITIES | | | |
| | | 79,661 | 48,552 |
| TOTAL LIABILITIES | | | |
| | | 10,125,410 | 8,101,566 |
| NET ASSETS | | | |
| EQUITY | | | |
| • Issued capital | 14 | 20,150,506 | 18,516,506 |
| • Reserves | 16 | 232,595 | - |
| • Accumulated losses | 15 | (10,257,691) | (10,414,940) |
| | | 10,125,410 | 8,101,566 |
| TOTAL EQUITY | | | |

The accompanying notes form part of these financial statements.

7. CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

| | NOTE | 2006 \$ | 2005 \$ |
|--|------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| • Payments to suppliers and employees | | (402,854) | (313,838) |
| • Interest and other income received | | 23,535 | 31,910 |
| NET CASH USED IN OPERATING ACTIVITIES | 18a | (379,319) | (281,928) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| • Proceeds from sale of financial assets | | 849,206 | 6,390 |
| • Purchase of plant and equipment | | - | (6,924) |
| • Purchase of listed securities | | (10,555) | (135,025) |
| • Purchase of unlisted securities | | - | (100,000) |
| • Expenditure on mining interests | | (593,521) | (668,634) |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | | 245,130 | (904,193) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| • Proceeds from issues of ordinary shares | | 1,720,000 | 560,000 |
| • Placement fees | | (86,000) | (28,000) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | | 1,634,000 | 532,000 |
| NET INCREASE IN CASH HELD | | 1,499,811 | (654,121) |
| Add opening cash brought forward | | 346,432 | 1,000,553 |
| CLOSING CASH CARRIED FORWARD | 18b | 1,846,243 | 346,432 |

The accompanying notes form part of these financial statements.

8. STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

| | Issued capital | Accumulated losses | Financial asset revaluation reserve | Total |
|---|----------------|--------------------|-------------------------------------|------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1.7.2004 | 17,984,506 | (9,979,108) | - | 8,005,398 |
| Shares issued during the year | 532,000 | - | - | 532,000 |
| Loss attributable to members of the company | | (435,832) | | (435,832) |
| Balance at 30.06.2005 | 18,516,506 | (10,414,940) | - | 8,101,566 |
| Shares issued during the year | 1,634,000 | - | - | 1,634,000 |
| Revaluation increment on transition to IFRS | - | - | 467,566 | 467,566 |
| Cumulative revaluation increment realised on disposal of financial assets | - | - | (303,449) | (303,449) |
| Revaluation increment at balance date | - | - | 68,478 | 68,478 |
| Profit attributable to members of the company | - | 157,249 | - | 157,249 |
| Balance at 30.06.2006 | 20,150,506 | (10,257,691) | 232,595 | 10,125,410 |

The accompanying notes form part of these financial statements.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

The financial report covers the company of Gateway Mining NL as an individual entity. Gateway Mining NL is a listed public company, incorporated and domiciled in Australia.

The financial report of Gateway Mining NL as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Gateway Mining NL has prepared the financial statements in accordance with the Australian Equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of *AASB1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, any adjustments to the financial statements resulting from the introduction of IFRS are retrospectively applied to 2005 comparative figures excluding cases where optional exemptions available under *AASB 1* have been applied. This financial report is the first full year financial report of Gateway Mining NL to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. Gateway Mining NL has however elected to adopt the exemptions available under *AASB 1* relating to *AASB 132: Financial Instruments: Presentation*, and *AASB 139: Financial Instruments: Recognition and Measurement*. Refer to Note 2 for further details and for a reconciliation of the transition from previous Australian GAAP to IFRS.

Reporting Basis and Conventions

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

a. Income Tax

The charge for current income tax expenses is based on the profit or loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Goods and Services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.
- Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.
- Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

c. Plant and Equipment

Cost and valuation

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

Depreciation is provided on a reducing balance basis on all plant and equipment over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| <i>Class of Fixed Assets:</i> | <i>Depreciation rate:</i> |
|-------------------------------|---------------------------|
| Plant and equipment | 8% to 40% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets' carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

d. Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below:

Available-for-sale financial assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair values are taken directly to equity.

Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. A prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

e. Exploration and Development Expenditure

Costs carried forward

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and where there are active and significant operations.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Amortisation

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuity to carry forward costs in relation to that area of interest.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a prospective basis. In determining the restoration obligations, the company has assumed no significant changes will occur in the relevant Federal and State Legislation in relation to restoration of such mineral mines in the future.

No provision for restoration work has been made at this stage.

f. Cash and cash equivalents

For the purpose of the Cash Flow Statement, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

g. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

h. Revenue recognition

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

The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue is recognised when the company controls the right to receive interest payments.

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

All revenue is stated net of the amount of goods and services tax (GST).

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows, including on-costs, to be made for those benefits.

Contributions are made by the company to an employee defined contribution superannuation fund and are charged as expenses when incurred.

j. Leases

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

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the period in which they are incurred.

Finance leases

The company is not a party to any finance leases.

k. Earnings per share

Basic earnings per share is determined by dividing the net profit or loss attributable to members by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earning per share adjusts the figure used in determining earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

l. Sundry payables and accruals

Recognition is based upon amounts to be paid in the future for goods and services received, whether or not billed to the company.

m. Contributed equity

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

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

n. Impairment

At each reporting date, the company reviews the carrying value of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

o. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on historical trends and economic data, obtained both externally and from within the company.

Key estimates - Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Plant and equipment and financial assets have been reviewed by the company and as there are no indications of any impairment, no impairment losses have been recognised to date.

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2005:

ASSETS

CURRENT ASSETS

| | | | |
|-----------------------------|----------------|----------|----------------|
| Cash and cash equivalents | 346,432 | - | 346,432 |
| Trade and other receivables | 68,205 | - | 68,205 |
| TOTAL CURRENT ASSETS | 414,637 | - | 414,637 |

NON-CURRENT ASSETS

| | | | |
|---|------------------|----------------|------------------|
| Trade and other receivables | 25,608 | - | 25,608 |
| Financial assets | 1,223,867 | 467,566 | 1,691,433 |
| Plant and equipment | 16,293 | - | 16,293 |
| Deferred exploration and evaluation expenditure | 6,469,713 | - | 6,469,713 |
| TOTAL NON-CURRENT ASSETS | 7,735,481 | 467,566 | 8,203,047 |

TOTAL ASSETS

| | | |
|------------------|----------------|------------------|
| 8,150,118 | 467,566 | 8,617,684 |
|------------------|----------------|------------------|

CURRENT LIABILITIES

| | | | |
|----------------------------------|---------------|----------|---------------|
| Trade and other payables | 48,552 | - | 48,552 |
| TOTAL CURRENT LIABILITIES | 48,552 | - | 48,552 |

TOTAL LIABILITIES

| | | |
|---------------|----------|---------------|
| 48,552 | - | 48,552 |
|---------------|----------|---------------|

NET ASSETS

| | | |
|------------------|----------------|------------------|
| 8,101,566 | 467,566 | 8,569,132 |
|------------------|----------------|------------------|

EQUITY

| | | | |
|---------------------|------------------|----------------|------------------|
| Issued capital | 18,516,506 | - | 18,516,506 |
| Reserves | - | 467,566 | 467,566 |
| Accumulated losses | (10,414,940) | - | (10,414,940) |
| TOTAL EQUITY | 8,101,566 | 467,566 | 8,569,132 |

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

| | Previous GAAP at 30.6.2005 \$ | Effect of transition to Australian equivalents to IFRS \$ | Australian equivalents to IFRS at 30.6.2005 \$ |
|---|--|--|--|
| Reconciliation of Loss for the full year to 30 June 2005 | | | |
| Revenue | 207,050 | (73,463) | 133,587 |
| Depreciation expense | (5,329) | - | (5,329) |
| Employee expenses | (189,096) | - | (189,096) |
| Professional services rendered | (103,710) | - | (103,710) |
| Share registry fees | (19,091) | - | (19,091) |
| Revaluation increment of non-current investments to recoverable amount | (62,931) | - | (62,931) |
| Loss on sale of investments | (23,400) | 6,390 | (17,010) |
| Loss on disposal of tenement interest | (67,073) | 67,073 | - |
| Other expenses | (172,252) | - | (172,252) |
| Loss before income tax expense | (435,832) | - | (435,832) |
| Income tax expense | - | - | - |
| Loss for the year | (435,832) | - | (435,832) |
| Loss attributable to members of the company | (435,832) | - | (435,832) |

The company has elected to apply the exemption available under *AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. This exemption absolves entities from the requirement to restate comparative information as if *AASB 132* and *AASB 139* had always applied. As a result of applying this exemption, the company will adopt *AASB 132* and *AASB 139* prospectively for years commencing on or after 1 January 2005.

Comparative information in the preceding reporting periods are not required to be restated, hence no reconciliations of equity are necessary, prior to 1 July 2005.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

| | NOTE | 2006 \$ | 2005 \$ |
|---|------|----------------|----------------|
| NOTE 3: REVENUE | | | |
| Non-operating activities | | | |
| Interest received | 3a | 23,535 | 22,970 |
| Other revenue | | - | 8,940 |
| Gain on disposal of interest in tenements | | - | 101,677 |
| Gain on disposal of financial assets | | 285,593 | - |
| Cumulative revaluation increment realised on disposal of financial assets | | 303,449 | - |
| | | 612,577 | 133,587 |
| Total revenue | | | |
| a. Interest revenue from: | | | |
| - other persons | | 23,535 | 22,970 |
| Total interest revenue | | 23,535 | 22,970 |

NOTE 4: PROFIT FOR THE YEAR

a. Expenses

| | | | |
|--|--|--------|--------|
| Depreciation of non-current assets: | | | |
| - plant and equipment | | 8,453 | 5,329 |
| Rental expense on operating leases: | | | |
| - minimum lease payments | | 38,467 | 36,577 |
| Write off of capitalised exploration costs | | - | 54,095 |

b. Significant revenues and expenses

The following significant revenues and expenses are relevant in explaining the financial performance:

| | | | |
|---|--|----------------|---------------|
| Net gain on disposal of non-current assets: | | | |
| - Interest in tenements | | - | 101,677 |
| - Financial assets | | 285,593 | (17,010) |
| | | 285,593 | 84,667 |
| Cumulative revaluation increment realised on disposal of financial assets | | 303,449 | - |
| Total significant net revenues | | 589,042 | 84,667 |

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 8: TRADE AND OTHER RECEIVABLES

CURRENT

Security deposits
Goods & services tax receivable

NON-CURRENT

Security deposits

| | 2006 \$ | 2005 \$ |
|--|---------|---------|
| | 50,424 | 48,644 |
| | 17,869 | 19,561 |
| | 68,293 | 68,205 |
| | 12,608 | 25,608 |
| | 12,608 | 25,608 |

Current security deposits are mining bonds and have a floating interest rate, which has averaged 5.32% for the year (2005 - 3.64%). Non-current security deposits and Goods and services tax receivable are non-interest bearing.

NOTE 9: FINANCIAL ASSETS

NON-CURRENT

Available for sale financial assets:

Shares in listed corporations - at fair value
Shares in unlisted corporation - at cost

| | |
|-----------|-----------|
| 656,853 | 573,867 |
| 550,000 | 650,000 |
| 1,206,853 | 1,223,867 |

Available for sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of the unlisted available for sale financial asset cannot be reliably measured as variability in the range of reasonable fair estimates is significant. As a result, the unlisted investment is measured at cost.

NOTE 10: PLANT AND EQUIPMENT

Plant and Equipment

At cost

Accumulated depreciation

Total Plant and Equipment

| | |
|----------|----------|
| 90,601 | 90,601 |
| (82,761) | (74,308) |
| 7,840 | 16,293 |

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year:

Plant and Equipment

Carrying amount at the beginning of the year:

Additions

Depreciation expense

Carrying amount at the end of the financial year:

| | |
|---------|---------|
| 16,293 | 14,698 |
| - | 6,924 |
| (8,453) | (5,329) |
| 7,840 | 16,293 |

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 11: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

NON-CURRENT

Exploration Expenditure

Costs carried forward in respect of areas of interest in:

- exploration and evaluation phases

| | 2006 \$ | 2005 \$ |
|--|-----------|-----------|
| | | |
| | 7,063,234 | 6,469,713 |
| | 7,063,234 | 6,469,713 |

The recoverability of the above is dependent upon further exploration and exploitation of commercially viable mineral deposits.

NOTE 12: TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities

Sundry payables and accrued expenses

| | | |
|--|--------|--------|
| | 58,660 | 48,552 |
| | 58,660 | 48,552 |

NOTE 13: PROVISIONS

Opening balance at 1 July 2005

Additional provisions created

Closing balance at 30 June 2006

| | Annual leave | Long Service leave | Total provisions |
|--|--------------|--------------------|------------------|
| | - | - | - |
| | 9,001 | 12,000 | 21,001 |
| | 9,001 | 12,000 | 21,001 |

Analysis of total provisions:

Current

Non-Current

| | 2006 \$ | 2005 \$ |
|--|---------|---------|
| | 9,001 | - |
| | 12,000 | - |
| | 21,001 | - |

A provision has been recognised for employee benefits relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1.

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 14: ISSUED CAPITAL

a. Ordinary shares fully paid

| | 2006 \$ | 2005 \$ |
|------------------------------|------------|------------|
| Balance at beginning of year | 18,516,506 | 17,984,506 |
| Issued shares | 1,720,000 | 560,000 |
| Placement fees | (86,000) | (28,000) |

| | | |
|------------------------|-------------------|------------|
| Balance at end of year | 20,150,506 | 18,516,506 |
|------------------------|-------------------|------------|

b. Movements in ordinary shares on issue

| | No. | No. |
|--|--------------------|------------|
| At the beginning of the financial year | 87,305,450 | 80,305,450 |
| Shares issued | 13,800,000 | 7,000,000 |
| At end of the financial year | 101,105,450 | 87,305,450 |

c. Terms and conditions of ordinary shares

Ordinary shares have the right to receive dividends as declared and, in event of the winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares and amount paid up on the shares held. Ordinary shares entitle their holder to vote, either in person or by proxy, at a meeting of the company.

d. Share options

At 30 June 2006, there were 9,692,828 options issued (30 June 2005: 9,692,828). The options are exercisable at 30 cents on or before 1st March 2007.

NOTE 15: ACCUMULATED LOSSES

| | 2006 \$ | 2005 \$ |
|---|-------------------|------------|
| Balance at the beginning of the financial year | 10,414,940 | 9,979,108 |
| Net (profit) loss attributed to the members of the entity | (157,249) | 435,832 |
| Balance at end of the financial year | 10,257,691 | 10,414,940 |

NOTE 16: RESERVES

a. Financial asset revaluation reserve

The financial asset revaluation reserve records the revaluation gains and losses on available for sale financial assets until the financial asset is disposed of, at which time the cumulative gains or losses recognised in this reserve shall be transferred to the income statement.

9. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 17: EXPENDITURE COMMITMENTS

Lease expenditure commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

17a

Payable

- not later than 12 months
- between 12 months and 5 years
- greater than 5 years

| 2006 | \$ | 2005 | \$ |
|----------------|----|----------------|----|
| 42,959 | | 41,307 | |
| 91,143 | | 134,102 | |
| - | | - | |
| 134,102 | | 175,409 | |

- a. The above represents the lease on the office premises, being a non-cancellable operating lease, with payments made quarterly in advance. The lease expires within a five year period and has an option to renew for a further three years. The rental rate review is calculated annually and fixed at 4%. Upon renewal the terms of the leases are renegotiated. At present these terms do not allow subletting.

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to comply with the minimum expenditure obligations under the Mining Act. These obligations have been met. The future obligations which are subject to renegotiation when an application for a mining lease is made and at other times are not provided for in the financial statements.

NOTE 18: CASH FLOW INFORMATION

a. Reconciliation of cash flows from operations with profit after income tax

| | | |
|---|------------------|------------------|
| Profit (loss) after income tax | 157,249 | (435,832) |
| <i>Non-cash flows in profit:</i> | | |
| - Depreciation | 8,453 | 5,329 |
| - Provision for diminution of financial assets | - | 62,931 |
| - Exploration costs written off | - | 54,095 |
| - Provision for employee benefits | 21,001 | - |
| - Net gain on disposal of interest in tenements | - | (101,677) |
| - Cumulative revaluation increment realised on disposal of financial assets | (303,449) | - |
| - Net (gain) loss on disposal of financial assets | (285,593) | 17,010 |
| <i>Changes in assets and liabilities:</i> | | |
| - Decrease/ (Increase) in receivables | 12,912 | 96,427 |
| - Increase/ (Decrease) in payables and accruals | 10,108 | 19,789 |
| Cash flows from operations | (379,319) | (281,928) |

b. Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the Balance sheet as follows:

- cash and cash equivalents

| | |
|------------------|----------------|
| 1,846,243 | 346,432 |
| 1,846,243 | 346,432 |

9. NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

NOTE 19: FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash at bank, trade receivables and payables, and available for sale financial assets. The company does not have any derivative instruments at balance date.

a. Interest Rate Risk

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

| | Weighted Average Effective Interest Rate | | Floating Interest Rate \$ | | Fixed Interest Rate Maturing | | | | | | Total \$ | | | |
|-------------------------------------|--|-------|---------------------------|----------------|------------------------------|----------|-----------------|----------|-----------------|----------|-------------------------|------------------|------------------|------------------|
| | 2006 | 2005 | 2006 | 2005 | Within Year \$ | | 1 to 5 Years \$ | | Over 5 Years \$ | | Non-interest Bearing \$ | | | |
| | | | | | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| <i>Financial Assets:</i> | | | | | | | | | | | | | | |
| Cash | 5.00% | 5.00% | 1,846,243 | 346,432 | - | - | - | - | - | - | - | - | 1,846,243 | 346,432 |
| Receivables- other | - | - | - | - | - | - | - | - | - | - | 17,869 | 19,561 | 17,869 | 19,561 |
| Security deposits | 5.32% | 3.64% | 50,424 | 48,644 | - | - | - | - | - | - | 12,608 | 25,608 | 63,032 | 74,252 |
| Available for sale financial assets | - | - | - | - | - | - | - | - | - | - | 1,206,853 | 1,223,867 | 1,206,853 | 1,223,867 |
| Total Financial Assets | | | 1,896,667 | 395,076 | - | - | - | - | - | - | 1,237,330 | 1,269,036 | 3,133,997 | 1,664,112 |
| <i>Financial Liabilities:</i> | | | | | | | | | | | | | | |
| Sundry payables and accruals | - | - | - | - | - | - | - | - | - | - | 58,660 | 48,552 | 58,660 | 48,552 |
| Total Financial Liabilities | | | - | - | - | - | - | - | - | - | 58,660 | 48,552 | 58,660 | 48,552 |

b. Credit Risk Exposure

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

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

c. Net Fair Value

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on cost. For all other assets and other liabilities the net fair value approximates their carrying value.

There is no difference in the aggregate net fair values and carrying amounts of financial assets and financial liabilities for the 2006 financial year. Hence only disclosure of the 2005 differences in the aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date is required.

| | 2005 | |
|-------------------------------|--------------------|-------------------|
| | Carrying Amount \$ | Net Fair Value \$ |
| Financial Assets | | |
| Cash | 346,432 | 346,432 |
| Receivables-other | 19,561 | 19,561 |
| Security deposits | 74,252 | 74,252 |
| Financial assets - listed | 573,867 | 1,041,433 |
| Financial assets - unlisted | 650,000 | 650,000 |
| | <u>1,664,112</u> | <u>2,131,678</u> |
| Financial Liabilities | | |
| Sundry creditors and accruals | 48,552 | 48,552 |
| | <u>48,552</u> | <u>48,552</u> |

9. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 20: COMPANY DETAILS

The registered & principal office of the company is:

Level 7, 249 Pitt Street, Sydney, NSW 2000.

The company's domicile is in Australia.

The company is incorporated in Australia.

NOTE 21: SEGMENT INFORMATION

The company operates in Australia predominantly in the mineral exploration industry, mainly gold.

NOTE 22: CHANGE IN ACCOUNTING POLICY

The company has adopted the following Accounting Standards for application on or after 1 January 2005:

- *AASB 132: Financial Instruments: Disclosure and Presentation*
- *AASB 139: Financial Instruments: Recognition and Measurement*

The changes resulting from the adoption of *AASB 132* relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The adoption of *AASB 139* has resulted in material differences in the recognition and measurement of the company's financial instruments. The company has elected not to adjust comparative information resulting from the introduction of *AASB 139* as permitted under the transitional provisions of this Standard. As such, previous Australian Accounting Standards have been applied to comparative information. A summary of the main adjustments that would have resulted if *AASB 139* was applied retrospectively are included below.

Available for sale Financial Assets

Under *AASB 139*, available for sale financial assets are revalued to fair value at reporting date. All adjustments resulting from changes in fair value are taken directly to equity. If *AASB 139* had been retrospectively applied, a number of financial assets reflected at cost in the comparative year would have been adjusted to fair value at 30 June 2005. This would have resulted in an increased carrying value attributable to financial assets at 30 June 2005, and a corresponding increase in reserves at that date.

The aggregate effect of the change in the accounting policy on the annual financial statements for the year ended 30 June 2006, has been disclosed under Note 2 to the financial statements, and through the Statement of Changes in Equity.

10. DIRECTORS' DECLARATION

The directors of the company declare that:

a. the financial statements and notes of the company are in accordance with the Corporations Act 2001: and

(i) give a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and

(ii) comply with Accounting Standards and the Corporations Regulations 2001;

b. the directors have been given the declarations required by s.295A of the Corporations Act 2001, and

c. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Brian Gomez
Director

Dated this 29th day of September 2006
Sydney

11. INDEPENDENT AUDIT REPORT

*Priestley
& Morris*

Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GATEWAY MINING NL

Scope

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for *Gateway Mining NL* (the company), for the year ended 30 June 2006.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard *AASB 124 Related Party Disclosures*, under the heading "remuneration report" on page 3 of the directors' report and not in the financial report.

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

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 that the remuneration disclosures in the directors' report comply with Accounting Standard *AASB 124*. The nature of an audit is influenced by factors such as the use of professional judgment, 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*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the directors' report comply with Accounting Standard *AASB 124*.

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 the remuneration disclosures in the directors' 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.

11. INDEPENDENT AUDIT REPORT

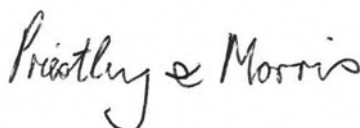
Independence

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

Audit Opinion

In our opinion:

1. the financial report of **Gateway Mining NL** is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory professional reporting requirements in Australia.
2. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard *AASB 124*.



Priestley & Morris
Chartered Accountants



P A Cordwell
Partner
Dated this 29th day of September 2006

Priestley & Morris - ABN: 51 502 720 047

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approved
under
Professional
Standards
Legislation



12. SHAREHOLDER INFORMATION

a. Voting Rights

The total number of shareholders was 1,585 and each share carried one vote in person, by proxy or poll.

b. Distribution of Shareholders Number

| Category (size of Holding) | Ordinary |
|----------------------------|--------------|
| 1 - 1,000 | 241 |
| 1,001 - 5,000 | 409 |
| 5,001 - 10,000 | 249 |
| 10,001 - 100,000 | 571 |
| 100,001 - and over | 115 |
| Total | 1,585 |

c. Number of shareholdings held in less than marketable parcels is 496.

d. Names of the substantial shareholders are:

| Name | Number of Ordinary Fully Paid Shares | % of Issued Ordinary Capital |
|------------------------------|--------------------------------------|------------------------------|
| Citigold Corporation Limited | 16,300,000 | 16.00 |

e. 20 largest Shareholders - Ordinary Shares

| | Name | Number of Ordinary Fully Paid Shares | % of Issued Ordinary Capital |
|----|--|--------------------------------------|------------------------------|
| 1 | Citigold Corporation Limited | 16,300,000 | 16.12 |
| 2 | UOB Bank Limited | 5,000,000 | 4.95 |
| 3 | Belfort Investment Advisors Limited | 3,990,600 | 3.95 |
| 4 | Farrington Corporate Services Super Fund | 3,799,953 | 3.76 |
| 5 | Investco Nominees Pty Ltd | 3,000,000 | 2.97 |
| 6 | CIMB-GK Securities PTE Ltd | 2,500,000 | 2.47 |
| 7 | Bikini Atoll Investments Pty Ltd | 2,434,500 | 2.41 |
| 8 | Pamland Pty Limited | 2,351,641 | 2.33 |
| 9 | Ee Yuen Tan | 2,000,000 | 1.98 |
| 10 | International Portfolio | 1,600,000 | 1.58 |
| 11 | Kaplan Equity Limited | 1,329,775 | 1.32 |
| 12 | Iprosperity Investment Pty Ltd | 1,200,000 | 1.19 |
| 13 | Farrington Corporate Services Pty Ltd | 1,145,543 | 1.13 |
| 14 | Mayfair Far East Ltd | 1,047,500 | 1.04 |
| 15 | Tan Geok Tang | 1,000,000 | 0.99 |
| 16 | Bikini Atoll Investments Pty Ltd | 964,954 | 0.95 |
| 17 | Farrington Corporate Services Pty Ltd | 910,557 | 0.90 |
| 18 | Reynolds Nominees Pty Ltd | 888,000 | 0.88 |
| 19 | Nyook Fong Chin | 850,000 | 0.83 |
| 20 | PrimAsia Securities (Asia) Ltd | 839,250 | 0.83 |
| | TOTAL | 53,152,273 | 52.59 |

12. SHAREHOLDER INFORMATION

a. Options

There are 403 optionholders. Options do not carry a right to vote. Voting rights will be attached to the unissued shares when options have been exercised.

b. Distribution of holders of options exercisable on or before 1st March 2007.

| Category (size of Holding) | Ordinary |
|----------------------------|------------|
| 1 - 1,000 | 160 |
| 1,001 - 5,000 | 122 |
| 5,001 - 10,000 | 29 |
| 10,001 - 100,000 | 67 |
| 100,001 - and over | 25 |
| Total | 403 |

c. Number of option holdings held in less than marketable parcels is 356.

d. Names of substantial optionholders are:

| Name | Number of Options | % of Issued Options |
|---------------------------------------|-------------------|---------------------|
| Farrington Corporate Services Pty Ltd | 1,275,639 | 13.98 |
| Great Pacific Finance Pty Ltd | 1,000,000 | 10.20 |
| Fook Lam Investments Limited | 800,000 | 8.25 |

e. 20 largest Optionholders

| | Name | Number of Options | % of Issued Options |
|----|--|-------------------|---------------------|
| 1 | Great Pacific Finance Pty Ltd | 1,000,000 | 10.32 |
| 2 | Fook Lam Investments Limited | 800,000 | 8.25 |
| 3 | Farrington Corporate Services Super Fund | 568,250 | 5.86 |
| 4 | Yvonne Tan | 393,750 | 4.06 |
| 5 | Goh-Ping Wong | 350,000 | 3.61 |
| 6 | IProsperity Investments Pty Ltd | 302,193 | 3.12 |
| 7 | JBR Pty Ltd | 300,000 | 3.10 |
| 8 | Brian Thornton | 275,000 | 2.84 |
| 9 | Simon Taylor | 250,000 | 2.58 |
| 10 | Farrington Corporate Services Pty Ltd | 247,916 | 2.56 |
| 11 | Gary Lam | 219,250 | 2.26 |
| 12 | Ee Yuen Tan | 205,099 | 2.12 |
| 13 | TKL Consulting | 200,028 | 2.06 |
| 14 | Brian Gomez | 200,000 | 2.06 |
| 15 | Geraldine Lim | 200,000 | 2.06 |
| 16 | NTIA Investments Pty Ltd | 200,000 | 2.06 |
| 17 | Bob Creelman | 175,000 | 1.81 |
| 18 | Wei Sheng Liu | 173,653 | 1.79 |
| 19 | John Anthony Hoyes-Cock | 150,000 | 1.55 |
| 20 | Bikini Atoll Investments Pty Ltd | 145,500 | 1.50 |
| | TOTAL | 6,951,012 | 71.71 |

13. CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Gateway Mining NL is responsible for the corporate governance of the company.

In accordance with the Australian Stock Exchange (ASX) Corporate Governance and Best Practice Recommendations, the following statement outlines the principal corporate governance practices that apply to the company.

Board and Management Functions

Generally, the Board is responsible for establishing the policies of the company, overseeing its financial position, approving major capital expenditures, exploration programs and expenditures. The small management team is responsible for the company's day to day operations including exploration activities, budgets, reporting activities and general administration. Due to the relatively small size of the Board and management team and the need for roles and functions to be flexible to meet specific requirements the company does not have a formal Board charter.

Board Structure

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three directors and should maintain a majority of independent non-executive directors
- The chairperson must be a non-executive director
- The Board should comprise Directors with an appropriate range of qualifications and expertise
- The Board shall meet at least quarterly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available, all necessary information to participate in an informed discussion of all agenda items.

At present, all Directors are non-executive directors. The Directors in office at the date of this statement are: Brian Gomez (Chairman), Brian Thornton, Robert Creelman

Under current ASX guidelines, two of the current Board (Mr Brian Gomez and Dr Robert Creelman) are considered to be independent directors. Each Director of the company has the right to seek independent professional advice at the expense of the company. Prior approval of the Chairman is required but this will not be unreasonably withheld.

Due to the small size of the Board and its static nature, the company does not have a board nomination committee. Such decisions are presently the responsibility of the Board as a whole. When appropriate, and at least annually, the Board meets to consider certain aspects of its operations. This includes ensuring that the Board continues to operate within the established guidelines including, when necessary, selecting candidates for the position of Director.

Codes of Conduct

The company does not at present have a formal code of conduct for the guidance of Directors and senior executives. However, the Board's stated policy is for Directors and management to conduct themselves with the highest ethical standards. All Directors and employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

Similarly, the company does not have a code of conduct to guide compliance with legal and other obligations. This reflects the company's size and the close interaction of the small number of individuals employed by the organisation. However, the Board continues to review the risk and compliance situation to determine the most appropriate and effective operational procedures.

13. CORPORATE GOVERNANCE STATEMENT

In relation to share trading, Directors, employees and key consultants are not permitted at any time whilst in the possession of price sensitive information not already available to the market to deal in any of the company's securities. In addition, the law prohibits insider trading, and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the company's securities.

Audit Committee

The company does not have a formally constituted audit committee of the Board of Directors. The Board presently fulfils the functions of an audit committee. The Board is of the view that to date such a committee has not been necessary given the size and nature of its operations. This situation is subject to ongoing review.

Disclosure Requirements

The company's Directors and management are aware of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. While the company does not have formal written policies regarding disclosure, it uses strong informal systems underpinned by experienced individuals.

Communications Strategy

While the company does not have a formal communications strategy to promote effective communication with its shareholders, as it believes this is excessive and too costly for small companies, the company does communicate regularly with its shareholders.

Besides the Annual Report which is sent to all shareholders, all significant information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the company's operations, the material used in the presentation is released to the ASX and posted on the company's website. There is also an email address available to shareholders who have enquiries or are seeking further information.

In addition, a notice of meeting and related communications are provided to the company's auditor who, in accordance with the Corporations Act, is required to attend the company's annual general meeting at which shareholders must be given a reasonable opportunity to ask questions of the auditor or their representative.

Risk Management

The company is a small exploration company and does not believe that there is significant need for formal policies on risk oversight and management of risk. Risk management arrangements are the responsibility of the board of Directors and senior management collectively. The situation may need to be reviewed should the company move to mining production.

Board Performance

There has been no formal performance evaluation of the Board during the past financial year although its composition is reviewed at a Board meeting at least annually. However, the Remuneration Committee, which meets as and when required, reviews matters relating to board performance and remuneration as part of its deliberations.

Remuneration Committee

The company has established a Remuneration Committee comprising the Chairman and Chief Executive of the company. The Committee has now formulated its remuneration policies as set out in the Remuneration Report.

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