

# BEACONSFIELD GOLD NL

ABN 22 057 793 834

*ANNUAL FINANCIAL REPORT*  
*FOR THE YEAR ENDED*  
*30 JUNE 2006*

[www.beaconsfieldgold.com.au](http://www.beaconsfieldgold.com.au)

# BEACONSFIELD GOLD NL

## Corporate Information

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ABN 22 057 793 834      ASX CODE BCD

### *Directors*

D E Clarke	Non-Executive Chairman
M W Trumbull	Non-Executive Director
W Tsingos	Non-Executive Director
K J Perrin	Non-Executive Director

### *Chief Executive Officer*

W T Colvin

### *Company Secretary*

B D Coulter

### *Registered Office*

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### *Share Registry*

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PO Box 103  
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### *Auditor*

Ernst & Young  
8 Exhibition Street  
Melbourne Vic 3000

### *Legal Advisor*

Lander & Rogers  
Level 12 Bourke Place  
600 Bourke Street  
Melbourne Vic 3000

### *Banker*

Commonwealth Bank of Australia  
Level 14  
385 Bourke Street  
Melbourne Vic 3000

### *ANNUAL GENERAL MEETING*

The Annual General Meeting of the Company will be held at Level 20, CMA Centre, 500 Collins Street, Melbourne, at 11:00 am on 30 November, 2006

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## **BEACONSFIELD GOLD NL**

### **Chief Executive Officer's Review of Results and Activities**

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#### ***SUMMARY OF THE 2006 YEAR***

##### **BEACONSFIELD MINE JOINT VENTURE ("BMJV")**

- Underground mining activity was suspended on 25 April 2006 following a significant seismic event. The Board and management of Beaconsfield Gold extend their deepest sympathies to the family and colleagues of Larry Knight who tragically died in the incident.
- Geotechnical consultants have given a clear indication that the mine should re-open, based on geotechnical considerations.
- The Federal Government advised funding of \$4.9 million will be made available to the BMJV to assist reopening and ongoing mine development.
- A surface exploration hole at Middle Arm Gorge intersected a significant shear zone. A follow-up drill hole has been commenced.
- Post 30 June Beaconsfield Gold had its comprehensive pre-emptive rights under the BMJV Agreement confirmed by the Supreme Court of Victoria. The decision has been appealed.

##### **BEACONSFIELD GOLD NL**

- Exploration work at the Stavely Project in western Victoria has identified a number of highly prospective targets.
- Shareholder approval was received to issue up to 60 million shares to position the Company to consolidate the ownership of the BMJV should that opportunity arise.
- 24 million shares were placed in June to raise \$5.5 million of working capital.

#### ***SUMMARY OF KEY PERFORMANCE INDICATORS FOR THE 2006 YEAR***

##### **BEACONSFIELD MINE JOINT VENTURE**

- |  |                      |
|--|----------------------|
| • Ore Milled   | 200,930 tonnes       |
| • Head Grade   | 13.3 g/t gold        |
| • Gold Recovery (excluding changes in gold in circuit) | 92.9 %               |
| • Gold Produced  | 81,983 ounces        |
| • Direct Operating Expenditure                         | \$451/ounce produced |
| • Direct Operating plus Capital Expenditure            | \$511/ounce produced |
| • Effective BMJV Cash at 30 June 2006                  | \$3.0 million        |

##### **BEACONSFIELD GOLD NL (48.49% DIRECT INTEREST)**

- |  |                      |
|--|----------------------|
| • Share of Gold Production             | 39,754 ounces        |
| • Revenue from Gold Sales              | \$24.2 million       |
|  | \$608/ounce produced |
| • Total Effective Cash at 30 June 2006 | \$9.6 million        |

# BEACONSFIELD GOLD NL

## Chief Executive Officer's Review of Results and Activities

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### 1. REVIEW OF RESULTS

The financial results for the 2005/06 year for Beaconsfield Gold are summarised in the following table:

	2006 (\$'000)	2005** (\$'000)
Gold and silver sales	24,228	34,193
BBR claim recoveries	-	6,304
Other revenue	18	46
Total revenue from ordinary activities excluding interest	24,246	40,543
EBITDA from ordinary activities	3,080	16,246
Mine care and maintenance costs	1,055	-
Additional expenditure directly attributable to Anzac Day Incident:		
• Mine and corporate costs	788	-
• Employee redundancy	559	-
• Workcover premiums	458	-
• Close out of gold hedge contracts	1,953	-
• Fair value of ineffective gold hedge contracts maturing after 30 June 2006	6,556	-
Interest expense – relating to agreement with former banker and BBR claim	-	3,152
Finance costs (net of interest income)	89	116
Net profit/(loss) after tax	(14,290)	7,801
Basic earnings/(loss) per share	(9.17c)	5.32c
Total dividends declared/proposed per share	NIL	3.0c
Net Assets	18,116	27,038

\*\* The 2004/05 results have been adjusted as a result of the transition to Australian equivalents to International Financial Reporting Standards (AIFRS).

The Company's financial results for the year were severely impacted by the suspension of mining activity at the Beaconsfield mine on Anzac Day (25 April 2006) following a significant seismic event that led to several falls of ground, resulting in the tragic death of one miner and two others being trapped before being rescued on 9 May, 2006. Mining activity remains suspended pending the completion of work necessary to seek approval from the Chief Inspector of Mines to re-open the mine.

Earnings before interest, tax, depreciation and amortisation (EBITDA) from ordinary activities for the year ended 30 June 2006 was \$3.1 million (2005: \$16.3 million). The consolidated net loss after tax for the year was \$14.3 million (2005: \$7.8 million profit).

Gold and silver sales revenue for the 2006 year of \$24.2 million was 29% below the 2005 figure. Gold production and revenue were significantly reduced in the first half of the year following a seismic event in October 2005 which resulted in the deferral of production from high grade stopes in the mine. Following the introduction of a revised mining method and additional ground support, gold production was returning to normal levels prior to the Anzac Day incident.

Since Anzac Day there has been no mining production, and mill production has been limited to treatment of remaining surface ore stocks and recovery of remnant gold from the circuits in the treatment plant.

## **BEACONSFIELD GOLD NL**

### **Chief Executive Officer's Review of Results and Activities**

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Significant progress has been made towards completing the work necessary to seek approval from the Chief Inspector of Mines to re-open the mine. A geotechnical review has been completed by an independent consultant and will form the basis of the various cases for safety that are required by the Inspector. On 6 September 2006 the Manager of the Beaconsfield Mine Joint Venture announced the initial findings of the geotechnical assessment of the Beaconsfield Mine by Coffey Mining which said in part *"at this stage we do not foresee any geotechnical reasons relating to ground control that could not be managed such that they would prevent the Beaconsfield Mine recommencing operations"*. On this basis it is hoped that limited mining activities may recommence during October.

The Company believes, however, that there is still a high level of uncertainty concerning the actual timing of any recommencement of commercial mining operations and gold production as extensive consultation by Allstate is still required with the workforce, local community, Workplace Standards Tasmania, the AWU, the Coroner and other stakeholders.

Following the Anzac Day incident and consequent cessation of mining production and gold deliveries, Beaconsfield Gold's gold hedging no longer meets the strict criteria of effective hedging under AIFRS. As a result movements in the Company's hedge book marked-to-market value are now required to be brought to account through the income statement. The result for the year includes a cost of \$6.5 million relating to the fair value of ineffective gold hedge contracts maturing after 30 June 2006.

In addition, the lack of gold deliveries in the latter part of the year necessitated the close-out of a number of gold hedge contracts, resulting in a loss of \$1.9 million.

On 3 May 2006, the Company announced that it would defer payment of the 2006 interim dividend until further notice, pending determination of cash requirements going forward. In light of the extended suspension of mining operations, and the severe impact that has had on the Company's financial position, the Board has now resolved to cancel the interim dividend for the year ended 30 June 2006. It is the intention of the Board to recommence distributing a proportion of free cash flow to shareholders in the form of dividends as soon as financial circumstances permit.

#### **2. THE BEACONSFIELD MINE JOINT VENTURE (BMJV)**

The Beaconsfield Gold group has a 48.49% direct interest in the unincorporated BMJV which operates the Beaconsfield Mine at Beaconsfield in north-east Tasmania. The other participant is the Allstate group with a 51.51% interest. Allstate, with the higher interest, is Manager of the BMJV. Beaconsfield Gold in turn owns 25.62% of the shares in Allstate. Joint Administrators (Michael Ryan and Tony Woodings of chartered accounting firm, Taylor Woodings, based in Perth, Western Australia) were appointed to Allstate on 8 June 2001 and became Joint Deed Administrators when Allstate creditors approved a Deed of Company Arrangement in late 2001.

The BMJV commenced modern gold production at the Beaconsfield Mine in September 1999.

#### **3. BEACONSFIELD MINE**

The Beaconsfield Mine is located 40 kilometres by road north-west of Launceston.

The orebody, named the Tasmania Reef, is a gold-bearing, quartz-carbonate-sulphide vein occupying a fault structure which transgresses a series of Ordovician sedimentary beds. The Reef is in many ways similar to the gold-arsenic-quartz, dilational-fill mesothermal deposits of central Victoria, such as Ballarat and Bendigo.

The Tasmania Reef has an average strike length of 350 - 400 metres, an average horizontal thickness of around 3.0 metres and dips south-east at an average of around 60 degrees.

The historic underground mine was operated from 1877 to 1914, during which time approximately 840,000 ounces of gold were produced from 1,070,000 tonnes of ore at an average mill recovered grade of 24.3 g/t gold. With a reported average mill recovery of around 85%, the average head grade of the ore, after mining dilution, would have been over 28 g/t gold, making Beaconsfield one of the richest gold mines in Australia at the time. The historic mine was worked to a maximum depth of 455 metres.

The modern underground mine has focussed on the extension of the Tasmania Reef below 455 metres depth.

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## Chief Executive Officer's Review of Results and Activities

### 4. BEACONSFIELD MINE PERFORMANCE IN 2006

Mining activity was suspended on 25 April 2006 (Anzac Day) following a significant seismic event that led to several falls of ground. As a consequence, one miner was killed and two more trapped before being rescued on 9 May 2006. As mining activity currently remains suspended, production and other physical statistics are not directly comparable to previous years.

196,249 tonnes of ore were mined (hoisted) for the year, 18% lower than the previous year. In addition to the effect of the Anzac Day incident, ore production in the first half year was negatively impacted by the suspension of production from certain high grade stopes which resulted from a seismic event on 26 October 2005. Production was returning to more normal levels prior to the Anzac Day seismic event. The face of the decline was approximately 1,090 metres below surface at 30 June 2006.

Whilst mining is suspended, care and maintenance activities are being undertaken underground to ensure that the mine remains in good condition.

#### Production Summary

Quarter Ended	Ore Hoisted (t)	Ore Milled (t)	Head Grade (g/t) (1)	Gold Milled (oz)	Gold Recovery (%) (2)	Total Gold Production (oz) (3)
<b>2005 Year</b>	<b>239,373</b>	<b>240,685</b>	<b>17.0</b>	<b>131,354</b>	<b>95.8</b>	<b>125,795</b>
2005 September	55,593	59,587	15.7	30,107	91.0	28,083
2005 December	60,567	53,445	11.8	20,351	95.1	19,675
2006 March	62,611	64,309	12.7	26,300	93.3	24,405
2006 June	17,478	23,589	11.8	8,969	92.9	9,820
<b>2006 Year</b>	<b>196,249</b>	<b>200,930</b>	<b>13.3</b>	<b>85,727</b>	<b>92.9</b>	<b>81,983</b>

(1) Mill reconciled head grade.

(2) Gold recovery excluding changes in gold in circuit.

(3) June 2006 production includes gold recovered from storage ponds and other sources.

Mill throughput, head grade and gold production for the year were 16%, 22% and 35% respectively below 2005 performance. Production volume and grade were adversely affected by the closure of high grade stopes following the 26 October 2005 seismic event, and by the Anzac Day incident.

The mill has been placed in a care and maintenance mode with particular emphasis on ensuring the bacterial leaching circuit is kept in a suitable condition to resume treatment with minimal delay. An inoculum of bacteria is being held in a heated tank and tested regularly to ensure that dormancy is reversible.

### 5. BMJV EXPENDITURE PER OUNCE IN 2006

Quarter Ended	Operating Costs (A\$/oz)	Capital Costs (A\$/oz) (1)	Total Costs (A\$/oz) (2)
<b>2005 Year</b>	<b>349</b>	<b>71</b>	<b>420</b>
2005 September	413	72	485
2005 December	519	52	571
2006 March	442	50	492
2006 June	450	64	514
<b>2006 Year</b>	<b>451</b>	<b>60</b>	<b>511</b>

(1) Including underground diamond drilling costs.

(2) Direct operating expenditure (including management fee to Allstate) plus capital expenditure.

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### Chief Executive Officer's Review of Results and Activities

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Direct operating costs of \$451 per ounce for the year during the production period were significantly impacted by lower gold production, particularly during the December quarter.

BMJV capital expenditure for the 2006 year fell to \$3.90 million (2005: \$8.98 million) with completion of the ore reserve diamond drilling program during the September 2005 quarter, limited progress in the mine access decline, the deferral of projects to mitigate the impact of the October 2005 seismic event and the cessation of capital projects following the Anzac Day incident.

#### 6. BEACONSFIELD GOLD REVENUE FOR 2006

Beaconsfield Gold's total revenue from gold and by-product silver sales was \$24.23 million, 29% below the 2005 figure of \$34.19 million.

#### 7. UNDERGROUND DIAMOND DRILLING OF THE TASMANIA REEF

The F Series underground ore reserve drilling program, which commenced in December 2003, was completed during the September 2005 quarter for a total of approximately 32,000 metres in 112 holes.

A program to test below the current F21 resource is planned by the BMJV after the mine has re-opened, commencing in the 2007 calendar year.

#### 8. BMJV ORE RESERVES / RESOURCES

Allstate, as Manager of the BMJV, has reported that the Identified Mineral Resource for the Tasmania Reef at Beaconsfield, Tasmania as at 31 March 2006 was:

Measured Resource	255,000 tonnes @ 20.4 g/t Au	(167,000 ounces contained gold)
Indicated Resource	568,000 tonnes @ 13.6 g/t Au	(249,000 ounces contained gold)
Inferred Resource	58,000 tonnes @ 14.7 g/t Au	(27,000 ounces contained gold)
Total Resource	881,000 tonnes @ 15.6 g/t Au	(443,000 ounces contained gold*)

\* Beaconsfield Gold's equity share of the above Resource is 215,000 ounces

A Reserve Statement for the Tasmania Reef at Beaconsfield is expected to be released following the completion of current studies, including the additional F21 ore zone reserves announced in April 2006.

#### 9. EXPLORATION

##### 9.1. BMJV Tenements (Beaconsfield Gold 48.49% Direct Interest)

Description	Licence Number	Area	% Interest
Beaconsfield Consolidated Mining Lease	1767 P/M	594 hectares	48.49
Beaconsfield Retention Licence	RL1/1999	2 sq km	48.49
Salisbury Hill Exploration Licence	EL 20/1994	12 sq km	48.49

The first hole (B52) of a program at Middle Arm Gorge was completed during the June 2006 quarter, to a depth of 652.5m. The program was primarily designed to test for mineralisation associated with a structural break in the Cabbage Tree Hill / Salisbury Hill strike ridge 2.5km southeast of the Tasmania Reef at the Beaconsfield mine. The conceptual target is a possible separate reef structure paralleling the 2 Moz Tasmania Reef, with a target depth in the first hole expected between 400 – 700m depth.

B52 intersected a significant shear zone with mineralised wallrocks over 5.6m from a downhole depth of 588m. The structure is similar in characteristics to the western end of the Tasmania Reef. B52 also intersected a zone of quartz-ankerite-sulphide mineralisation over a length of 1.9m down hole from 155.1m.

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### Chief Executive Officer's Review of Results and Activities

The assay results are shown in the table below.

Hole	Easting (AMG)	Northing (AMG)	RL (m)	Azimuth	Dip
B52/B52A	485770.918	5436411.665	76.14	305.9°	-49.8°
Intercept	From	To	Length Down Hole (m)	Grade (g/t Au)	
Reef	155.1	157.0	1.1 plus 0.8m total core loss	0.1	
Wallrocks	587.15	587.95	0.8	4.4	
Shear	587.95	592.75	4.8	0.2	

A follow-up hole has been planned to commence in September 2006, designed to intersect the predicted position of the shear zone structure some 150m to the east.

#### 9.2. Beaconsfield Gold Group 100% Owned Exploration Licences

Description	Licence Number	Area	% Interest	State
North Beaconsfield Exploration Licence	EL 27/2000	3 sq km	100.0	Tas.
Beaconsfield Exploration Licence	EL 7/2000	17 sq km	100.0	Tas.
Stavelly Exploration Licence	EL 4556	370 sq km	100.0 (a)	Vic.
Stavelly South Exploration Licence	EL 4929	25 sq km	100.0	Vic.
Dunkeld Exploration Licence	EL 4930	28 sq km	100.0	Vic.
Watgania Exploration Licence	EL 4931	512 sq km	100.0	Vic.
Bolac Exploration Licence	EL 4932	186 sq km	100.0	Vic.
North Dunkeld Exploration Licence	EL 4514	60 sq km	100.0	Vic.

(a) A subsidiary of BCD has an option to acquire 100% interest, subject to a 3% net smelter return royalty.

#### STAVELY PROJECT, WESTERN VICTORIA

In mid-2005, Beaconsfield Gold commenced an initiative to broaden its exploration activities beyond the region of the Beaconsfield Mine by selectively pursuing other exploration interests.

In July 2005, Beaconsfield Gold acquired its first such interest when it secured an option to acquire 100% of Stavelly Exploration Licence 4556 (370 sq km), located south of the Grampians in western Victoria, from New Challenge Resources Pty Ltd.

The landholding has since been expanded from 370 to 1,180 sq km, with the grant of four additional exploration licences by the Department of Primary Industries, and the acquisition of an adjacent tenement from New Holland Mining. This provides control over a region stretching up to 30km east-west and 60km north-south representing a very significant area of prospective regional geology.

Beaconsfield Gold, on the basis of the exploration results of previous explorers, assessed the Stavelly region as containing large scale hydrothermal/plutonic mineralising systems associated with gold and base metal mineralisation. The extensive character of these systems has attracted previous exploration expenditure of some \$4 million by major companies, including most recently Newcrest. A number of prospects have been identified.

#### Fair View Gold Prospect

In 1992, North Limited used BLEG geochemistry to survey streams in the southern part of the Stavelly area. A broadly anomalous (+1ppb gold, maximum 16ppb gold) gold corridor was defined along the western margin of the Mount Stavelly Volcanic Complex (MSVC).

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### Chief Executive Officer's Review of Results and Activities

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In 2003, Newcrest undertook a systematic 100m x 200m multi-element, GPS controlled soil survey across the western boundary of the MSVC over a rectangular area roughly 5 km by 2.5 km. This generated a straight line gold-in-soil anomaly (+1ppb gold, maxima 10,13,16,54 and 76ppb gold) some 5 km long that is open to the south-south-east and to the north-north-west.

During the December 2005 quarter, Beaconsfield Gold conducted detailed soil sampling over what it interpreted as the possible trend of gold mineralisation at Fair View. Some 1,865 samples were collected at 20m spacings on 61 lines spaced at 80m covering a 4800m x 600m area over the NNW-SSE trend. Samples were analysed for gold using fire assay.

Final results showed that 17% of samples exceeded 30 ppb gold. Of those +30 ppb gold results, 33% exceeded 100 ppb gold. Several assay results exceeded 1,000 ppb gold (1 g/t gold).

The results define a strong, very coherent anomaly over the full 4.8 km length tested with varying widths up to 280m. It remains open to the NNW and SSE. The most southerly line across the anomaly averages around 180 ppb gold over 7 consecutive samples (140m width).

The strength, sharp definition, excellent continuity of high gold values and large dimensions of the 4.8 km plus long Stavelly gold-in-soil anomaly mark it as an exceptional large scale exploration target.

First-pass reconnaissance drilling commenced during February 2006. A total of 3,800m of shallow, vertical aircore holes were drilled through the oxide zone on selected sections of the anomaly. The holes averaged 23m in depth with the maximum depth achieved into bedrock being 36m. The program confirmed several areas of high level anomalism throughout the prospect. In particular, a number of ore grade results were recorded at the northern and southern extents of the soil anomaly. The anomaly remains open in both these directions. More significant results included:

Hole Number	Northing	Easting	Depth m	From m	To m	Interval m	Grade Au g/t
FAC33	5832420	643581	31	0	31	31	1.8
Incl			31	29	31	2	14.3
FAC144	5832409	643584	30	0	30	30	1.4
Incl			25	23	25	2	16.1
FAC131	5828020	644746	30	0	30	30	1.4
Incl			16	14	16	2	6.2
FAC35	5832431	643620	18	8	18	10	2.9
FAC146	5832428	643610	16	14	16	2	7.5

During March 2006, a diamond rig commenced a six hole program of angled holes designed to determine the stratigraphy under the soil anomaly. This was immediately followed by an RC ("reverse circulation") program of around 3,600m for 51 holes. The program involved both angled and vertical holes to a depth of about 130m to test beneath the anomaly.

More significant results included:

Hole Number	Northing (MGA)	Easting (MGA)	Depth m	From m	To m	Interval m	Grade Au g/t
FRH 40	5827851	644640	83	24	33	9	3.0
Incl				32	33	1	20.8
FRH 9	5832414	643566	113	27	28	1	11.9
FRH 24	5830480	644060	59	45	48	3	3.9
Incl				46	47	1	8.1
FRH 38	5829042	644555	71	60	63	3	3.2
Incl				61	62	1	6.3
FRH 49	5829996	644141	101	93	96	3	1.5

All holes were drilled at -60 degrees to 60 degrees magnetic except FRH 9 drilled vertically

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### **Chief Executive Officer's Review of Results and Activities**

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The drilling has now confirmed that gold mineralisation is present in the primary rocks below the oxide zone over a significant area. The mineralisation appears to be associated with both the host sandstone and also volcanic intrusives within the sandstone. This confirms the previously unrecognised prospectivity of the tenement package for gold within sandstone. Further assessment of these results is continuing and a program of follow up exploration will be undertaken during the next field season.

#### **Thursday's Gossan Copper Prospect**

The Stavely Project also contains one of Australia's larger copper anomalies associated with a copper-porphyry complex that has returned significant drill intersections such as 229m @ 0.22% copper. With prices for copper and gold at near record levels the copper prospects at Stavely have become high priority targets.

The Thursday's Gossan Prospect, located approximately 5km NNW of the Fair View Prospect, contains a 3km long bedrock copper anomaly with +2,000 ppm (0.2%) copper values. The deposit has been previously explored by major exploration companies interested primarily in very large scale porphyry-type mineralisation. The host porphyry complex has similarities to those around the large Cadia copper-gold mine and at the North Parkes copper-gold mine in NSW.

However, copper-gold mineralisation is also associated with a smaller scale secondary (supergene) chalcocite blanket at relatively shallow depths. Drill intersections range up to 6m at 3.0% copper and 1.1g/t gold from 22m depth, equivalent to approximately 12g/t gold at current commodity prices. This relatively high-grade blanket will be the prime focus for Beaconsfield Gold's exploration rather than the larger scale, but lower grade, porphyry-style mineralisation. Many of the holes drilled previously at Thursday's Gossan are interpreted to have stopped in the leached profile above the supergene blanket, and further deeper drill testing is warranted to test the full extent of the roughly horizontal blanket. Planning is now underway for an initial drilling program in October/November 2006.

#### **Balbeggie Gold Prospect**

A Workplan has been approved by DPI to undertake soil sampling at the Balbeggie Prospect, 5km west of Fair View, and it is anticipated that this work will be completed during the September 2006 quarter. A previous explorer at Balbeggie identified quartz float assaying up to 22g/t gold and Beaconsfield Gold geologists sampled a road cutting south-east of Balbeggie which averaged 0.2 g/t gold over approximately 30m.

#### **Wickliffe Prospect**

The Stavely Project also contains interesting zinc prospects with volcanogenic massive sulphide potential. Massive sulphide mineralization at the Wickliffe Prospect is analogous to the Rosebery and Hellyer-style polymetallic mineralisation in western Tasmania.

#### **Other Prospects**

A 30km long serpentinite belt is prospective for nickel sulphide mineralisation akin to that at the Avebury nickel deposit in western Tasmania, particularly as values up to 1% nickel have been returned from areas of intense alteration to the east of Thursdays Gossan.

A number of other gold targets exist in the region, including Balbeggie, Wickliffe South, Kookaburra and Patanga South.

These will be assessed in due course, but the current focus is on the compelling Fair View gold prospect and the Thursday's Gossan copper-gold prospect.

#### **NORTH PEASE CREEK GOLD PROSPECT, TASMANIA**

The North Pease Creek property is around 4 km northwest of the Beaconsfield Mine. The "Mine Sequence" rocks that host the major Tasmania Reef at the Beaconsfield Mine (Ordovician conglomerate, sandstone and siltstone) occur between two well-defined, north-westerly trending thrust faults - the Cabbage Tree Thrust and the Cobblestone Creek Thrust. Beaconsfield Gold's geologists have confidently interpreted extensions of both the Mine Sequence rocks and of the two enclosing thrust faults northwest under a cover of Tertiary

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### **Chief Executive Officer's Review of Results and Activities**

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sediments into the North Pease Creek property. Surface cover and lack of outcropping rocks prevented any historic prospecting, leaving the area lightly explored to date.

Previously reported drilling by Beaconsfield Gold during 2004/05 encountered significant gold mineralisation in several holes at the south-eastern end of the drill hole fence. The best intercept was NPC-7 which recorded 3.0m at 3.9 g/t gold from 163 metres including 1.0m at 8.6 g/t gold. Mineralisation is hosted in black carbonaceous quartz sandstone and granule sandstone/conglomerate and is associated with increased abundance of fine pyrite, arsenopyrite and ankeritic fine stockwork fracture and veinlet zones.

During the March 2006 quarter two combined RC percussion and diamond core drill holes were completed. All drilled through unconsolidated tertiary sedimentary cover and into the mine sequence. No significant mineralisation was intersected.

Whilst North Pease Creek remains a good exploration target, priorities will be reassessed in light of encouraging results emerging from the BMJV drilling at Middle Arm Gorge. Beaconsfield Gold has 100% of the exploration licence immediately to the east of Middle Arm Gorge and geophysics carried out in the area suggests that the Middle Arm Gorge faulting extends north-east into Beaconsfield Gold's licence.

#### **10. GOLD HEDGING FOR BEACONSFIELD GOLD**

At 30 June 2006, the Company's hedge book comprised 30,000 ounces of flat forward and spot deferred contracts, with deliveries out to April 2007, at an average price of \$608 per ounce.

The marked-to-market value of these contracts at 30 June 2006, when the spot price of gold was A\$810 per ounce, was negative \$6.5 million.

Following the Anzac Day incident and consequent cessation of mining production at the Beaconsfield mine, Beaconsfield Gold's gold forward sales contracts no longer meet the strict criteria of effective hedging under AIFRS. As a result, movements in the Company's hedge book marked-to-market value are now required to be brought to account through the income statement.

Based on the BMJV identified mineral resource at 31 March 2006, it is estimated that Beaconsfield Gold's 30,000 ounces of gold forward sales contracts at 30 June 2006 represented approximately 14% of Beaconsfield Gold's attributable resource ounces.

#### **11. ARBITRATION AWARD**

An arbitration award was made in favour of the BMJV participants (Beaconsfield Gold group 48.49% and Allstate group 51.51%) against ACN 005 585 795 Pty. Ltd. (formerly Brown & Root Engineering & Construction Pty. Ltd. ("BREC")) and Batepro Australia Pty. Ltd. ACN 009 006 777 ("BA"). The arbitrator found BREC and BA to be jointly and severally liable to the BMJV participants for \$60,366,785, together with interest after 17 January, 2004 at the rate of \$29,292 per week. Subsequent to the arbitration award, liquidators were appointed to both BA and BREC.

In late June 2005 the BMJV participants and the professional indemnity insurer of the BBR Companies reached an in-principle settlement whereby the insurer agreed to pay \$13 million as full settlement of the insurer's exposure, subject to the provision of certain third party releases.

In May 2006, Beaconsfield Gold received its \$6.3 million share of the \$13 million in-principle settlement.

In March 2004, \$4 million of interest due to the Company's then secured creditor was set aside, to be repaid only from 50% of any proceeds received by Beaconsfield Gold from the BBR arbitration. As a result, approximately \$3.15 million of the \$4 million was repaid as a result of the in-principle settlement, reducing the contingent liability to approximately \$0.85 million.

#### **12. CLAIM AGAINST ALLSTATE EXPLORATIONS NL ("Allstate")**

On 3 November 2004, Beaconsfield Gold and two of its subsidiaries lodged a Proof of Debt with the Allstate Deed Administrators for \$29,271,854, representing 48.49% of the damages awarded to the Beaconsfield joint venturers in the claim against BREC and BA. The Proof of Debt alleged that Allstate was negligent in the

## **BEACONSFIELD GOLD NL**

### **Chief Executive Officer's Review of Results and Activities**

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performance of its duties as manager of the joint venture and was in breach of its duties owed to the joint venturers, under the terms of the Beaconsfield Joint Venture Agreement, in its dealings with BREC and BA in connection with the contract to design, supply, construct and commission the gold ore treatment plant and bacterial oxidation plant at the Beaconsfield mine.

In April 2005, the Allstate Deed Administrators formally advised the Company that the Proof of Debt had been rejected, and in May 2005 Beaconsfield Gold filed an application in the Supreme Court of Victoria appealing against the Allstate Deed Administrators' rejection of the Proof of Debt.

On 13 April 2006, Beaconsfield Gold reached Agreement with the Allstate Deed Administrators to withdraw its appeal on the basis that each party bore its own costs of the proceedings.

#### **13. CLAIM AGAINST ALLSTATE'S PREVIOUS LEGAL ADVISOR**

Allstate, on its own behalf and as Manager of the BMJV, has been seeking damages for professional negligence arising from legal services provided to Allstate in relation to certain insurance and risk management issues associated with the contract for construction of the treatment plant at the Beaconsfield mine.

Beaconsfield Gold successfully applied to the Supreme Court of Western Australia to be joined as plaintiffs in those proceedings. The action is continuing.

#### **14. INSURANCE CLAIM RELATING TO ANZAC DAY INCIDENT**

The BMJV has submitted an initial claim under its business interruption insurance policy following the Anzac Day incident. The policy covers costs and loss of profits. The insurer has not yet responded to the claim, and no provision has been made in the financial results for a payment under the policy.

#### **15. FEDERAL GOVERNMENT FUNDING**

The BMJV's application for a grant under the Beaconsfield Community Fund, established by the Federal Government, was accepted on 21 July 2006. The grant of \$4.9 million will assist the BMJV to meet supernumerary payroll costs, to develop the decline on to access the F21 ore zone and to conduct deep drilling below current reserves. No provision has been made in the financial report for receipt of this grant.

#### **16. DEBT DUE TO TASMANIAN STATE GOVERNMENT**

The Tasmanian State Government has announced its intention to waive approximately \$0.7 million owing to it by the BMJV participants if mining operations recommence.

#### **17. POTENTIAL ACQUISITION OF ALLSTATE INTEREST**

On 28 June 2006, the Company received shareholder approval for the placement of up to 60 million new shares at not less than 34 cents to sophisticated and professional investors. This approval positions the Company so that it can acquire, at short notice, the Allstate group's 51.51% interest in the Beaconsfield Mine, if that interest becomes available, via a direct purchase or via Beaconsfield Gold's comprehensive pre-emptive rights under the Beaconsfield Mine Joint Venture Agreement. As this approval expires on 28 September 2006 a renewal of the approval will be sought at a general meeting of the Company to be held on 4 October 2006.

The Allstate Deed Administrators have announced an attempt to restructure the ownership of the Beaconsfield Gold Mine and have called for expressions of interest for a possible transaction, with the Deed Administrators' clear preference being to place shares in Allstate.

The Allstate group's interest in the BMJV is held by two 100% owned subsidiaries of Allstate, ACN 070 164 653 Pty. Ltd. and Allstate Prospecting Pty. Ltd. ("Allstate Subsidiaries"). The Allstate Subsidiaries are subsidiaries of Otter Gold Mines Pty. Ltd. ("Otter") through Otter's majority ownership of Allstate.

Beaconsfield Gold's view is that if, as a result of a placement of shares in Allstate, the Allstate Subsidiaries cease to be subsidiaries of Otter, the Beaconsfield Gold group's pre-emptive rights over the Allstate group's 51.51% interest in the BMJV would be triggered.

## **BEACONSFIELD GOLD NL**

### **Chief Executive Officer's Review of Results and Activities**

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The relevant pre-emptive rights clause of the BMJV Agreement states, in effect, that where a joint venturer is, at any time, a subsidiary of another company and, by reason of any transaction or event, ceases to be a subsidiary of that company, pre-emptive rights over that joint venturer's interest would be triggered. The pre-emption price to be paid for the interest would be determined by an expert to be fair consideration as between a willing seller and a willing purchaser.

On 3 August 2006, the Beaconsfield Gold group initiated an action in the Supreme Court of Victoria seeking confirmation of the group's comprehensive pre-emptive rights under the BMJV Agreement. The case was heard on 4 September 2006, and on 7 September 2006 Justice Hargrave handed down his decision in favour of Beaconsfield Gold. The decision has been appealed by the Allstate group. No date has been set for the appeal hearing.

#### **18. MELICK INVESTIGATION**

On 22 May 2006, the Tasmanian Government announced the terms of reference for an independent investigation into the 25 April incident in the underground workings of the Beaconsfield Gold Mine which resulted in the death of Larry Knight and two other miners being trapped underground for fourteen days.

The investigation, which is not open to the public, is being headed by special investigator Greg Melick SC, an experienced barrister and investigator. His full report, which is not expected before the end of October, is to be provided to the State Coroner and Director of Public Prosecutions.

Announcing the terms of reference, the Tasmanian Premier, Mr Paul Lennon, said: "The Government's legal advice is that this is the most appropriate and timely means of getting answers about what happened at Beaconsfield, protecting the integrity of the Coronial Inquest and leaving open the possibility of criminal charges being laid by the Director of Public Prosecutions at a later date."

Beaconsfield Gold will await the outcome of the legal processes underway in Tasmania. It reserves its rights in regards to any possible action for the recovery of losses suffered by the Company following the incident of 25 April.

# BEACONSFIELD GOLD NL

## Directors' Report

Year Ended 30 June 2006

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The Directors present their report together with the financial report of Beaconsfield Gold NL ("the Company") and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2006 and the Auditor's Report thereon.

### **DIRECTORS**

The names and details of the Directors of the Company in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated:

#### **Current Directors**

***Dr. Denis Edmund Clarke, Ph.D.(Geology), B.Sc.(Geology), B.A.(Economics & Statistics), F.Aus.IMM***  
**Non-Executive Chairman (aged 65)**

**Dr. Clarke** has broad technical financial and corporate experience in the mining and mineral exploration industry. Over sixteen years in various senior positions he contributed significantly to the outstanding success of Plutonic Resources Limited which developed rapidly from a small explorer / non-producer into one of Australia's largest gold producers operating five mines. In 1998 Plutonic was absorbed by Homestake Mining Company, the merger valuing Plutonic at about A\$1 billion. Subsequently, he has consulted to, and accepted board positions with, a range of miners and explorers. Since 1999 as Non-Executive Director and Consultant he has contributed to the rapid growth of Troy Resources NL from \$10 million market capitalisation to \$135 million.

Dr. Clarke joined the board on 25 November 2004, and was elected Chairman of the Company on 28 February 2005. He is a member of the Company's Audit and Risk Management Committee and Chairman of the Remuneration and Appointments Committee.

During the past three years Dr. Clarke has also served as a director of the following companies:

- Troy Resources NL (1999 to date)
- Cullen Resources Ltd (1999 to date)
- Anglo Australian Resources NL (1999 to date)
- Bemax Resources NL (1999 to 2003)

***Mr. Michael Ward Trumbull, BE (Hons) Mining, M.B.A., F.Aus IMM***  
**Non-Executive Director (aged 56)**

**Mr. Trumbull** has a degree in mining engineering (first class honours) from the University of Queensland and a master of business administration (MBA) from Macquarie University. A Fellow of the Australian Institute of Mining and Metallurgy, he has over 30 years of broad mining industry experience with companies including MIM, Renison, WMC, CRA, Amax, Nicron, ACM and Beaconsfield Gold.

From 1983 to 1992, he worked with ACM and ACM Gold as, progressively, Senior Mining Engineer, Project Manager – Westonia Gold Mine, Resident Manager – Westonia Gold Mine and General Manager – Investments.

In 1979, while working for Amax Exploration (Australia), he recommended that company's involvement in resurrecting the historic Beaconsfield gold mine workings and commenced the recovery of the collapsed Hart Shaft. He was one of the founding directors of Beaconsfield Gold when it listed on the ASX in 1993 and sub-underwrote the Company's first equity raising to carry out deep drilling of the Tasmania Reef below the old workings. From March 1993 to November 2004, he was the sole executive director for Beaconsfield Gold, including being the Managing Director from December 2003 to November 2004. He is a member of the Company's Remuneration and Appointments Committee.

During the past three years, Mr. Trumbull has also served as a director of the following company:

- Panaegis Gold Mines Limited (2005 to date)

# BEACONSFIELD GOLD NL

## Directors' Report

Year Ended 30 June 2006

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*Mr. William Tsingos*

**Non-Executive Director (aged 48)**

**Mr. Tsingos** has for the past 28 years been running his own international trading business dealing in electrical and engineering products, predominantly to government utilities and public companies involved in the mining, transport, heavy engineering and construction industries. Mr. Tsingos was most recently appointed to the Board in March 2004, having previously served as a director and consultant since September 2001. He is a member of the Company's Remuneration and Appointments Committee.

*Mr. Kevin John Perrin, CPA*

**Non-Executive Director (aged 57)**

**Mr. Perrin** was appointed to the board on 24 February 2006 and is Chair of the Company's Audit and Risk Management Committee. For the past 31 years Mr. Perrin has been a partner in Prowse Perrin & Twomey, a Ballarat based firm providing accounting, taxation, audit and business advisory services to small and medium sized businesses. For over 15 years he was an audit partner for the firm.

He has been a director and shareholder of Prowse Perrin & Twomey Investment Services Pty. Ltd., an independent investment advisory firm holding an Australian Financial Services Licence for the past 15 years. Prior to that time he held a personal Securities Dealers Licence and was a member of the Stock Exchange of Ballarat Limited.

### **Directors who resigned during the year**

*Mr. Bede Gerald Noonan, BA*

**Non-Executive Director**

Mr. Noonan is a director of the Geotech Group of Companies. He joined the board in March 2004, and served as Chairman of the Company's Audit and Risk Management Committee until his resignation on 24 February 2006.

### **CHIEF EXECUTIVE OFFICER**

*Mr. William Thomas Colvin, BSc (Eng) Mining, ARSM, ACA*

**Mr. Colvin** holds a BSc (Eng, Hons) Mining Engineering degree (Royal School of Mines, London) and is a qualified Chartered Accountant (Institute of England and Wales) with experience in both the audit and insolvency practices of Coopers and Lybrand.

He was General Manager of the Stawell underground gold mine for MPI / Leviathan Resources for three years from 2002, after which he was appointed to the position of General Manager – Business Development for Leviathan. Previously he spent three years as General Manager of the Henty underground gold mine for Goldfields Limited. After completing the economic turnaround of the Henty mine in 2001, Mr. Colvin was appointed General Manager – Group Operations for Goldfields until the merger with Delta Gold Ltd. in 2002. He also held various positions within the RGC/Goldfields Group at Pine Creek, RGC Mineral Sands and Paddington.

Mr. Colvin took up this position on 1 September, 2005.

### **COMPANY SECRETARY**

*Mr. Brian David Coulter, B.Com, FCPA, ACIS*

**Mr. Coulter** has a Bachelor of Commerce degree from Melbourne University, is a Fellow of CPA Australia and is an Associate of the Institute of Chartered Secretaries and Administrators.

He has worked in the mining industry, both in Australia and overseas, for the past 38 years, including MIM Holdings Limited/Xstrata, Newcrest Mining Limited, Deneshurst Limited and CRA Limited and its London based parent at the time, Rio Tinto Zinc Corporation.

# **BEACONSFIELD GOLD NL**

## **Directors' Report**

**Year Ended 30 June 2006**

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Mr. Coulter has extensive experience in all corporate financial and administration areas, including statutory reporting, company secretarial, budgeting and financial analysis and the evaluation of investment opportunities.

Mr. Coulter was appointed to the position of Company Secretary and Chief Financial Officer in July 2004.

### ***RESULTS FOR THE YEAR***

The consolidated loss of the economic entity for the financial year after income tax was \$14,290,000 (2005 profit: \$7,801,000).

### ***PRINCIPAL ACTIVITIES***

The principal activities of the Company during the financial year were:

- to produce gold through its participation in the Beaconsfield Mine Joint Venture (BMJV) which operates the Beaconsfield Gold Mine in north-east Tasmania; and
- mineral exploration in Australia.

There have been no significant changes in the nature of those activities during the year, albeit the temporary cessation of production at Beaconsfield as a result of the Anzac Day incident.

The participants in the unincorporated BMJV are the Allstate Explorations NL (Subject to Deed of Company Arrangement) ("Allstate") group with a 51.51% interest and the Beaconsfield Gold NL group with a 48.49% interest. Allstate, with the higher interest, is Manager of the BMJV. Beaconsfield Gold NL in turn owns 25.62% of the issued shares in Allstate, on a fully diluted basis.

### ***DIVIDENDS***

The Directors do not recommend the payment of a dividend for this financial year.

The proposed interim dividend for the year ended 30 June 2006, which was announced on 16 March 2006 and subsequently deferred on 3 May 2006, has been cancelled due to the extended cessation of operations at the Beaconsfield Mine.

A final unfranked dividend of 1.5 cents per share for the year ended 30 June 2005, amounting to \$2,298,000, was paid on 7 December 2005.

### ***STATE OF AFFAIRS***

In the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or in the consolidated financial statements.

### ***CORPORATE STRUCTURE***

Beaconsfield Gold NL is a no liability company that is incorporated and domiciled in Australia. Beaconsfield Gold NL has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which comprise 100% ownership of Beaconsfield Gold Mines Pty Ltd, Beaconsfield Operations Pty Ltd and Beaconsfield Tasmania Pty Ltd (note 8).

# **BEACONSFIELD GOLD NL**

## **Directors' Report**

**Year Ended 30 June 2006**

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### ***OPERATING AND FINANCIAL REVIEW***

The Operating and Financial Review is contained in the Chief Executive Officer's Review of Results and Activities on pages 1 to 11, which is incorporated as part of the Directors' Report for the year ended 30 June 2006.

### ***LIKELY DEVELOPMENTS AND EXPECTED RESULTS***

Comments on likely developments impacting the Company's operations are referred to throughout this Directors' Report, including the Chief Executive Officer's Review of Results and Activities. Developments as they arise are released to the ASX and are available on the Company's website. Announcements of developments by the Company ensure compliance with the ASX Listing Rules and promote timely and balanced disclosure of all material matters concerning the Company.

### ***REVIEW OF FINANCIAL CONDITION***

The introduction of Australian Equivalents to International Financial Reporting Standards ("AIFRS") has meant that the balance sheet of the Consolidated Entity has changed substantially from 30 June 2005 with the key changes principally relating to the impact of recognising financial derivatives. There was no change to the 30 June 2005 comparatives in respect of derivatives as the Consolidated Entity has elected to apply the option available under AASB 1: *First-time adoption of AIFRS* to adopt AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 July 2005. Major changes as at 30 June 2006 were:

- Included in total liabilities is \$6,556,000 relating to the recognition of the fair value of derivative financial instruments.
- Recognised in the 2006 Income Statement is negative \$6,556,000 which represents the movement in the fair value of derivative financial instruments as these derivatives do not qualify as effective hedges.

The financial condition of the Consolidated Entity was enhanced during the financial year by the issue of an additional 31,573,000 fully paid ordinary shares, including:

- 24.0 million shares placed to a small number of sophisticated and professional investors to raise \$5,520,000; and
- 6.5 million shares issued to the Company's former banker on the exercise of a like number of options to raise \$1,836,000.

Following the conversion of the remaining convertible notes to fully paid ordinary shares in February 2006, Beaconsfield Gold NL is now effectively debt free.

Further information on the financial condition of the Consolidated Entity is included in the Financial Statements section of the Annual Report.

### ***EVENTS SUBSEQUENT TO BALANCE DATE***

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years except for those matters referred to below:

- The Tasmanian State Government announced in July 2006 that it is willing to waive \$680,000 (Beaconsfield Gold share \$330,000) owed to it by the Beaconsfield Mine Joint Venture ("BMJV") if mining operations recommence (refer Note 13 to the Financial Statements).
- On 21 July 2006, the Federal Government announced that the BMJV's application for a grant, under the Beaconsfield Community Fund, had been accepted. The grant of \$4.87 million will assist the BMJV to meet supernumerary payroll costs, to develop the decline on to access the F21 ore zone and to conduct deep drilling below current reserves.

# BEACONSFIELD GOLD NL

## Directors' Report

Year Ended 30 June 2006

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- On 17 August, 2006 the BMJV submitted an initial claim under its business interruption insurance policy following the Anzac Day rockfall. The policy covers costs and loss of profits. The insurer has not yet responded to the claim.
- On 16 March 2006 the Directors declared an interim dividend for the year ended 30 June 2006 of 1.5 cents per share payable on 31 May 2006. On 3 May 2006 the Company announced that it would defer payment of this dividend until further notice. In light of the extended suspension of mining operations, the Board has now resolved to cancel the interim dividend for the year ended 30 June 2006.
- On 6 September 2006 the Manager of the BMJV announced findings of an independent geotechnical assessment of the Beaconsfield Mine by Coffey Mining, which said in part *"at this stage we do not foresee any geotechnical reasons relating to ground control that could not be managed such that they would prevent the Beaconsfield Mine recommencing operations."*

### SHARE OPTIONS

#### Share options granted during year

The Company granted 800,000 (2005: NIL) options over the ordinary shares of the company during the year to Mr. William Colvin, as part of the Chief Executive Officer's remuneration package, under the terms of the Beaconsfield Gold NL Option Scheme (refer note 31(c) for more details).

### Unissued Shares

As at the date of this report (and as at the reporting date), there were 800,000 (2005: 6,500,000) unissued shares under options.

#### Shares issued as a result of the exercise of options

During the financial year the Company's former banker exercised options to acquire 6,500,000 fully paid shares in the Company at an exercise price of \$0.2824.

### DIRECTORS' SHAREHOLDINGS

As at the date of this report, the interests of the Directors in the shares of Beaconsfield Gold NL were:

	Ordinary shares	Partly-paid shares
D E Clarke	16,000	1,000,000
M W Trumbull	5,981,085	-
W Tsingos	859,628	400,000
K J Perrin	1,800,000	-

## BEACONSFIELD GOLD NL

### Directors' Report

Year Ended 30 June 2006

#### *DIRECTORS' MEETINGS*

The number of meetings of Directors (including meetings of committees of Directors) held during the year, the number of meetings attended by each Director, and the number of meetings held while they were a Director (or Committee Member) was as follows:

	Directors' Meetings		Meetings of Committees			
	Held	Attended	Audit and Risk Management		Remuneration and Appointments	
	Held	Attended	Held	Attended	Held	Attended
<b>Total number of meetings held:</b>	12		4		1	
<b>Number of meetings attended:</b>						
D.E. Clarke	12	12	4	4	1	1
M.W. Trumbull	12	12			1	1
W. Tsingos	12	12			1	1
K.J. Perrin	4	4	1	1		
B.G. Noonan	8	8	4	4		

#### *COMMITTEE MEMBERSHIP*

As at the date of this report, the Company had an Audit and Risk Management Committee and a Remuneration and Appointments Committee.

Members acting on the Committees of the board during the year were:

##### **Audit and Risk Management**

K.J. Perrin (c) (appointed 24 February 2006)  
D.E. Clarke  
B.G. Noonan (resigned 24 February 2006)

##### **Remuneration and Appointments**

D.E. Clarke (c)  
W. Tsingos  
M.W. Trumbull

##### **Note:**

(c) Designates the chair of the committee.

#### *INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS*

The Company has entered into a Deed of Access, Insurance and Indemnity with each Director of the Company that indemnifies the Director to the extent permitted by law against liabilities and legal costs incurred by the Director as an officer of the Company.

The Company maintains a Directors' and Officers' insurance policy that, subject to some exceptions, provides insurance cover to past, present and future Directors, Secretaries and Executive Officers of the Company and its controlled entities. The Company has paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured.

#### *DIRECTORS INTERESTS AND BENEFITS*

Since the end of the previous financial year no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the consolidated financial report) by reason of a contract made by the Company, its controlled entities or a related body corporate with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

# **BEACONSFIELD GOLD NL**

## **Directors' Report**

**Year Ended 30 June 2006**

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### **REMUNERATION REPORT - AUDITED**

This report outlines the remuneration arrangements in place for Directors and executives of Beaconsfield Gold NL ("the Company").

#### **Remuneration Philosophy**

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Alignment of shareholders' interests with interests of Directors and executives.
- Engage and retain appropriately qualified and high-calibre executives.
- Maintain the integrity of the Company's reward program.
- Portion of executive remuneration may be "at risk", dependent upon meeting pre-determined performance benchmarks.
- Non-Executive Directors may receive part of their remuneration in the form of shares, whether fully or partly-paid.

#### **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer ("CEO") and the senior executive team.

The Remuneration and Appointments Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to performance levels and relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

#### **Remuneration Structure**

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior executive remuneration is separate and distinct.

#### **Non-Executive Director Remuneration**

##### *Objective*

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of high calibre, at a cost which is acceptable to stakeholders.

##### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The latest determination was at the Annual General Meeting held on 14 November 2005 when shareholders approved an aggregate remuneration of \$200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. As and when appropriate, the Board considers advice from external consultants as well as fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Director receives a fee for being a Director of the Company. An additional fee is also paid to the Chairman of the Audit and Risk Management Committee, which recognises the additional time commitment required.

## **BEACONSFIELD GOLD NL**

### **Directors' Report**

**Year Ended 30 June 2006**

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The Constitution provides that any Director who is called upon to perform services for the Company over and above that normally expected of a Non-Executive Director may be paid special remuneration in addition to normal Directors' fees. Approval by the Chairman prior to undertaking such work is required before such special remuneration is paid.

The remuneration of Non-Executive Directors is detailed in the table on page 21

#### **Senior Executive Remuneration**

##### *Objective*

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company in order to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

##### *Structure*

In determining the level and make-up of executive remuneration, the Remuneration and Appointments Committee considers market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - ~ Short Term Incentive ("STI"); and
  - ~ Long Term Incentive ("LTI").

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for senior executives by the Remuneration and Appointments Committee. The remuneration of senior executives is detailed in the table on page 21.

#### **Fixed Remuneration**

##### *Objective*

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration and Appointments Committee and the process consists of a review of individual performance, relative comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices. The Committee has access to external advice independent of management.

##### *Structure*

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and additional employer superannuation contributions. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

## BEACONSFIELD GOLD NL

### Directors' Report

Year Ended 30 June 2006

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#### Variable Remuneration – Short Term Incentive ("STI")

##### *Objective*

The objective of the STI program is to provide an incentive for senior executives to work together towards achievement of the Company's strategic objectives. The total potential STI available will be set at a level so as to provide sufficient incentive to senior executives to achieve operational targets, and such that the cost to the company is reasonable in the circumstances.

##### *Structure*

STI payments granted to senior executives are based on the achievement of personal performance measures.

At this point, the Remuneration and Appointments Committee has not deemed payment of STI's to be appropriate. When such payments are made in the future, it is envisaged that they will be in the form of cash bonuses.

#### Variable Remuneration – Long Term Incentive ("LTI")

##### *Objective*

The objective of the LTI plan is to reward senior executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

##### *Structure*

The Company has an employee option plan approved by shareholders at the Annual General Meeting on 25 November 1994

#### Service Agreements

The Company has entered into a Service Agreement with the CEO, Mr. Colvin. The key terms of the Agreement, which does not have a fixed term, are summarised below:

- The Agreement sets out Mr. Colvin's duties and responsibilities.
- Base salary of \$250,000 per annum to be reviewed annually.
- Discretionary performance remuneration to be determined annually, by the Board.
- Grant of 800,000 options on 1 September 2005, for nil consideration, at an exercise price of \$0.374, half of which are exercisable any time after 1 September 2006, and the balance at any time after 1 September 2007.
- Mr. Colvin may resign from his position and thus terminate the Agreement by giving not less than three months' written notice.
- The Company may terminate the Service Agreement by providing three months' prior written notice and making a payment of:
  - (1) three months' base remuneration; plus
  - (2) two weeks' base remuneration for each completed year of continuous service (pro-rata for part-completed year).
- The Company may terminate the Agreement at any time without notice if serious misconduct has occurred.

# BEACONSFIELD GOLD NL

## Directors' Report

Year Ended 30 June 2006

### Remuneration of Directors and Executives

	Short Term	Post Employment	Long Term	Total		
	Salary & Fees	Super- annuation	Share Based Payments (SBP)		Value of SBP as % of Remun- eration	% SBP Performance Related
	\$	\$	\$	\$		
<b>Directors</b>						
D.E. Clarke						
2006 - Directors' fees	-	70,000	63,000	133,000	47	-
2005 - Directors' fees	-	16,700	-	16,700	-	-
- Extra Services (1)	-	15,600	-	15,600	-	-
M.W. Trumbull						
2006 - Directors' fees	32,110	7,890	-	40,000	-	-
- Extra services (1)	54,540	4,909	-	59,449	-	-
2005 - Directors' fees (2)	-	11,167	-	11,167	-	-
- Managing Director	51,935	20,471	-	72,406	-	-
- Extra services (1)	-	32,850	-	32,850	-	-
W. Tsingos (3)						
2006 - Directors' fees	40,000	-	29,200	69,200	42	-
2005 - Directors' fees	18,666	-	-	18,666	-	-
- Prior years (4)	25,000	-	-	25,000	-	-
K.J. Perrin (appointed Feb '06))						
2006 - Directors' fees	13,321	2,429	-	15,750	-	-
B.G. Noonan (resigned Feb '06)						
2006 - Directors' fees	26,976	2,428	-	29,404	-	-
2005 - Directors' fees	18,629	1,677	-	20,306	-	-
A.B. Greenwood (resigned Feb '05)						
2005 - Directors' fees	-	16,250	-	16,250	-	-
- Extra services (1)	-	30,000	-	30,000	-	-
J.W. Williams (resigned Dec '04)						
2005 - Directors' fees	8,257	743	-	9,000	-	-
E.H. Parkin (resigned Nov '04)						
2005 - Directors' fees	7,614	685	-	8,299	-	-
- Prior years	104	9	-	113	-	-
<b>Executives</b>						
W.T. Colvin						
2006	215,539	10,825	55,483	281,847	20	-
B.D. Coulter						
2006	114,753	99,923	-	214,676	-	-
2005	134,526	104,250	-	238,776	-	-

#### Notes:

- (1) The Constitution provides that any Director who is called upon to perform services for the Company over and above that normally expected of a Non-Executive Director may be paid special remuneration in addition to normal Directors' fees. Approval by the Chairman is required before such special remuneration is paid.
- (2) M.W. Trumbull was Managing Director until 25 November 2004, after which he became a Non-Executive Director.
- (3) W. Tsingos' fees were paid to Ramon Cove Pty. Ltd.
- (4) W. Tsingos' fees in 2005 include \$25,000 of fees and superannuation relating to the 2002 and 2003 years, which Mr Tsingos had agreed to forego until the Company was relisted.

## BEACONSFIELD GOLD NL

### Directors' Report

Year Ended 30 June 2006

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#### *CORPORATE GOVERNANCE*

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Beaconsfield Gold NL support and, except as disclosed, have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the following section of this annual report.

#### *ENVIRONMENTAL REGULATION*

There have been no significant known breaches of the conditions which apply on any tenements in which the Company has an interest.

#### *AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES*

A copy of the Auditor's Independence declaration as required under section 370C of the *Corporations Act 2001* is attached to this report. During the year, additional accounting advice, other assurance related services and tax compliance and advice services were provided by Ernst & Young (auditor of the Company) – refer Note 28 to the consolidated financial statements. The Directors are satisfied that the provision of these services did not impair the auditor's independence.

#### *ROUNDING*

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100, dated 10 July 1998 (amended by ASIC 05/641) and issued pursuant to section 341(1) of the *Corporations Act 2001*. The Company is an entity to which the Class Order applies.

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



D.E. Clarke  
Director

29 September 2006  
Melbourne

## **Auditor's Independence Declaration to the Directors of Beaconsfield Gold NL**

In relation to our audit of the financial report of Beaconsfield Gold NL for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Brett Croft

Partner

29 September 2006

# BEACONSFIELD GOLD NL

## Corporate Governance Report

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### CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Beaconsfield Gold NL is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Beaconsfield Gold NL on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has established and progressively implemented corporate governance policies adopted to reflect the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Recommendations"). The Board considers that the Company complies with most of the requirements in the ASX Recommendations. Specific instances where a different approach is necessary because of the nature and circumstances of the Company are discussed in this part of the Annual Report.

For further information on corporate governance policies adopted by Beaconsfield Gold NL, refer to our website: [www.beaconsfieldgold.com.au](http://www.beaconsfieldgold.com.au)

#### Board of Directors

The skills, experience and expertise relevant to the position of director held by each Director in office at the date of this report are included in the Directors' Report on pages 12 to 13.

Since the 2003 AGM, on appointment to the Board, each Director receives a letter of appointment which sets out the key terms and conditions of appointment.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

#### Independence of Directors

While the Board may declare that a director is independent in respect of particular matters or subjects, in accordance with ASX Corporate Governance Council Principles a director is only to be designated as independent for all purposes if the director is a non-executive director and:

- (a) is not a substantial shareholder (as defined by the *Corporations Act 2001* (Cth)) or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (b) within the last 3 years has not been employed in an executive capacity by the Company or any subsidiary or by a company that at the time was a substantial shareholder, or been a director of any of those entities after ceasing to hold any such employment;
- (c) within the last 3 years has not been a principal of a material professional adviser or a material consultant or an employee materially associated with the service provided. A director who does not qualify as independent for this reason may be declared by the Board to be independent in all matters other than matters relating to professional advice so provided;
- (d) is not a material supplier, or an officer of, or otherwise associated directly or indirectly with, a material supplier;
- (e) has no contractual relationship with the Company that is material to the Company or its director other than as a director of the Company;
- (f) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- (g) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

A director will not be deemed to lack independence merely because his/her appointment has been recommended by a substantial shareholder, providing the director is not otherwise associated with the substantial shareholder.

## **BEACONSFIELD GOLD NL**

### **Corporate Governance Report**

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In general the Board will not contract services from an entity where a director will derive a material personal benefit unless there is a formal provision within the entity for direction and performance of the services otherwise than by the director.

Denis Clarke, Kevin Perrin and William Tsingos are independent Directors.

#### **Board Committees**

The Board has constituted several committees to support effective corporate governance. These committees are advisory and do not exercise any powers of the Board unless a delegation is given on a specific matter.

#### **Audit and Risk Management Committee**

The principal functions of this committee are to assist the Board of Directors:

- In its review of Beaconsfield Gold's financial reporting principles and policies, controls and procedures;
- In its review of the integrity of Beaconsfield Gold's financial statements, their independent audit and the Company's compliance with legal and regulatory requirements;
- With the effective discharge of the Board's responsibilities for risk management.

The Audit and Risk Management Committee consists of an Independent Chair, Kevin Perrin, and the Company Chairman, Denis Clarke. For the financial year 2006, Mr. Perrin and Mr. Clarke are regarded by the Board as independent members of the committee. All members of the committee are financially literate and the Chair, Mr. Perrin, has extensive financial experience. Refer to pages 12 to 13 of the Directors' Report for full details of qualifications and experience.

For details on the number of meetings of the Audit and Risk Management Committee held during the year and the number attended by each member, refer to page 17 of the Directors' Report.

The Company's external auditor, Ernst & Young, has held that position for many years. The Audit and Risk Management Committee will be responsible for nominating future external auditors. The Committee has noted and will accept the external auditors' procedure that no engagement partner will serve longer than five years.

The Charter of the Committee is set out on the Company's website.

#### **Remuneration and Appointments Committee**

The role of the Remuneration and Appointments Committee is to:

- Identify individuals qualified to become Board Members;
- Recommend individuals to the Board for nomination as members of the Board and its Committees;
- Ensure the performance of the members of the Board is reviewed;
- Review and recommend to the Board for approval policies for compensation programs;
- Review and make recommendations to the Board in respect of compensation of staff reporting to the Managing Director or Chief Executive Officer ("CEO");
- Consider recommendations to be made to shareholders on Directors remuneration; and
- Consider the appointment, performance and remuneration of the Managing Director/CEO.

The Committee consists of Denis Clarke (Chairman of the Committee), Mike Trumbull and William Tsingos.

For details on the number of meetings of the Remuneration and Appointments Committee held during the year and the number attended by each member, refer to page 17 of the Directors' Report.

#### **Other Committees**

The Board may constitute committees to consider specific operational matters as circumstances require.

#### **Board Charter**

## **BEACONSFIELD GOLD NL**

### **Corporate Governance Report**

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The Board has adopted a Charter stating its purpose and role, its powers, and specific responsibilities. This Charter is published on the website of the Company.

The Board Charter contemplates that the Board will operate by delegation of responsibility to the Managing Director/CEO while reserving appropriate powers to itself. In accordance with the Charter, the Board has given a general authorisation to the Managing Director/CEO together with a detailed statement of policies to be applied by the Managing Director/CEO and a statement of Ethics and Share Trading Policy and reserved Board powers.

#### **Codes of Conduct**

The Company has established a Director's Code of Conduct, a Code of Ethics for Company officers, and a Share Trading Policy. Each of these documents is available on the Company's website.

#### **Continuous Disclosure Policy**

The Company's Continuous Disclosure Policy is set out on the Company's website.

#### **Beaconsfield Gold Shareholder Communication Arrangements**

The aim of Beaconsfield Gold's communication arrangements is to provide shareholders with information about their Company and enable them to exercise their rights as shareholders in an informed manner. Beaconsfield Gold also recognises that people other than shareholders, such as potential investors and the community associated with the Beaconsfield Gold Mine, may have an interest in information about the Company.

The Beaconsfield Gold website ([www.beaconsfieldgold.com.au](http://www.beaconsfieldgold.com.au)) is an important part of the Company's communication arrangements. Beaconsfield Gold includes on its website a range of information relevant to shareholders and others concerning the operation of the Company. In the section marked "Announcements", Beaconsfield Gold promptly makes available copies of all substantive announcements given to ASX.

The website includes:

- Copies of public presentations;
- Copies of quarterly reports;
- Copies of annual and half-year financial reports;
- Tenement schedule;
- Share price data; and
- Brokers' recommendations.

The "Announcements" section of the website will include the full text of notices of meeting and explanatory material.

Investors may arrange with the Company Secretary to register to receive by email the latest Beaconsfield Gold substantive announcements to ASX soon after they are made.

#### **Recognition and Management of Risk**

The Board has embarked on a process of identification of risk and its management, engaging a professional consultant to advise. The Company's risk management policies will be continuously developed and modified to meet emerging circumstances. A general summary of the Company's risk management policy is set out on the Company's website.

#### **Board Performance Evaluation**

The Company's policy on Board performance evaluation is set out in a statement on the Company's website. The Board has not yet undertaken a formal evaluation of its performance, as the Company has only been actively operating under the control of its reconstituted Board since March 2004.

## **BEACONSFIELD GOLD NL**

### **Corporate Governance Report**

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#### **Non-Executive Director Remuneration Policy**

Shareholders may approve an issue of equity securities to any Director, whether executive or non-executive.

The Board may recommend specific proposals to shareholders having regard to the principles of aligning interests of Directors with those of shareholders and preservation of the cash resources of the Company.

The Company will adhere to Recommendation 9.3 of ASX Recommendations. Consequently, if approved by shareholders Non-Executive Directors may receive part of their remuneration in the form of shares, whether fully or partly paid. More specifically, Non-Executive Directors may be remunerated in part by issuing partly paid shares at a subscription price of 1 cent per share paid by the Director.

Options and bonus payments will not be granted to Non-Executive Directors.

Non-Executive Directors are not provided with retirement benefits other than statutory superannuation.

Equity issues approved by shareholders may be in addition to any cash remuneration approved by shareholders, but shares will not be issued to Non-Executive Directors at a discount to market price unless the value discount forms part of the total cash fees approved by shareholders.

The current approved cash remuneration for Non-Executive Directors of \$200,000 was approved by shareholders at the Annual General Meeting on 14 November 2005.

Fair and reasonable remuneration for Non-Executive Directors will have regard to the responsibility and reputational risk of the office of Director in the light of rapidly increasing expectations in defined standards of corporate governance and new company legislation.

Remuneration will compensate Directors for particular roles of the Director on the board, such as chair or committee member, as well as preparation for and contribution to full board meetings, but the chair of a Board Committee will normally receive an additional share of cash remuneration to recognise additional responsibility inherent in that office.

Remuneration of Non-Executive Directors recognises collegial effort and is not based on individually measured performance. The Company recognises that it may not have the resources to support Non-Executive Directors available to companies with a larger corporate headquarters, and that the resulting additional personal responsibility should be taken into account in setting remuneration.

# BEACONSFIELD GOLD NL

## INCOME STATEMENT

For the Year Ended 30 June 2006

	Notes	CONSOLIDATED		BEACONSFIELD GOLD NL	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>Revenue from ordinary activities excluding interest received</b>	3(a)	<b>24,246</b>	40,543	<b>9,596</b>	16,045
Costs of production		<b>(18,371)</b>	(21,810)	<b>(7,270)</b>	(8,632)
Other expenses related to ordinary activities	3(b)	<b>(2,795)</b>	(2,487)	<b>(1,107)</b>	(981)
<b>Profit from ordinary activities before interest, amortisation, depreciation and income tax expense</b>		<b>3,080</b>	16,246	<b>1,219</b>	6,432
Mine care and maintenance costs		<b>(1,055)</b>	-	<b>(418)</b>	-
Additional expenditure directly attributable to Anzac Day Incident	3(c)	<b>(10,314)</b>	-	<b>(4,082)</b>	-
Exploration costs written off	11	<b>(619)</b>	-	<b>(619)</b>	-
Interest received	3(a)	<b>352</b>	505	<b>139</b>	200
Finance costs	3(d)	<b>(441)</b>	(621)	<b>(173)</b>	(245)
Interest expense – BBR settlement	3(e)	-	(3,152)	-	(1,247)
Depreciation and amortisation expenses	3(f)	<b>(4,506)</b>	(5,964)	<b>(1,770)</b>	(2,342)
<b>Profit/(loss) before income tax expense</b>		<b>(13,503)</b>	7,014	<b>(5,704)</b>	2,798
Income tax benefit/(expense)	4	<b>(787)</b>	787	<b>(311)</b>	311
<b>Net profit/(loss) for the year attributable to members of Beaconsfield Gold NL</b>		<b>(14,290)</b>	7,801	<b>(6,015)</b>	3,109
Basic earnings per share (cents per share)	23	<b>(9.17)</b>	5.32		
Diluted earnings per share (cents per share)	23	<b>(9.17)</b>	5.23		
Unfranked dividends per share	29	<b>Nil</b>	3.0 cents		

# BEACONSFIELD GOLD NL

## BALANCE SHEET

As at 30 June 2006

	Notes	CONSOLIDATED		BEACONSFIELD GOLD NL	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash	30	8,144	3,871	8,144	3,871
Trade & other receivables	5	2,784	10,321	1,433	8,638
Inventories	6	909	1,331	360	527
<b>Total Current Assets</b>		<b>11,837</b>	<b>15,523</b>	<b>9,937</b>	<b>13,036</b>
<b>Non-Current Assets</b>					
Financial assets	7	-	-	-	-
Property, plant & equipment	10	14,614	14,053	5,799	5,574
Exploration, evaluation & development	11	4,601	6,545	1,472	2,663
Deferred income tax asset	4	-	787	-	311
Other	12	259	434	171	346
<b>Total Non-Current Assets</b>		<b>19,474</b>	<b>21,819</b>	<b>7,442</b>	<b>8,894</b>
<b>TOTAL ASSETS</b>		<b>31,311</b>	<b>37,342</b>	<b>17,379</b>	<b>21,930</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade & other payables	13	2,655	6,418	2,905	5,139
Interest-bearing loans & borrowings	14	416	453	165	300
Provisions	15	962	1,007	393	399
Derivatives	19(c)	6,556	-	2,595	-
<b>Total Current Liabilities</b>		<b>10,589</b>	<b>7,878</b>	<b>6,058</b>	<b>5,838</b>
<b>Non-Current Liabilities</b>					
Payables	13	228	330	8	4,243
Interest-bearing loans & borrowings	16	319	282	126	111
Provisions	17	2,059	1,814	760	664
<b>Total Non-Current Liabilities</b>		<b>2,606</b>	<b>2,426</b>	<b>894</b>	<b>5,018</b>
<b>TOTAL LIABILITIES</b>		<b>13,195</b>	<b>10,304</b>	<b>6,952</b>	<b>10,856</b>
<b>NET ASSETS</b>		<b>18,116</b>	<b>27,038</b>	<b>10,427</b>	<b>11,074</b>
<b>EQUITY</b>					
Share capital*	18	88,343	80,825	88,343	80,825
Accumulated losses*		(70,375)	(53,787)	(78,064)	(69,751)
Share-based reserves*		148	-	148	-
<b>TOTAL EQUITY</b>		<b>18,116</b>	<b>27,038</b>	<b>10,427</b>	<b>11,074</b>

\* Refer Statement of Changes in Equity on pages 31 and 32

# BEACONSFIELD GOLD NL

## STATEMENT OF CASH FLOWS

Year ended 30 June 2006

	Notes	CONSOLIDATED		BEACONSFIELD GOLD NL	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>					
Receipts from gold & silver sales & BBR claim		31,107	33,859	9,816	13,413
Payments to suppliers and employees		(29,261)	(24,914)	(9,207)	(9,914)
Interest paid		(11)	(1,260)	(4)	(531)
Net Cash Flows from Operating Activities	30	1,835	7,685	605	2,968
<b>Cash Flows from Investing Activities</b>					
Interest received		398	318	158	172
Repayments of loans by/(to) controlled entities		-	-	(684)	2,128
Mine development and exploration expenditure		(1,481)	(2,039)	(302)	(908)
Purchase of property, plant & equipment		(1,010)	(2,494)	(403)	(995)
Net Cash Flows used in Investing Activities		(2,093)	(4,215)	(1,231)	397
<b>Cash Flows from Financing Activities</b>					
Repayments of borrowings		-	(3,152)	-	(3,152)
Repayment of lease principal		(609)	(177)	(241)	(72)
Payment of dividend		(2,298)	(2,283)	(2,298)	(2,283)
Payment from cash collateral account		-	2,000	-	2,000
Proceeds from issue of shares		7,438	612	7,438	612
Payment of share issue costs		-	(15)	-	(15)
Net Cash Flows from/(used in) Financing Activities		4,531	(3,015)	4,899	(2,910)
Net Increase/(Decrease) in Cash		4,273	455	4,273	455
Cash at Beginning of the Financial Year		3,871	3,416	3,871	3,416
<b>Cash at End of the Financial Year</b>	30	<b>8,144</b>	<b>3,871</b>	<b>8,144</b>	<b>3,871</b>

# BEACONSFIELD GOLD NL

## STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2006

	Notes	Issued Capital \$'000	Accumulated Losses \$'000	Cash Flow Hedge Reserve \$'000**	Share Based Payment Reserve \$'000***	Total Equity \$'000
<b>CONSOLIDATED</b>						
As at 1 July 2004		78,006	(59,305)	-	-	18,701
Profit for the period	32(b)	-	7,801	-	-	7,801
Issue of share capital	18	2,819	-	-	-	2,819
Dividend paid	29	-	(2,283)	-	-	(2,283)
As at 30 June 2005		80,825	(53,787)	-	-	27,038
Deferred loss on cash flow hedges - 01/07/05 *	32(a)	-	-	(535)	-	(535)
As at 1 July 2005		80,825	(53,787)	(535)	-	26,503
Loss for the period		-	(14,290)	-	-	(14,290)
Issue of share capital	18	7,688	-	-	-	7,688
Transaction costs	18	(170)	-	-	-	(170)
Dividend paid	29	-	(2,298)	-	-	(2,298)
Share based payments		-	-	-	148	148
Deferred loss on cash flow hedges ****		-	-	(8,888)	-	(8,888)
Losses on cash flow hedges transferred to Income Statement as part of Sales ****		-	-	1,879	-	1,879
Deferred loss on cash flow hedges transferred to Income Statement on cessation of hedge accounting ****		-	-	7,544	-	7,544
As at 30 June 2006		88,343	(70,375)	-	148	18,116

\* Adjustment required on 1 July 2005 to recognise deferred loss on cash flow hedges under AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. This amount has been tax-effected.

\*\* Cash Flow Hedge Reserve is used to record the fair value movement in gold forward contracts [refer note 19(c)] in effective hedge relationships

\*\*\* This reserve is used to record the value of equity benefits to key management personnel

\*\*\*\* These amounts have been tax-effected.

# BEACONSFIELD GOLD NL

## STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2006

	Notes	Issued Capital \$'000	Accumulated Losses \$'000	Cash Flow Hedge Reserve \$'000**	Share Based Payment Reserve \$'000***	Total Equity \$'000
<b>BEACONSFIELD GOLD NL</b>						
As at 1 July 2004		78,006	(70,577)	-	-	7,429
Profit for the period	32(b)	-	3,109	-	-	3,109
Issue of share capital	18	2,819	-	-	-	2,819
Dividend paid	29	-	(2,283)	-	-	(2,283)
As at 30 June 2005		80,825	(69,751)	-	-	11,074
Deferred loss on cash flow hedges						
- 01/07/05 *	32(a)	-	-	(211)	-	(211)
As at 1 July 2005		80,825	(69,751)	(211)	-	10,863
Loss for the period		-	(6,015)	-	-	(6,015)
Issue of share capital	18	7,688	-	-	-	7,688
Transaction costs	18	(170)	-	-	-	(170)
Dividend paid	29	-	(2,298)	-	-	(2,298)
Share based payments		-	-	-	148	148
Deferred loss on cash flow hedges ****		-	-	(3,518)	-	(3,518)
Losses on cash flow hedges transferred to Income Statement as part of Sales ****		-	-	744	-	744
Deferred loss on cash flow hedges transferred to Income Statement on cessation of hedge accounting ****		-	-	2,985	-	2,985
As at 30 June 2006		88,343	(78,064)	-	148	10,427

\* Adjustment required on 1 July 2005 to recognise deferred loss on cash flow hedges under AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. This amount has been tax-effected.

\*\* Cash Flow Hedge Reserve is used to record the fair value movement in gold forward contracts [refer note 19(c)] in effective hedge relationships.

\*\*\* This reserve is used to record the value of equity benefits to key management personnel.

\*\*\*\* These amounts have been tax-effected.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements**  
**For the Year Ended 30 June 2006**

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**1. CORPORATE INFORMATION**

The financial report of Beaconsfield Gold NL ("the Company") for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 29 September 2006.

Beaconsfield Gold NL is a no liability company incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

**(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in note 32.

The Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

<b>AASB Amendment</b>	<b>Affected Standard(s)</b>	<b>Nature of change to accounting policy</b>	<b>Application date of standard</b>	<b>Application date for Group</b>
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-9	AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , AASB 139: <i>Financial Instruments: Recognition</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## (b) Statement of compliance (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard	Application date for Group
	<i>and Measurement and AASB 132: Financial Instruments: Disclosure and Presentation</i>			
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i> .	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New standard	AASB 7: <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. The impact on disclosures is yet to be determined.	1 January 2007	1 July 2007
	UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
	UIG 5 <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(b) Statement of compliance (continued)**

The following amendments are not applicable to the Consolidated Entity and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: <i>General Insurance Contracts</i>
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>
2005-6	AASB 3: <i>Business Combination</i>
2005-12	AASB 1038: <i>Life Insurance Contracts</i> and AASB 1023: <i>General Insurance Contracts</i>
2005-13	AAS 25: <i>Financial Reporting by Superannuation Plans</i>

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Beaconsfield Gold NL ("the Company") and its subsidiaries as at 30 June each year ("the Consolidated Entity").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

**(d) Critical accounting estimates, judgements and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Consolidated Entity makes assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*(i) Mine rehabilitation provision*

The Consolidated Entity assesses its mine rehabilitation yearly in accordance with the accounting policy note stated in Note 2(q). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine sites. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the mine rehabilitation provision in the period in which they change or become known.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Critical accounting estimates, judgements and assumptions (continued)**

*(ii) Units of production method of depreciation*

The Consolidated Entity uses the unit-of-production basis when depreciating life of mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which it is located. These calculations require the use of estimates and assumptions.

*(iii) Impairment of assets*

The Consolidated Entity reviews all assets half-yearly to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using asset-specific pre-tax discount rates.

*(iv) Share-based payment transactions*

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of equity instrument at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in notes 31(c) and 31(d).

*(v) Capitalisation of exploration and evaluation costs*

The Consolidated Entity's accounting policy for exploration and evaluation is set out in note 2(q). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserve will be found. Any such estimates and assumptions may change as new information becomes available.

**(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Gold & silver sales***

Significant risks and rewards of goods have passed to the buyer and transaction costs can be reliably measured. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods.

***Interest income***

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest income applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

Revenue is recognised as interest accrues using the effective interest method.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Revenue recognition (continued)**

**Accounting policies applicable for the year ended 30 June 2005**

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

**(f) Leases**

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(g) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(h) Trade and other receivables**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

Trade and other receivables are recognised and carried at amount due less an allowance for any uncollectible amount.

An allowance for uncollectible amounts is made where there is objective evidence that the Consolidated Entity will not be able to collect debts. Bad debts are written off when identified.

**Accounting policies applicable for the year ended 30 June 2005**

Receivables are recognised and carried at the nominal amount due. Receivables are non-interest-bearing.

**(i) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each item to its present location and condition are accounted for as follows:

- raw materials – purchase cost on a first-in first-out basis; and
- work in progress – cost of direct material and labour and a proportion of overheads based on normal operating capacity.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

No account is taken for any gold residue residing in plant and equipment (e.g. pumps). Gold in circuit is accounted for as appropriate.

**(j) Derivative financial instruments and hedging**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

The Consolidated Entity uses derivative financial instruments to hedge its risks associated with future gold prices. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to the income statement for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction;

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Consolidated Entity formally designates and documents the hedge relationship to which the Consolidated Entity wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

*(i) Fair value hedges*

The Consolidated Entity does not have any fair value hedges.

*(ii) Cash flow hedges*

Cash flow hedges are hedges of the Consolidated Entity's exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the income statement.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Derivative financial instruments and hedging (continued)**

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the income statement.

**Accounting policies applicable for the year ended 30 June 2005**

The Consolidated Entity enters into forward gold contracts where it agrees to sell specified amounts of gold in the future at a predetermined price. The objective is to avoid or minimize possible adverse financial or cash flow effects of movements in gold price. The Consolidated Entity manages these exposures using a set of policies and procedures approved by the Board of Directors. Gains and losses on forward sale contracts are recognised in the income statement except those relating to hedges of specific sales that are deferred and included in the measurement of the sale.

**(k) Derecognition of financial assets and financial liabilities**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Consolidated Entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Consolidated Entity’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Consolidated Entity could be required to repay.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(k) Derecognition of financial assets and financial liabilities (continued)**

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

**Accounting policies applicable for the year ended 30 June 2005**

*(i) Financial assets*

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

*(ii) Financial liabilities*

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

**(l) Impairment of financial assets**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

The Consolidated Entity assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*(i) Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(ii) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because fair value cannot be reliably measured) the amount of the loss is measured as the difference between the asset's carrying amount and the present

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Impairment of financial assets (continued)**

value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(iii) Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in the income statement.

**Accounting policies applicable for the year ended 30 June 2005**

For current financial assets, refer to note 2(h) for the impairment accounting policy. For non-current financial assets, refer to note 2(s) for the impairment accounting policy.

**(m) Joint ventures**

Interest in the joint venture operation is recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

**(n) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Income tax (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

**(o) Other taxes**

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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.

**(p) Property, plant & equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Any gain or loss on the disposal of assets is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the result of the Company or the Consolidated Entity in the year of disposal.

Depreciation is provided for over the life of the area of interest on a production output basis. The life of the area of interest is estimated to be approximately 3.5 years from 30 June 2006 (2005: 3.0 years).

Refer note 2 (s) for the accounting policy relating to the impairment of assets.

**(q) Exploration, evaluation & development expenditure**

*Costs carried forward*

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

*Amortisation*

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Exploration, evaluation & development expenditure (continued)**

*Rehabilitation, restoration and environmental costs*

Long-term environmental obligations are based on the Consolidated Entity's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date. Increases due to additional environmental disturbances are capitalised and amortised over the remaining life of the mine. These increases are accounted for on a net present value basis.

Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets on closure. Cost estimates have been reduced where it is reasonably expected that key pieces of equipment may be gifted to third parties and may therefore not need to be dismantled at the cost of the company.

**(r) Investments and other financial assets**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

Financial assets in the scope of AASB 139: *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Consolidated Entity determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Consolidated Entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Consolidated Entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Investments and other financial assets (continued)**

amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**Accounting policies applicable for the year ended 30 June 2005**

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

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

*Recoverable amount*

Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and, when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount. In determining recoverable amount, the expected net cash flows were discounted to their present value using a market determined risk adjusted discount rate.

**(s) Impairment of assets**

The Consolidated Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Impairment of assets (continued)**

independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the assets or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(t) Trade and other payables**

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ended 30 June 2006 and 30 June 2005.

**Accounting policies applicable for the year ended 30 June 2006**

Trade payable and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

**Accounting policies applicable for the year ended 30 June 2005**

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

Payables are carried at the principal amount. Payables are non-interest-bearing.

**(u) Non-interest-bearing borrowings**

Government loans are recognised as payables and are carried at amortised cost.

**(v) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(w) Employee benefits**

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

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

Employee benefits, expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised in the income statement on a net basis in their respective categories.

**(x) Share-based payment transactions**

*Equity-settled Transactions*

The Consolidated Entity provides benefits to employees (including key management personnel) of the Consolidated Entity in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The current plan in place providing these benefits is the Beaconsfield Gold NL Option Scheme, approved by shareholders at the Annual General Meeting on 25 November 1994, which provides benefits to senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in notes 31(c) and 31(d).

In valuing equity-settled transactions, performance conditions and conditions linked to the price of the shares of Beaconsfield Gold NL are taken into account ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Earnings per share

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element. No dilution is applied to a loss per share.

(z) Borrowing costs

The expenses incurred to establish the Commonwealth Bank Facility were capitalised and are being amortised over the period to the first review date on 31 December 2006. All other borrowing costs are expensed as incurred.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>3. REVENUES AND EXPENSES</b>				
<b>(a) Revenue from Ordinary Activities</b>				
Gold & silver sales	24,228	34,193	9,588	13,532
BBR claim recoveries	-	6,304	-	2,495
Other revenue	18	46	8	18
	24,246	40,543	9,596	16,045
Interest received	352	505	139	200
	24,598	41,048	9,735	16,245
<b>(b) Other expenses related to ordinary activities</b>				
Royalties	399	489	158	194
Management and administration	2,248	1,998	801	787
Share based payments	148	-	148	-
	2,795	2,487	1,107	981
<b>(c) Additional expenditure directly attributable to Anzac Day incident</b>				
Mine and corporate costs	788	-	312	-
Employee redundancy	559	-	221	-
Workcover premiums	458	-	181	-
Close out of gold forward sales contracts prior to 30 June 2006	1,953	-	773	-
Fair value of ineffective gold forward sales contracts maturing after 30 June 2006	6,556	-	2,595	-
	10,314	-	4,082	-
<b>(d) Finance costs</b>				
Interest expenses	21	317	8	125
Unwinding of present value of rehabilitation provisions	245	216	96	85
Amortisation of establishment fees	175	58	69	23
Establishment fees	-	350	-	332
	441	941	173	565
Less: Establishment fees capitalised	-	(320)	-	(320)
Total finance costs	441	621	173	245

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**

		<b>CONSOLIDATED</b>		<b>BEACONSFIELD GOLD NL</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>3.</b>	<b>REVENUES AND EXPENSES (continued)</b>				
<b>(e)</b>	<b>Interest expense – BBR settlement</b>				
	Interest expenses	-	3,152	-	1,247
<p>The \$3.152 million in 2005 represents a repayment of interest, previously reversed, from the settlement proceeds of the BBR claim (\$6.304 million) in accordance with the Consolidated Entity's banking arrangement with a former banker. Refer note 21 for further details of this contingent liability of \$0.848 million being the balance payable to the former banker.</p>					
<b>(f)</b>	<b>Depreciation and amortisation</b>				
	Depreciation				
	Buildings	63	57	25	23
	Mining plant and equipment	2,959	3,539	1,172	1,403
	Plant and equipment under lease	235	129	93	51
		<b>3,257</b>	<b>3,725</b>	<b>1,290</b>	<b>1,477</b>
	Amortisation				
	Exploration, evaluation and development costs	1,249	2,239	480	865
		<b>1,249</b>	<b>2,239</b>	<b>480</b>	<b>865</b>
		<b>4,506</b>	<b>5,964</b>	<b>1,770</b>	<b>2,342</b>

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>4. INCOME TAX</b>				
The major components of income tax expense/benefit are:				
Current income tax expense	-	-	-	-
Deferred income tax expense/(benefit)	787	(787)	311	(311)
Income tax expense/(benefit) as reported in the income statement	787	(787)	311	(311)
Income tax expense/(benefit) as reported in equity	-	-	-	-
A reconciliation before tax expense/(benefit) and the product of accounting profit before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:				
Accounting profit/(loss) before income tax	(13,503)	7,014	(5,704)	2,798
Prima facie income tax expense/(benefit) calculated at 30% (2005 – 30%)	(4,051)	2,104	(1,711)	839
Non-deductible items	47	2	46	1
Share transaction cost deduction	(58)	(48)	(58)	(48)
Deferred tax assets not recognised	4,062	-	1,723	-
Deferred tax assets recognised (not previously brought to account)	-	(2,845)	-	(1,103)
Reversal of deferred tax assets	787	-	311	-
Income tax expense/(benefit) reported in the income statement	787	(787)	311	(311)

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>4. INCOME TAX (continued)</b>				
<b>Deferred Income Tax</b>				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax assets</i>				
Derivatives	1,967	-	778	-
Provisions	906	846	346	319
Other	182	241	182	224
Carry forward revenue losses	-	1,699	-	599
	<b>3,055</b>	<b>2,786</b>	<b>1,306</b>	<b>1,142</b>
<i>Deferred tax assets not recognised</i>				
Derivatives	(1,511)	-	(758)	-
Other	(51)	-	(51)	-
<i>Net deferred tax assets not recognised</i>	<b>(1,562)</b>	<b>-</b>	<b>(809)</b>	<b>-</b>
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>1,493</b>	<b>2,786</b>	<b>497</b>	<b>1,142</b>
<i>Deferred tax liabilities</i>				
Accelerated depreciation for tax purposes	(1,483)	(1,975)	(487)	(807)
Other	(10)	(24)	(10)	(24)
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(1,493)</b>	<b>(1,999)</b>	<b>(497)</b>	<b>(831)</b>
<b>NET DEFERRED TAX ASSETS</b>	<b>-</b>	<b>787</b>	<b>-</b>	<b>311</b>
<b>Tax Losses</b>				
Deferred tax assets for unused revenue losses not recognised	<b>9,811</b>	<b>6,753</b>	<b>2,405</b>	<b>1,183</b>

The deferred tax assets and carry forward revenue losses not recognised have not been brought to account as it is not currently considered probable that future taxable income will be available against which they can be utilised.

### Tax Consolidation

The Consolidated Entity is not consolidated for the purposes of income taxation.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>5. TRADE AND OTHER RECEIVABLES</b>				
Share of joint venture receivables (i)	2,234	2,784	883	1,101
GST receivables	14	55	14	55
Interest receivable (ii)	34	81	34	81
Receivable from gold sales (iii)	481	1,038	481	1,038
Receivable from BBR claim proceeds (iv)	-	6,304	-	6,304
Prepayments	21	59	21	59
	<b>2,784</b>	<b>10,321</b>	<b>1,433</b>	<b>8,638</b>

(i) This is represented predominantly by the Consolidated Entity's share of Joint Venture cash and cash equivalents. The balance is other receivables.

The cash component is interest-bearing.

Other receivables are generally collected on 30-90 day terms and are non-interest-bearing.

(ii) Interest receivable represents interest due at 30 June 2006 from the Company's bankers but not received until July 2006.

(iii) Proceeds from a gold shipment dated 28 June 2006 was not received until July 2006.

(iv) The proceeds from the BBR claim were received in full in May 2006.

## 6. INVENTORIES

Raw materials – at cost	755	754	299	298
Run of mine ore – at cost	-	280	-	111
Gold in circuit – at cost	154	297	61	118
	<b>909</b>	<b>1,331</b>	<b>360</b>	<b>527</b>

## 7. FINANCIAL ASSETS

Shares listed on a Stock Exchange	-	-	-	-
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Included in the investments above is the Consolidated Entity's 25.62% (2005: 25.62%) interest in Allstate Explorations NL ("Allstate"). The market value of this investment at 30 June 2006 is \$Nil (2005: \$Nil) following the appointment of an administrator to Allstate and the suspension of trading in the shares on 8 June 2001. The principal activity of Allstate is also the development of Beaconsfield Gold Project through its participation in the BMJV. The Consolidated Entity has determined that it does not have the capacity to either control or significantly influence the operations of Allstate.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

### 8. INTEREST IN SUBSIDIARIES

	Country of Incorporation	% Held by Beaconsfield Gold NL		Investment Carrying value	
		2006 %	2005 %	2006 \$	2005 \$
<b>Chief Entity</b>					
Beaconsfield Gold NL	Australia				
<b>Controlled Entity</b>					
Beaconsfield Gold Mines Pty. Ltd.					
- Ordinary Shares	Australia	100.00	100.00	-	-
<b>Controlled Entity of Beaconsfield Gold Mines Pty. Ltd.</b>					
Beaconsfield Operations Pty. Ltd.					
- Ordinary Shares	Australia	100.00	100.00	-	-
<b>Controlled Entity of Beaconsfield Operations Pty. Ltd.</b>					
Beaconsfield Tasmania Pty. Ltd.					
- Ordinary Shares	Australia	100.00	100.00	-	-

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**

	<b>CONSOLIDATED</b>		<b>BEACONSFIELD GOLD NL</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>9. INTEREST IN JOINT VENTURE OPERATION</b>				
The Consolidated Entity has a 48.49% (2005: 48.49%) interest in the assets, liabilities and output of a joint venture operation, called the Beaconsfield Mine Joint Venture ("BMJV"), for the exploration and development of a gold mine in Tasmania and production of gold from the mine.				
The interest in the joint venture is included in the financial statements as follows:				
<b>CURRENT ASSETS</b>				
Trade & other receivables	<b>2,234</b>	2,784	<b>883</b>	1,101
Inventories	<b>909</b>	1,331	<b>360</b>	527
<b>TOTAL CURRENT ASSETS</b>	<b>3,143</b>	4,115	<b>1,243</b>	1,628
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (owned & leased)	<b>14,590</b>	14,033	<b>5,774</b>	5,553
Exploration, evaluation and development	<b>3,834</b>	6,325	<b>1,472</b>	2,444
Security deposit	<b>146</b>	146	<b>58</b>	58
<b>TOTAL NON-CURRENT ASSETS</b>	<b>18,570</b>	20,504	<b>7,304</b>	8,055
<b>TOTAL ASSETS</b>	<b>21,713</b>	24,619	<b>8,547</b>	9,683
<b>CURRENT LIABILITIES</b>				
Trade and other payables	<b>1,477</b>	2,116	<b>550</b>	837
Interest-bearing loans and borrowings	<b>416</b>	253	<b>165</b>	100
Provisions	<b>942</b>	1,006	<b>373</b>	398
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,835</b>	3,375	<b>1,088</b>	1,335
<b>NON-CURRENT LIABILITIES</b>				
Interest-bearing loans and borrowings	<b>319</b>	282	<b>126</b>	111
Provisions	<b>2,059</b>	1,814	<b>760</b>	664
Payables	<b>228</b>	330	<b>8</b>	11
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,606</b>	2,426	<b>894</b>	786
<b>TOTAL LIABILITIES</b>	<b>5,441</b>	5,801	<b>1,982</b>	2,121
<b>NET ASSETS</b>	<b>16,272</b>	18,818	<b>6,565</b>	7,562

Commitments and contingencies in relation to the BMJV are disclosed in Notes 20 and 21 respectively.

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**
**10. PROPERTY, PLANT & EQUIPMENT**

	Land & Buildings	Mining Plant & Equipment	Plant & Equipment under Lease	Total
	\$'000	\$'000	\$'000	\$'000
<b>CONSOLIDATED</b>				
<b>At 1 July 2004</b>				
Cost	329	27,427	426	28,182
Accumulated depreciation	(120)	(13,169)	(111)	(13,400)
Net carrying amount	209	14,258	315	14,782
<b>Year ended 30 June 2005</b>				
At 1 July 2004, net of accumulated depreciation	209	14,258	315	14,782
Additions	88	2,406	502	2,996
Depreciation charge for the year	(57)	(3,539)	(129)	(3,725)
At 30 June 2005, net of accumulated depreciation	240	13,125	688	14,053
<b>At 30 June 2005</b>				
Cost	417	29,833	928	31,178
Accumulated depreciation	(177)	(16,708)	(240)	(17,125)
Net carrying amount	240	13,125	688	14,053
<b>Year ended 30 June 2006</b>				
At 1 July 2005, net of accumulated depreciation	240	13,125	688	14,053
Additions	101	910	808	1,819
Transfer of assets from exploration evaluation and development costs	-	1,999	-	1,999
Transfer of assets (from)/to leased assets and mining plant and equipment	-	426	(426)	-
Depreciation charge for the year	(63)	(2,959)	(235)	(3,257)
At 30 June 2006, net of accumulated depreciation	278	13,501	835	14,614
<b>At 30 June 2006</b>				
Cost	518	33,168	1,310	34,996
Accumulated depreciation	(240)	(19,667)	(475)	(20,382)
Net carrying amount	278	13,501	835	14,614

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**10. PROPERTY, PLANT & EQUIPMENT (continued)**

	<b>Land &amp; Buildings</b>	<b>Mining Plant &amp; Equipment</b>	<b>Plant &amp; Equipment under Lease</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>BEACONSFIELD GOLD NL</b>				
<b>At 1 July 2004</b>				
Cost	130	10,862	168	11,160
Accumulated depreciation	(47)	(5,212)	(44)	(5,303)
Net carrying amount	83	5,650	124	5,857
<b>Year ended 30 June 2005</b>				
At 1 July 2004, net of accumulated depreciation	83	5,650	124	5,857
Additions	35	960	199	1,194
Depreciation charge for the year	(23)	(1,403)	(51)	(1,477)
At 30 June 2005, net of accumulated depreciation	95	5,207	272	5,574
<b>At 30 June 2005</b>				
Cost	165	11,822	367	12,354
Accumulated depreciation	(70)	(6,615)	(95)	(6,780)
Net carrying amount	95	5,207	272	5,574
<b>Year ended 30 June 2006</b>				
At 1 July 2005, net of accumulated depreciation	95	5,207	272	5,574
Additions	40	364	320	724
Transfer of assets from exploration evaluation and development costs	-	791	-	791
Transfer of assets (from)/to leased assets and mining plant and equipment	-	168	(168)	-
Depreciation charge for the year	(25)	(1,172)	(93)	(1,290)
At 30 June 2006, net of accumulated depreciation	110	5,358	331	5,799
<b>At 30 June 2006</b>				
Cost	205	13,145	519	13,869
Accumulated depreciation	(95)	(7,787)	(188)	(8,070)
Net carrying amount	110	5,358	331	5,799

**(a) Security**

The mortgages held by the Commonwealth Bank of Australia are secured by a fixed and floating charge over the assets of the Company and its controlled entities.

**(b) Valuations**

The Consolidated Entity does not revalue its assets.

**(c) Leased Assets**

Assets under lease are pledged as security for the associated lease assets.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**11. EXPLORATION, EVALUATION &  
DEVELOPMENT COSTS**

	<b>CONSOLIDATED \$'000</b>	<b>BEACONSFIELD GOLD NL \$'000</b>
<b>At 1 July 2004</b>		
Cost or fair value	17,585	6,757
Accumulated amortisation	(10,893)	(4,190)
Net carrying amount	6,692	2,567
<b>Year ended 30 June 2005</b>		
At 1 July 2004, net of accumulated amortisation	6,692	2,567
Additions	2,092	961
Amortisation charge for the year	(2,239)	(865)
At 30 June 2005, net of accumulated amortisation	6,545	2,663
<b>At 30 June 2005</b>		
Cost or fair value	19,677	7,718
Accumulated amortisation	(13,132)	(5,055)
Net carrying amount	6,545	2,663
<b>Year ended 30 June 2006</b>		
At 1 July 2005, net of accumulated amortisation	6,545	2,663
Additions	1,923	699
Transfer to mining plant and equipment	(1,999)	(791)
Exploration costs written off	(619)	(619)
Amortisation charge for the year	(1,249)	(480)
At 30 June 2006, net of accumulated amortisation	4,601	1,472
<b>At 30 June 2006</b>		
Cost or fair value	18,982	7,007
Accumulated amortisation	(14,381)	(5,535)
Net carrying amount	4,601	1,472
Net carrying amount represented by:		
BMJV interest	3,834	1,472
Consolidated Entity Tenements		
- Stavely, Victoria*	767	-
	4,601	1,472

\* Tenements in Stavely, Victoria are owned by Beaconsfield Gold Mines Pty. Ltd.

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**

	<b>CONSOLIDATED</b>		<b>BEACONSFIELD GOLD NL</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>12. OTHER NON-CURRENT ASSETS</b>				
Security deposits (i)	172	172	84	84
Investments in controlled entities (note 8)	-	-	-	-
Deferred borrowing costs (ii)	320	320	320	320
Accumulated amortisation	(233)	(58)	(233)	(58)
	<b>259</b>	<b>434</b>	<b>171</b>	<b>346</b>

(i) Security deposits relate predominately to the Consolidated Entity's share of a mine rehabilitation bond.

(ii) This represents costs to establish CBA banking facilities. Costs are amortised until the first review date being 31 December 2006.

**13. TRADE AND OTHER PAYABLES**
**Current**

Trade payables (i)	1,375	2,116	546	837
Amount payable to former banker (ii)	-	3,152	-	3,152
Sundry creditors and accruals (iii)	1,178	1,150	1,178	1,150
Government loan (iv)	102	-	3	-
Related party payable – controlled entities	-	-	1,178	-
	<b>2,655</b>	<b>6,418</b>	<b>2,905</b>	<b>5,139</b>

**Non-Current**

Government loans (iv)	228	330	8	11
Related party payable – controlled entities	-	-	-	4,232
	<b>228</b>	<b>330</b>	<b>8</b>	<b>4,243</b>

(i) This is the Consolidated Entity's share of the joint venture trade creditors. They are non-interest-bearing and normally settled in 30-60 days.

(ii) Amount payable to former banker was settled during May 2006 from the proceeds of the BBR settlement.

(iii) Sundry creditors and accruals are non-interest-bearing and normally settled within 30-60 days.

(iv) Subsequent to 30 June 2006 the Tasmanian State Government announced that it is willing to waive this loan if mining operations at the Beaconsfield Mine recommence.

Information regarding the effective interest rate and credit risk of current payables is set out in note 19(b) and (d).

**14. INTEREST BEARING LOANS & BORROWINGS (Current)**

Convertible notes (Secured)	-	200	-	200
Lease liability (refer note 20)	416	253	165	100
	<b>416</b>	<b>453</b>	<b>165</b>	<b>300</b>

During February 2006 the convertible notes were converted to ordinary shares.

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>15. PROVISIONS (Current)</b>				
Employee benefits – Joint Venture	942	1,006	373	398
Employee benefits – Other	20	1	20	1
	<b>962</b>	<b>1,007</b>	<b>393</b>	<b>399</b>
<b>16. INTEREST BEARING LOANS &amp; BORROWINGS (Non-Current)</b>				
Lease liability (refer note 20)	319	282	126	111
	<b>319</b>	<b>282</b>	<b>126</b>	<b>111</b>
<b>17. PROVISIONS (Non-Current)</b>				
Rehabilitation	2,059	1,814	760	664

(a) A provision for rehabilitation is recognised in relation to the restoration of the Hart Shaft Collar Area, the mine dewatering system and other costs associated with this rehabilitation of the mine site. The provision represents the net present value of the estimated cost of restoring the mine site.

The annual increase in the provision relating to the change in the net present value of the provision and inflationary increases are accounted for in finance costs.

(b) Movements in rehabilitation provision.

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Carrying amount at beginning	1,814	1,598	664	579
Additions	-	-	-	-
Discount rate adjustment	245	216	96	85
Carrying amount at end	<b>2,059</b>	<b>1,814</b>	<b>760</b>	<b>664</b>

**BEACONSFIELD GOLD NL**
**Notes to the Financial Statements (continued)**
**For the Year Ended 30 June 2006**

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>18. CONTRIBUTED EQUITY</b>				
Ordinary shares – listed (i)	88,325	80,819	88,325	80,819
Partly-paid shares – unlisted (ii)	18	6	18	6
	<b>88,343</b>	<b>80,825</b>	<b>88,343</b>	<b>80,825</b>

**(i) Ordinary Shares**

Issued and fully paid	88,325	80,819	88,325	80,819
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Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

**Movement in ordinary shares on issue**

	Thousands	\$'000
At 1 July 2004	143,897	77,982
Issued during the year		
- Conversion of convertible notes	6,467	1,940
- Conversion of partly-paid	1,800	630
- Other	857	267
At 1 July 2005	153,021	80,819
Issued during the year		
- Conversion of convertible notes	667	200
- Conversion of partly-paid	200	70
- Options exercised	6,500	1,836
- Issue to "Sophisticated Investors"	24,000	5,520
- Other	206	50
Transaction costs	-	(170)
At 30 June 2006	184,594	88,325

**BEACONSFIELD GOLD NL****Notes to the Financial Statements (continued)****For the Year Ended 30 June 2006**

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>18. CONTRIBUTED EQUITY (continued)</b>				
(ii) Partly Paid Shares				
Issued and paid to \$0.01	18	6	18	6

The partly paid shares on hand at year end have been paid to \$0.01. Transaction costs have been offset against the paid up amount.

During the year 200,000 partly paid shares were paid up and converted to ordinary shares.

Partly paid shares carry no voting rights or rights to dividends or any other distributions while they remain partly paid, and are unlisted. Once fully paid they carry all rights of existing ordinary shares.

**Movement in partly paid shares on issue**

	Thousands	\$'000
At 1 July 2004	3,850	24
Issued during the year	-	-
Proceeds from shares paid up	-	612
Less:		
- Converted to ordinary shares	(1,800)	(630)
At 1 July 2005	2,050	6
Issued during the year	1,400	14
Proceeds from shares paid up	-	68
Less:		
- Converted to ordinary shares	(200)	(70)
At 30 June 2006	3,250	18

**Share Options**

Options – unquoted

Under the restructuring of debt facilities with its former banker, undertaken in March 2004, Beaconsfield Gold issued 6,500,000 unlisted options to the former banker with an exercise price of \$0.30 each exercisable on or before 30 June 2006. The exercise price reduced to \$0.2824 per share, in accordance with the formula in the ASX Listing Rules, because of the 1 for 7 rights issue in 2004. The options were exercised on 16 February 2006.

**BEACONSFIELD GOLD NL OPTION SCHEME**

An option scheme has been established where executives, employees and consultants of the Consolidated Entity may be issued with options over the ordinary shares of Beaconsfield Gold NL. The options are issued for nil consideration. The options can only be transferred between executives, employees and consultants of the Consolidated Entity and are not quoted on the ASX. All executives, employees and consultants of the Consolidated Entity are eligible for this scheme.

During the year, 800,000 options were issued. Refer note 31(c).

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

### 19. FINANCIAL INSTRUMENTS

The Consolidated Entity uses derivative financial instruments in the normal course of business for the purpose of economically hedging its future gold production and sales exposures. The derivative financial instruments used by the Consolidated Entity explained below are the position as at 30 June 2006.

#### (a) Financial assets and liabilities carried at fair value

Set out below is a comparison by category of carrying amounts and fair values of all of the Consolidated Entity's financial instruments recognised in the financial statements.

	CARRYING AMOUNT		FAIR VALUES	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED				
<i>Financial assets</i>				
Cash	8,144	3,871	8,144	3,871
Trade receivables	2,784	10,321	2,784	10,321
Security deposits	172	172	172	172
Listed securities	-	-	-	-
	<b>11,100</b>	<b>14,364</b>	<b>11,100</b>	<b>14,364</b>
<i>Financial liabilities</i>				
Trade payables	2,553	6,418	2,553	6,418
Interest-bearing loans & borrowings				
- Lease liabilities	735	535	735	535
- Convertible notes	-	200	-	200
Derivatives	6,556	-	6,556	764
Government loans	330	330	330	330
	<b>10,174</b>	<b>7,483</b>	<b>10,174</b>	<b>8,247</b>

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

	CARRYING AMOUNT		FAIR VALUES	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>19. FINANCIAL INSTRUMENTS (continued)</b>				
BEACONSFIELD GOLD NL				
<i>Financial assets</i>				
Cash	8,144	3,871	8,144	3,871
Trade receivables	1,433	8,638	1,433	8,638
Security deposits	84	84	84	84
Listed securities	-	-	-	-
	<b>9,661</b>	<b>12,593</b>	<b>9,661</b>	<b>12,593</b>
<i>Financial liabilities</i>				
Trade payables	1,724	5,139	1,724	5,139
Intercompany payable	1,178	4,232	1,178	4,232
Interest-bearing loans & borrowings				
- Lease liabilities	291	211	291	211
- Convertible notes	-	200	-	200
Derivatives	2,595	-	2,595	303
Government loans	11	11	11	11
	<b>5,799</b>	<b>9,793</b>	<b>5,799</b>	<b>10,096</b>

**(b) Credit risk exposure**

The credit risk on financial assets of the Consolidated Entity is generally the carrying amount net of any provisions for doubtful debts. Credit exposure represents the extent of credit related losses that the Consolidated Entity may be subject to on amounts to be exchanged under the derivatives or to be received from financial assets. The notional amounts of derivatives are not a measure of this exposure. The Consolidated Entity, while exposed to credit related losses in the event of non-performance by counter parties to financial instruments, does not expect any counter parties to fail to meet their obligations given their high credit ratings.

**(c) Forward gold sales**

The Consolidated Entity may undertake forward hedging of gold by entering into forward sales of gold that guarantees a minimum sale price for gold. Such transactions are undertaken to enhance revenue and reduce exposure to unpredictable adverse fluctuations in gold prices.

During the years ended 30 June 2005 and 30 June 2006 the Consolidated Entity entered into a gold forward sales programme which required the delivery of 76,500 ounces of gold between 31 March 2005 and 30 April 2007 at an average price of A\$594. All facilities were provided by the Commonwealth Bank of Australia.

As at 30 June 2006, the Consolidated Entity had 30,000 ounces of flat forward and spot deferred sale contracts at an average price of A\$608 per ounce. The marked-to-market value of the Consolidated Entity's gold forward sales contracts outstanding as at 30 June 2006 was negative \$6.556 million (Beaconsfield Gold NL: negative \$2.595 million). This fair value is reflected as a derivative liability in the balance sheet.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

### 19. FINANCIAL INSTRUMENTS (continued)

Before the Anzac Day incident the Consolidated Entity designated its gold forward sales contracts as cash flow hedges. Consequently, the movements in the fair value of those contracts were deferred in equity in the Cash Flow Hedge Reserve until the forecast sales transaction occurred – at which point the relevant portion of the amount deferred in equity was transferred to the Income Statement and taken into account when measuring revenue. Refer Statement of Changes in Equity on pages 31 and 32.

Since the Anzac Day incident, whilst the Consolidated Entity still considers the gold forward sales contracts outstanding at 30 June 2006 as economically effective hedges, it has not designated these contracts as cash flow hedges in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* as the strict criteria could not be met. Consequently, the movements in fair value are recognised directly in the Income Statement.

#### (d) Interest rate risk exposures

The Consolidated Entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the Consolidated Entity, together with effective interest rates as at balance date.

CONSOLIDATED	Fixed Interest Rate Maturing in				Weighted Average Interest Rate		
2006	Floating Interest Rate (\$'000)	1 Year or Less (\$'000)	Over 1 Year to 5 Years (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)	Floating	Fixed
<b>Financial Assets</b>							
Cash assets	8,144	-	-	-	8,144	5.3%	-
Receivables	-	-	-	2,784	2,784	-	-
Security deposit	-	-	-	172	172	-	-
Listed securities	-	-	-	-	-	-	-
Totals	8,144	-	-	2,956	11,100		
<b>Financial Liabilities</b>							
Trade payables	-	-	-	2,553	2,553	-	-
Lease commitments	-	416	319	-	735	-	7.5%
Government loans	-	-	-	330	330	-	-
Totals	-	416	319	2,883	3,618		

Floating interest rates represent the year average rate applicable to the instrument.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**19. FINANCIAL INSTRUMENTS (continued)**

CONSOLIDATED		Fixed Interest Rate Maturing in				Weighted Average Interest Rate	
2005	Floating Interest Rate (\$'000)	1 Year or Less (\$'000)	Over 1 Year to 5 Years (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)	Floating	Fixed
<b>Financial Assets</b>							
Cash assets	3,871	-	-	-	3,871	4.5%	-
Receivables	-	-	-	10,321	10,321	-	-
Security deposit	-	-	-	172	172	-	-
Listed securities	-	-	-	-	-	-	-
Totals	3,871	-	-	10,493	14,364		
<b>Financial Liabilities</b>							
Trade payables	-	-	-	6,418	6,418	-	-
Convertible notes	-	200	-	-	200	-	9.0%
Lease commitments	-	253	282	-	535	-	8.0%
Government loans	-	-	-	330	330	-	-
Totals		453	282	6,748	7,483		

BEACONSFIELD GOLD NL		Fixed Interest Rate Maturing in				Weighted Average Interest Rate	
2006	Floating Interest Rate (\$'000)	1 Year or Less (\$'000)	Over 1 Year to 5 Years (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)	Floating	Fixed
<b>Financial Assets</b>							
Cash assets	8,144	-	-	-	8,144	5.3%	-
Receivables	-	-	-	1,433	1,433	-	-
Security deposit	-	-	-	84	84	-	-
Listed securities	-	-	-	-	-	-	-
Totals	8,144	-	-	1,517	9,661		
<b>Financial Liabilities</b>							
Trade payables	-	-	-	1,724	1,724	-	-
Intercompany payable	-	-	-	1,178	1,178	-	-
Lease commitments	-	165	126	-	291	-	7.5%
Government loans	-	-	-	11	11	-	-
Totals	-	165	126	2,913	3,204		

Floating interest rates represent the year average rate applicable to the instrument.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**19. FINANCIAL INSTRUMENTS (continued)**

BEACONSFIELD GOLD NL	Fixed Interest Rate Maturing in				Weighted Average Interest Rate	
2005	Floating Interest Rate (\$'000)	1 Year or Less (\$'000)	Over 1 Year to 5 Years (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)	Floating      Fixed
<b>Financial Assets</b>						
Cash assets	3,871	-	-	-	3,871	4.5%      -
Receivables	-	-	-	8,638	8,638	-      -
Security deposit	-	-	-	84	84	-      -
Listed securities	-	-	-	-	-	-      -
Totals	3,871	-	-	8,722	12,593	
<b>Financial Liabilities</b>						
Trade payables	-	-	-	5,139	5,139	-      -
Intercompany payable	-	-	-	4,232	4,232	-      -
Convertible notes	-	200	-	-	200	-      9.0%
Lease commitments	-	100	111	-	211	-      8.0%
Government loans	-	-	-	11	11	-      -
Totals		300	111	9,382	9,793	

Consolidated		Beaconsfield Gold NL	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

**20 EXPENDITURE COMMITMENTS**

**Capital expenditure commitments**

Estimated capital expenditure contracted for at reporting date, but not provided for, in relation to the Beaconsfield Mine Joint Venture:

Payable not later than one year	-	629	-	249
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**Exploration expenditure commitments**

Estimated exploration expenditure committed to date but not provided for:

Payable not later than one year:

- Beaconsfield Mine Joint Venture	61	170	24	67
- Other	290	166	81	166
	351	336	105	233

Expenditure commitments greater than one year are not disclosed. These commitments will only arise if ownership and control of the tenements and leases are maintained.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

	Consolidated		Beaconsfield Gold NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>20 EXPENDITURE COMMITMENTS (continued)</b>				
<b>Commitments in relation to finance leases are as follows:</b>				
Payable not later than one year	457	284	181	112
Later than one year but not later than five years	329	300	130	118
Minimum lease payments	786	584	311	230
Less: future finance charges	(51)	(49)	(20)	(19)
	735	535	291	211
Current lease liability (Note 14)	416	253	165	100
Non-current lease liability (Note 16)	319	282	126	111
	735	535	291	211

Lease liabilities are secured by specific capitalised items of plant and equipment.

### Commitments in relation to operating leases (non-cancellable)

Payable not later than one year	62	57	62	57
Later than one year but not later than five years	68	7	68	7
Aggregate lease expenditure contracted for at reporting date. This has not been provided for.	130	64	130	64

The operating lease is for premises at Level 7, Exchange Tower, 530 Little Collins Street, Melbourne, Vic., 3000.

## 21. CONTINGENCIES

### (a) Contingent Liabilities

#### HEC/Aurora

Under arrangements negotiated by the Beaconsfield Mine Joint Venture ("BMJV"), HEC (now Aurora Energy Pty. Ltd.), supplied electricity at a discounted rate. Pursuant to those arrangements the Joint Venturers may be severally liable for the repayment of their proportionate share of the discount amount (together with interest) now that the mine is in production. The method of determination of the final quantum of the discount, and the arrangements by which it may be paid to Aurora, are not yet finalised. Beaconsfield Gold NL's share of the contingent Joint Venture liability not included in the financial report at June 2006 is estimated to be \$1,818,310 (30 June 2005: \$1,763,637).

On 28 August 2006 the Manager of the BMJV announced that Aurora Energy had agreed not to lodge a proof of debt in relation to the discounted tariff it charged to Allstate Exploration NL (subject to deed of company arrangement). Details of the agreement, and the impact on Beaconsfield Gold NL, have not been advised by the BMJV Manager.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**21. CONTINGENCIES (continued)**

**(a) Contingent Liabilities (continued)**

*Interest – Former Banker*

In accordance with the Company's facility agreement with its former banker, the banker agreed to defer its claim for \$4 million of accrued interest, pending receipt of the Consolidated Entity's share of proceeds from the claims against BBR. The interest was only payable from proceeds received from the BBR claims, with 50% of proceeds from the BBR claims being applied towards payment of the \$4 million deferred interest until the deferred interest has been paid in full.

In June 2005 the BMJV participants and the professional indemnity insurer of BBR reached an in-principle settlement whereby the insurer paid \$13 million to the BMJV participants in May 2006.

The Company's share of this settlement was \$6.304 million and under the terms of the Company's previous banking facility agreement, 50% of this amount (\$3.152 million) was paid to the former banker.

As a result of the settlement with BBR's professional indemnity insurer, the contingent liability relating to interest reduced to \$0.848 million at 30 June 2006.

**(b) Contingent Assets**

*BBR Claims*

An arbitration award was made in favour of the BMJV participants (Beaconsfield Gold group 48.49% and Allstate group 51.51%) against ACN 005 585 795 Pty. Ltd. (formerly Brown & Root Engineering & Construction Pty. Ltd. ("BREC")) and Batepro Australia Pty. Ltd. ACN 009 006 777 ("BA"). The arbitrator found BREC and BA to be jointly and severally liable to the BMJV participants for \$60,366,785, together with interest after 17 January 2004 at the rate of \$29,292 per week.

Subsequent to the arbitration award, liquidators were appointed to both BA and BREC. Beaconsfield Gold and the Deed Administrators of the Allstate group are continuing to deal with the liquidators of both BA and BREC with regard to the arbitration award.

In June 2005 the BMJV participants and the professional indemnity insurer of the BBR Companies reached an in-principle settlement whereby the insurer agreed to pay \$13 million as full settlement of the insurer's exposure.

The Beaconsfield Gold group's 48.49% share of the \$13 million settlement (approximately \$6.304 million) was received in May 2006, and the BMJV claim against the BBR Companies has been reduced by \$13 million.

*Claim Against Previous Legal Advisors of Allstate Explorations NL ("Allstate")*

Allstate, on its own behalf and as Manager of the BMJV, has sought damages for professional negligence arising from legal services provided to Allstate in relation to certain insurance and risk management issues associated with the contract for construction of the treatment plant at the Beaconsfield Mine.

Beaconsfield Gold successfully applied to the Supreme Court of Western Australia to be joined as plaintiffs in those proceedings. The action is continuing.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**21. CONTINGENCIES (continued)**

**(b) Contingent Assets (continued)**

*Royalty Payments to Mineral Resources Tasmania ("MRT")*

On 20 December 2004, the Company submitted a claim to MRT alleging overpayment of profit-based royalty by the Beaconsfield Receiver and Manager, up to the date of his retirement on 12 March 2004.

The alleged overpayment arose mainly from an understatement of depreciation and amortisation expense in calculating profit for royalty, thereby overstating profit.

Profit royalty was accrued in full for the year ended 30 June 2004, but has not been accrued for the June 2005 and June 2006 years. The Company continues to pay ad valorem royalty to MRT when it becomes due.

In April 2005 MRT formally rejected the Company's claim. The Company was successful in quashing the MRT decision to reject the Company's claim. Proceedings have commenced to recover the overpayment.

A positive outcome will result in a write-back to profit of approximately \$1.09 million, and a net amount due from MRT of approximately \$0.71 million.

*Insurance Claim*

On 17 August 2006 the BMJV submitted an initial claim, under its business interruption insurance policy, relating to the Anzac Day rock fall. The policy covers costs and loss of profits. At the date of this report the insurer had not responded to the claim.

**22. RELATED PARTY DISCLOSURES**

**(a) Directors**

The following persons held the position of Director of the company during all of the past financial year, unless otherwise stated:

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D.E. Clarke	Non-Executive Chairman	
M.W. Trumbull	Non-Executive Director	
W. Tsingos	Non-Executive Director	
K.J. Perrin	Non-Executive Director	(appointed 24 February 2006)
B.G. Noonan	Non-Executive Director	(resigned 24 February 2006)

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Transactions entered into during the year with the Directors of the Company and their Director related entities are within normal employee relationships, on terms and conditions no more favourable to those available to other employees.

**(b) Transactions with related parties in the wholly owned group**

During the year the parent entity advanced loans to (\$17.9 million) and received repayments from (\$14.9 million) entities within the wholly owned group on short term intercompany accounts.

These transactions were undertaken on an interest free basis.

**(c) Ownership interests**

The ownership interests in related parties in the wholly owned group are set out in Note 8.

**(d) Amounts due to and receivable from related parties in the wholly owned group**

Refer Note 13 for amounts owing by the parent to subsidiaries. These amounts are on an interest free basis and are eliminated on consolidation.

**(e) Ultimate controlling entity**

The ultimate controlling entity of the Consolidated Entity is Beaconsfield Gold NL.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

	2006	2005
<b>23. EARNINGS PER SHARE</b>		
Basic earnings/(loss) per share (cents)	(9.17)	5.32
Diluted earnings/(loss) per share (cents)	(9.17)	5.23

The following income and share data were used in the calculations of basic and diluted earnings/(loss) per share:

	\$'000	\$'000
Net profit/(loss) used as the numerator:		
Basic earnings/(loss) per share	(14,290)	7,801
Imputed interest	-	244
Diluted earnings/(loss) per share	(14,290)	8,045
	No. of Shares ( '000)	No. of Shares ( '000)

Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating:

Basic earnings/(loss) per share	155,905	146,747
Effect of dilutive securities		
- Convertible notes	-	5,220
- Partly paid shares	-	207
- Share options	-	1,121
- Convertible note holders borrowing expenses	-	464
Diluted earnings/(loss) per share	155,905	153,759

As a loss occurred for the 2006 year, any potential dilutive shares cannot further dilute loss per share.

	Consolidated		Beaconsfield Gold NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

## 24. EMPLOYEE BENEFITS

The aggregate employee benefit liability is comprised of:

Accrued wages, salaries and on-costs	249	199	167	155
Provisions (current)	962	1,007	393	399
	1,211	1,206	560	554

## BEACONSFIELD GOLD NL

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

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#### 25. SEGMENT INFORMATION

The Consolidated Entity operates within the gold mining industry in Australia. Its principal activity is to produce gold at the Beaconsfield Gold Mine through its participation in the Beaconsfield Mine Joint Venture.

#### 26. FINANCIAL IMPACT OF ANZAC DAY ROCK FALL

The Company's 2006 financial results were severely impacted by the suspension of mining activity at the Beaconsfield mine on Anzac Day (25 April 2006) following a significant seismic event that resulted in the tragic death of one miner. At the date of this report mining activity remained suspended, pending the completion of work necessary to seek approval from Tasmania's Chief Inspector of Mines to re-open the mine.

Suspension of mining activity is expected to be temporary, and the 2006 financial report of the company and the Consolidated Entity has been prepared on a going concern basis. Based on known reserves, and a realistic belief that those reserves will not be significantly reduced following the Anzac Day incident, the Directors have determined that the carrying value of assets have not been impaired.

The Directors' confidence in recommencement of mining activity and a return to profitable operations is based on a number of factors, the most significant being:

- (a) On 6 September 2006 the Manager of the Beaconsfield Mine Joint Venture ("BMJV") announced findings of a geotechnical assessment of the Beaconsfield Mine by Coffey Mining which said in part *"at this stage we do not foresee any geotechnical reasons relating to ground control that could not be managed such that they would prevent the Beaconsfield Mine recommencing operations"*.

Coffey Mining also referred to the possibility of recommencement of work in the main decline and limited production-related activities in the eastern area of the mine during October.

At the date of this financial report the Coffey Mining Report had not been made available to Beaconsfield Gold.

Beaconsfield Gold views the Coffey Mining assessment as positive news for the miners, the community and other parties committed to seeing the Beaconsfield Mine back in production. The Company believes, however, that there is still a high level of uncertainty concerning the actual timing of any recommencement of commercial mining operations and gold production as extensive consultation by Allstate is still required with the workforce, local community, Workplace Standards Tasmania, the AWU, the Coroner and other stakeholders.

- (b) On 17 August 2006 the BMJV submitted an initial claim, under its business interruption insurance policy, relating to the Anzac Day rock fall. The policy covers costs and loss of profits. At the date of this report the insurer had not responded to the claim. No amounts have been recognised at 30 June 2006.
- (c) On 21 July 2006 the Federal Government announced that the BMJV's application for a grant, under the Beaconsfield Community Fund, had been accepted. The grant of \$4.87 million will assist the BMJV to meet supernumerary payroll costs and to further develop the underground mine. This grant will be accounted for in 2006/07.
- (d) The Tasmanian State Government has announced that it is willing to waive \$680,000 owed to it by the BMJV if mining operations recommence. No adjustment has been booked at 30 June 2006.

The support of the Federal and State Governments and the positive and encouraging comments from the geotechnical consultants give the Directors realistic confidence of an early recommencement of mining operations.

## BEACONSFIELD GOLD NL

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

#### 26. FINANCIAL IMPACT OF ANZAC DAY ROCK FALL (continued)

Running parallel to, but independent of, the geotechnical studies required by the Chief Inspector of Mines, a Tasmanian Government instigated investigation is being conducted by special investigator Mr. Greg Melick SC to determine the cause of the Anzac Day rock fall. This investigation is not expected to be completed before the end of October 2006, and the report of the special investigator will be provided directly to the State Coroner. At the date of this report no Beaconsfield Gold director or employee had been requested to give evidence before, or provide information to, this investigation.

A Coronial Inquest has also been commenced to investigate the fatality that resulted from the Anzac Day rock fall. The Coroner's findings are not expected for some time.

#### 27. EVENTS AFTER THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years except for those matters referred to in Note 26 and below:

On 16 March 2006 the Directors declared an interim dividend for the year ended 30 June 2006 of 1.5 cents per share payable on 31 May 2006. On 3 May 2006 the Company announced that it would defer payment of this dividend until further notice. In light of the extended suspension of mining operations, the Board has now resolved to cancel the interim dividend for the year ended 30 June 2006. There is no longer a provision for dividend recognised at 30 June 2006.

#### 28. AUDITORS' REMUNERATION

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$	\$	\$	\$
<i>Amounts received or due and receivable by Ernst &amp; Young (Australia) for:</i>				
• an audit and/or review of the financial report of the entity and any other entity in the consolidated entity	52,000	64,250	20,592	25,214
• other services in relation to the entity and any other entity in the consolidated entity				
– tax compliance	18,130	60,000	7,175	23,745
– assurance related	23,000	19,800	9,102	7,840
	93,130	144,050	36,869	56,799

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>29. DIVIDENDS PAID AND PROPOSED</b>				
<i>Declared and paid during the year:</i>				
Dividends on ordinary shares:				
Final unfranked dividend for 2005: 1.5 cents per share (2004: nil)	2,298	-	2,298	-
Interim unfranked dividend for 2006: nil (2005: 1.5 cents per share) – refer below	-	2,283	-	2,283
	<b>2,298</b>	<b>2,283</b>	<b>2,298</b>	<b>2,283</b>
<i>Proposed for approval at AGM (not recognised as a liability as at 30 June):</i>				
Dividends on ordinary shares:				
Unfranked dividend for 2006: nil (2005: 1.5 cents per share)	-	2,298	-	2,298

### Franking credit balance

The franking account balance of Beaconsfield Gold NL as the end of the financial year is \$NIL (2005: \$NIL) and no franking credits will arise from the payment of tax in the subsequent financial year.

### Proposed dividend

On 16 March 2006 the Directors declared an interim dividend for the year ended 30 June 2006 of 1.5 cents per share payable on 31 May 2006. Due to the Anzac Day incident this dividend was deferred on 3 May 2006. Since year end the dividend has been cancelled (refer Note 27).

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

	Consolidated		Beaconsfield Gold NL	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>30 STATEMENT OF CASH FLOWS</b>				
<b>(a) Reconciliation of net profit/(loss) to net cash flows from operations:</b>				
Net profit/(loss)	(14,290)	7,801	(6,015)	3,109
<b>Adjustments for:</b>				
Amortisation of non-current assets	1,424	2,297	549	888
Depreciation of non-current assets	3,257	3,725	1,290	1,477
Fair value movement on derivatives	6,556	-	2,595	-
Unwind of discount on restoration provision	245	215	96	85
Exploration expenditure written off	167	-	167	-
Share based payments	148	-	148	-
Interest received – transfer to Investing Activities	(398)	(318)	(158)	(172)
<b>Changes in assets and liabilities</b>				
Receivables	7,537	(6,115)	3,008	(2,371)
Inventories	422	484	167	191
Trade & other creditors & borrowings	(3,975)	558	(1,547)	391
Provisions	(45)	155	(6)	11
Other assets	787	(1,117)	311	(641)
<b>Net cash flows from operating activities</b>	<b>1,835</b>	<b>7,685</b>	<b>605</b>	<b>2,968</b>

**(b) Reconciliation of cash**

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash	8,144	3,871	8,144	3,871
------	-------	-------	-------	-------

Cash deposits at banks are earning interest at current bank deposit rates. The year average rate was 5.3% (2005: 4.5%).

**(c) Financing facilities available**

At reporting date, the following financing facilities had been negotiated and were available:

Facilities used at reporting date	3,020	3,000	3,020	3,000
Facilities unused at reporting date	3,330	3,350	3,330	3,350
<b>Total facilities</b>	<b>6,350</b>	<b>6,350</b>	<b>6,350</b>	<b>6,350</b>

**(d) Non-cash financing activities – finance lease transactions**

During the financial year the Consolidated Entity acquired plant and equipment with an aggregate fair value of \$425,500 (2005: \$501,387) by means of finance leases.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**31. KEY MANAGEMENT PERSONNEL DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

D.E. Clarke	Non-Executive Chairman
M.W. Trumbull	Non-Executive Director
W. Tsingos	Non-Executive Director
K.J. Perrin	Non-Executive Director – appointed 24 February 2006
B.G. Noonan	Non-Executive Director – resigned 24 February 2006

*(ii) Executives*

W.T. Colvin	Chief Executive Officer – appointed 1 September 2005
B.D. Coulter	Chief Financial Officer and Company Secretary

There were no changes to key management personnel between reporting date and the date the financial report was authorised for issue

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**(b) Compensation of Key Management Personnel**

*Compensation by Category*

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	2006	2005	2006	2005
	\$	\$	\$	\$
Short-Term	497,239	264,731	497,239	264,731
Post Employment	198,404	250,402	198,404	250,402
Share-based Payment	147,683	-	147,683	-
	<b>843,326</b>	515,133	<b>843,326</b>	515,133

The Consolidated Entity has applied the exemption under Regulation 2M.6.04 of the Corporations Act which allows the transfer of remuneration disclosures required by AASB 124: *Related Party Disclosures* out of the financial report and into the Remuneration Report contained within the Directors' Report. These disclosures are designated as audited within the Directors' Report.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(c) Compensation options: Granted and vested during the year**

On 1 September 2005 options were granted to the Chief Executive Officer, pursuant to the Beaconsfield Gold NL Option Scheme, as equity compensation benefits under the long-term incentive plan. The options were issued for nil consideration. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price of \$0.374 per share. No options have been granted to the Non-Executive Directors under this scheme.

The terms of the options are as follows:

1. The options vest as to 50% on the first anniversary of issue and the balance on the second anniversary of issue.
2. All options issued must be exercised within 5 years after their date of issue.
3. Options can be exercised at any time after vesting and before their expiry.
4. Termination of employment triggers expiry of the options.
5. The options are only transferable with prior approval of the Board.

30 June 2006	Terms & Conditions for each Grant							
	Vested	Granted	Grant	Fair Value per	Exercise	Expiry	First	Last
	No.	No.	Date	option at	price per	Date	Exercise	Exercise
				grant date	option		Date	Date
				(\$)	(\$)			
<b>Executives</b>								
W.T. Colvin	-	400,000	1 Sep. 2005	0.1113	0.374	30 Aug. 2010	1 Sep. 2006	30 Aug. 2010
W.T. Colvin	-	400,000	1 Sep. 2005	0.1103	0.374	30 Aug. 2010	1 Sep. 2007	30 Aug. 2010
	-	<u>800,000</u>						

For the year ended 30 June 2005 no compensation options were granted or vested.

The fair value of the equity-settled options is estimated as at the date of grant using a binomial model taking into account the above terms and conditions.

The following lists the inputs to the model used to value the options for the year ended 30 June 2006:

Dividend yield %	8.086
Expected volatility %	50.00
Risk-free interest rate %:	
- options vesting 1 September 2006	5.00
- options vesting 1 September 2007	5.015
Expected life of option (years)	
- options vesting 1 September 2006	4.10
- options vesting 1 September 2007	4.40
Option exercise price (\$)	0.374
Weighted average share price at grant date (\$)	0.371

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

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**31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(d) Compensation – partly paid shares (“PPS”)**

On 14 November 2005 partly paid shares were issued as equity compensation benefits under the long-term incentive plan to Directors as follows:

	Issue Date	Quantity	Fair Value per PPS on Issue Date	Issue Price	Paid to
30 June 2006			\$	\$	\$
D.E. Clarke	14 Nov. 2005	1,000,000	0.063	0.40	0.01
W. Tsingos	14 Nov. 2005	400,000	0.073	0.35	0.01

The terms of the PPS are as follows:

1. The PPS are not transferable until all of the unpaid monies have been paid.
2. The holders may at any time require the Directors to call the unpaid amount of the issue price on a date specified by the holders.
3. Subject to 4 below, the Company will not call any or part of the unpaid amount of the issue price.
4. The company will call any unpaid amount on the shares on the tenth anniversary of their issue.
5. The PPS have no rights to vote, to dividends or any other distributions while they are partly paid.

For the year ended 30 June 2005 no partly-paid shares were issued.

The fair value of the partly-paid shares is estimated as at the date of issue using a binomial model taking into account the above terms and conditions.

The following lists the inputs to the model used to value the partly-paid shares for the year ended 30 June 2006:

Dividend yield %	9.09
Expected volatility %	50.00
Risk-free interest rate %:	5.40
Expected life of partly-paid shares (years)	5.00
Price of partly-paid shares (\$)	0.01
Weighted average share price on issue date (\$)	0.33

The expected life of the partly-paid shares is based on historical data and is not necessarily indicative of exercise patterns. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(e) Option holdings of Key Management Personnel**

All options refer to options over ordinary shares of Beaconsfield Gold NL, which are exercisable on a one-for-one basis under the Beaconsfield Gold NL Option Scheme.

The movements during the year in the number of options over ordinary shares in Beaconsfield Gold NL, held directly, indirectly or beneficially by each key management personnel, including their personally related entities, were as follows:

	<i>Balance at beginning of period 01-Jul-05</i>	<i>Granted as Remuner- ation</i>	<i>Options Exercised</i>	<i>Net Change Other</i>	<i>Balance at end of period 30-Jun-06</i>	<i>Total</i>	<i>Unvested</i>
<b>30 June 2006</b>							
W.T. Colvin	-	800,000	-	-	800,000	800,000	800,000

For the year ended 30 June 2005 there were no options issued.

**(f) Shareholdings of Key Management Personnel**

*Shares held in Beaconsfield Gold NL- Direct and Indirect Holdings*

The movements during the year in the number of ordinary shares in Beaconsfield Gold NL, held directly, indirectly or beneficially by each key management personnel, including their personally related entities, were as follows:

	<i>Balance 01-Jul-05</i>		<i>Granted as Remuneration</i>		<i>On Exercise of Options</i>		<i>Net Change Other</i>		<i>Balance 30-Jun-06</i>	
	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>
<b>30 June 2006</b>										
<b>Directors</b>										
D.E. Clarke	-	-	-	1,000,000	-	-	16,000	-	16,000	1,000,000
M.W. Trumbull	5,781,085	-	-	-	-	-	200,000	-	5,981,085	-
W. Tsingos	859,628	-	-	400,000	-	-	-	-	859,628	400,000
K.J. Perrin <sup>2</sup>	-	-	-	-	-	-	1,800,000	-	1,800,000	-
B.G. Noonan <sup>1</sup>	1,876,187	-	-	-	-	-	(1,876,187)	-	-	-
<b>Totals</b>	<b>8,516,900</b>	<b>-</b>	<b>-</b>	<b>1,400,000</b>	<b>-</b>	<b>-</b>	<b>139,813</b>	<b>-</b>	<b>8,656,713</b>	<b>1,400,000</b>
<b>Executives</b>										
W.T. Colvin	-	-	-	-	-	-	-	-	-	-
B.D. Coulter	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**BEACONSFIELD GOLD NL**  
**Notes to the Financial Statements (continued)**  
**For the Year Ended 30 June 2006**

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(f) Shareholdings of Key Management Personnel (continued)**

	<i>Balance 01-Jul-04</i>		<i>Granted as Remuneration</i>		<i>On Exercise of Options</i>		<i>Net Change Other</i>		<i>Balance 30-Jun-05</i>	
	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>	<i>Ord</i>	<i>Partly Paid</i>
<b>30 June 2005</b>										
<b>Directors</b>										
D.E. Clarke	-	-	-	-	-	-	-	-	-	-
M.W. Trumbull	3,881,085	1,800,000	-	-	-	-	1,900,000	(1,800,000)*	5,781,085	-
W. Tsingos	859,628	-	-	-	-	-	-	-	859,628	-
B.G. Noonan	1,904,763	-	-	-	-	-	(28,576)	-	1,876,187	-
<b>Totals</b>	<b>6,645,476</b>	<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,871,424</b>	<b>(1,800,000)</b>	<b>8,516,900</b>	<b>-</b>
<b>Executives</b>										
B.D. Coulter	-	-	-	-	-	-	-	-	-	-

\* Converted to ordinary shares

<sup>1</sup> B.G. Noonan resigned as a Director on 24 February 2006.

<sup>2</sup> K.J. Perrin was appointed as a Director on 24 February 2006.

All equity transactions with key management personnel and their related parties (where applicable), other than those arising from the exercise of remuneration options, have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

**(g) Other transactions and balances with Key Management Personnel**

There were no other transactions or balances with Key Management Personnel.

# BEACONSFIELD GOLD NL

## Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

### 32. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

#### (a) Transition to AIFRS

The Consolidated Entity has made its election in relation to the transitional exemptions allowed by AASB 1: *First-time adoption of Australian Equivalents to International Financial Reporting Standards* as follows:

##### *Share-based payment transactions*

AASB 2: *Share-Based Payment* is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

##### *Business combinations*

AASB 3: *Business combinations* has not been applied to acquisitions of subsidiaries that occurred before 1 July 2004.

##### *Exemption from the requirement to restate comparative information for AASB 132 and AASB 139*

The Consolidated Entity has elected to adopt this exemption and has not applied AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* to its comparative information. Accordingly, at 1 July 2005 Beaconsfield Gold recognised the fair value of hedges as a liability in its balance sheet and a like amount was recognized in the hedge reserve. The corresponding tax effect was also recognised directly in equity.

		CONSOLIDATED \$'000	BEACONSFIELD GOLD \$'000
1 July 2005	Liability recognised	\$ 764	\$ 301
	Deferred tax asset recognised	<u>\$ (229)</u>	<u>\$ (90)</u>
	Hedge reserve	<u>\$ 535</u>	<u>\$ 211</u>

#### (b) Impacts of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as previously reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP) are illustrated below.

##### i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	CONSOLIDATED		BEACONSFIELD GOLD NL	
	30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000
Total equity under AGAAP	27,485	19,436	11,251	7,720
<i>Adjustments to equity:</i>				
Decommissioning expenses (A)	(447)	(735)	(177)	(291)
Tax effect on share transaction costs recognised directly in equity (transfer from accumulated losses) (B)	-	(224)	-	(224)
Tax effect on share transaction costs recognised directly in equity (transfer to equity) (B)	-	224	-	224
Total equity under AIFRS	27,038	18,701	11,074	7,429

## BEACONSFIELD GOLD NL

### Notes to the Financial Statements (continued)

For the Year Ended 30 June 2006

- (A) Net effect of adjustments required under AIFRS to discount the provision recognised for rehabilitation of the mine site under AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and corresponding asset under AASB 116: *Property, Plant & Equipment*. The asset relating to the rehabilitation provision was written off in prior periods.
- (B) Net effect of adjustment required under AASB 112: *Income Taxes* to recognise the tax effect of share transaction costs recognised directly in equity. A corresponding adjustment was required against opening accumulated losses. This adjustment was identified as part of the process of preparing the first full set of AIFRS compliant financial statements as at 30 June 2006.

#### ii) Reconciliation of profit after tax under AGAAP to that under AIFRS

	CONSOLIDATED	BEACONSFIELD GOLD NL
	Year ended 30 June 2005 \$'000	Year ended 30 June 2005 \$'000
Profit after tax as previously reported under AGAAP	7,513	2,995
Decommissioning expenses (A)	288	114
Profit after tax under AIFRS	7,801	3,109

- (A) Represents the net profit effect from reversing the AGAAP rehabilitation expense and the interest charge applicable to the unwinding of the discount of the provision for rehabilitation liability under AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*. The asset relating to the rehabilitation provision was written off in prior periods. Accordingly, there is no amortisation of this asset during the period.

#### iii) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

### 33. DIFFERENCES FROM INFORMATION LODGED IN ASX 4E

In finalising the AIFRS transition an adjustment of \$224,000 was made to recognise the tax effect on historical share transaction costs recognised directly in equity. The adjustment is outlined in note 32(b)(i).

There was no impact on the net assets arising from this adjustment.

## BEACONSFIELD GOLD NL

### Directors' Declaration

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In accordance with a resolution of the directors of Beaconsfield Gold NL, I state that:

- (1) In the opinion of the directors:
  - (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, 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 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and 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) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2006.

On behalf of the Board



D E Clarke  
Director

Melbourne, 29 September 2006.

## **Independent audit report to members of Beaconsfield Gold NL**

### **Scope**

#### *The financial report, remuneration disclosures and directors' responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Beaconsfield Gold NL (the Company) and the Consolidated Entity, for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 18 to 21 of the Directors' Report, as permitted by Corporations Regulation 2M.6.04.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and the Consolidated Entity, and that complies with Accounting Standards in Australia, 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 are also responsible for the remuneration disclosures contained in the Directors' Report.

#### *Audit approach*

We conducted an independent audit of the financial report 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 124 *Related Party Disclosures*. 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*, including compliance with Accounting Standards in Australia, 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 124 *Related Party Disclosures*.

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; 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.

We performed procedures to assess whether the substance of business transactions were accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

### Independence

We are independent of the Company and the Consolidated Entity, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### Audit opinion

In our opinion:

1. the financial report of Beaconsfield Gold NL is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of Beaconsfield Gold NL and the Consolidated Entity at 30 June 2006 and of their 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 financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 18 to 21 of the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

### Inherent uncertainty regarding financial impact of Anzac Day incident

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As a result of the matters described in Note 26 to the Financial Report, there is significant uncertainty concerning the actual timing of any recommencement of commercial mining operations at the Beaconsfield Mine and therefore whether the Company and Consolidated Entity will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Report. The Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the mine not re-open.



Ernst & Young



Brett Croft  
Partner  
Melbourne  
29 September 2006

## BEACONSFIELD GOLD NL

### ASX Additional Information

#### ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2006.

#### (a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

			Ordinary shares		Partly-paid shares	
			Number of holders	Number of shares	Number of holders	Number of shares
1	-	1,000	1,975	816,922	-	-
1,001	-	5,000	1,545	4,083,600	-	-
5,001	-	10,000	741	5,703,817	-	-
10,001	-	100,000	1,063	32,067,624	-	-
100,001	and over		200	141,922,185	5	3,250,000
			5,524	184,594,148	5	3,250,000
The number of shareholders holding less than a marketable parcel of shares are:			2,105	962,669		

The number of fully-paid ordinary shares by location are:

	Number of Shares
Victoria	101,114,129
New South Wales	45,565,134
Queensland	10,070,083
Tasmania	9,963,933
Western Australia	9,816,600
Australian Capital Territory	2,289,374
South Australia	1,951,860
Northern Territory	345,200
Total Australia	181,116,313
Overseas	3,477,835
Total	184,594,148

**BEACONSFIELD GOLD NL**  
**ASX Additional Information**

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**(b) Twenty largest shareholders**

The names of the twenty largest holders of quoted shares are:

		<b>Listed ordinary shares</b>	
		<b>Number of shares</b>	<b>Percentage of ordinary shares</b>
1	Drysdale Metals Pty Ltd	11,762,648	6.37
2	J P Morgan Nominees Australia Limited	9,717,874	5.26
3	National Nominees Limited	9,034,197	4.89
4	D & D Nominees Pty Ltd	7,442,450	4.03
5	Zero Nominees Pty Ltd	6,521,739	3.53
6	Mr Frank Hudson	5,205,116	2.82
7	Mr R D Russell & Ms A M Hynes	4,415,217	2.39
8	Citicorp Nominees Pty Limited <CFSIL Cwlth Boff Super A/c>	4,041,061	2.19
9	Evergem Pty Ltd	3,873,702	2.10
10	Michael Ward Trumbull	3,295,123	1.78
11	ANZ Nominees Limited <Cash Income A/c>	2,815,052	1.52
12	Cypron Pty Ltd <M W Trumbull Super Fund A/c>	2,285,962	1.24
13	Evergem Pty Ltd	2,000,000	1.08
14	Cancer Ascendant Capital Pty Ltd <Cancer Ascendant Capital A/c>	1,900,000	1.03
15	Adare Manor Pty Ltd	1,700,000	0.92
16	Loidl Nominees Pty Ltd <Loidl Family A/c>	1,657,916	0.90
17	PPT Nominees Pty Ltd	1,650,000	0.89
18	R F Clifford Pty Ltd	1,594,337	0.86
19	Reliance International Service Pty Limited	1,558,942	0.84
20	Ankaa Springs Pty Ltd	1,500,000	0.81
		<b>83,971,336</b>	<b>45.49</b>

## BEACONSFIELD GOLD NL

### ASX Additional Information

#### (c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of shares
Acorn Capital Limited	14,243,220
Drysdale Metals Pty Ltd	11,762,648

#### (d) Voting rights

All fully paid ordinary shares carry one vote per share without restriction.

Partly-paid shares carry no voting rights.

#### (e) Schedule of interests in mining tenements

Location	Tenement	Percentage held
BMJV Tenements		
• Beaconsfield, Tasmania	1767 P/M	48.49
• Beaconsfield, Tasmania	RL 1/1999	48.49
• Beaconsfield, Tasmania	EL 20/1994	48.49
Beaconsfield Gold Group Exploration Licences		
• Beaconsfield, Tasmania	EL 27/2000	100.0
• Beaconsfield, Tasmania	EL 7/2000	100.0
• Stavely, Victoria	EL 4556	100.0 (a)
• Stavely, Victoria	EL 4929	100.0
• Stavely, Victoria	EL 4930	100.0
• Stavely, Victoria	EL 4931	100.0
• Stavely, Victoria	EL 4932	100.0
• Stavely, Victoria	EL 4514	100.0

(a) A controlled entity of the Company has an option to acquire 100% interest, subject to a 3% net smelter return royalty.