

# Indo Gold Limited

## Annual Report for the period ended 30 June 2005

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## **Indo Gold Limited Directors' report**

Your directors present their report on Indo Gold Limited (the Company) for the period ended 30 June 2005.

### **Directors**

The names of the directors in office at any time during or since the end of the period are as follows:

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

### **Information on Directors**

<b>Michael Higgins</b>	— <b>Managing Director (appointed 15 September 2004)</b>
<b>Qualifications</b>	— <b>-BSc.(Hons), FAusIMM, CPGeo,</b>
<b>Experience</b>	— 33 years of international experience in the mining industry including 20 years with Shell/Billiton group at a senior executive level. Director and Vice President for Exploration and Business Development of Goldcrest Resources Ltd Managing Director of Bengal Minerals Pty Ltd Director of BSM Mining Pty Ltd Director of Wentworth Resources Pty Ltd Director of Youanmi Mines Pty Ltd
<b>Special Responsibilities</b>	— <b>Chairman</b>
<b>Christopher Rashleigh</b>	<b>Executive Director (appointed 15 September 2004)</b>
<b>Qualifications</b>	— <b>BSc (Hons), MAusIMM, 1<sup>st</sup> Class Mine Manager (Cert. of Competency, Qld)</b>
<b>Experience</b>	— 35 years experience in the resources industry, both in Australia and overseas, including 7 years at Mount Is Mines and 8 years at Billiton Australia/Acacia Resources Ltd. Director and Vice President for Operations of Goldcrest Resources Ltd. Executive Director of Bengal Minerals Pty Ltd Director of BSM Mining Pty Ltd Director of Wentworth Resources Pty Ltd Director of Youanmi Mines Pty Ltd
<b>Special Responsibilities</b>	— <b>Company Secretary</b>
<b>Kevin Bullock</b>	<b>Non-Executive Director (appointed 15 September 2004)</b>
<b>Qualifications</b>	— <b>B.Eng, MCIM</b>
<b>Experience</b>	— Kevin has over 17 years experience in operating and exploration of mineral resources worldwide, as well as corporate finance in the sector. President, CEO and Director of Goldcrest Resources Ltd. Director of Young Shannon Gold Mines Limited. Director of Wentworth Resources Pty Ltd Director of Youanmi Mines Pty Ltd Director of Rolling Rock Resources Corporation (listed on the TSX-V Exchange)

## **Indo Gold Limited**

### **Directors' report**

<b>Peter Carroll</b>	— <b>Director (appointed 12 September 2005)</b>
<b>Qualifications</b>	— <b>- BCom, LLB, FCA, FTIA, ASCPA</b>
<b>Experience</b>	— Retired Partner of Deloitte Tax Consulting Services Former member of the Taxation Advisory Committee of ASCPA. Former member of the Legislation Review Committee of the ICCA Chairman of Cristal Australia Pty Ltd Non-Executive Director of BeMax Resources NL, a public company listed on the ASX. President of Tattersalls, a leading Brisbane Business Club

#### **Principal activities**

During the period the principal activities of the company consisted of the promotion and management of exploration and mining projects.

No significant changes in the nature of the entity's activities occurred during the period.

#### **Review and results of operations**

The result of the company for the period was a loss of \$110,409.

The loss is due primarily to exploration and mining projects still at feasibility stage, and therefore there have been no profits derived to date.

#### **Significant changes in the state of affairs**

The company was incorporated as BSM Resources (India) Pty Ltd on 15 September 2004. On 17 June 2005 the company changed its name to Indo Gold Ltd and company type to a public company.

There were no other significant changes in the company's state of affairs during the financial period.

#### **Likely Developments**

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

#### **Events subsequent to reporting date**

No matters or circumstances have arisen since 30 June 2005 that have significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

#### **Dividends paid or recommended**

No dividends have been recommended by the Directors of the Company. No dividends were paid or declared in the financial period.

**Indo Gold Limited**  
**Directors' report** (continued)

**Directors' Meetings**

The number of directors' meetings held and attendance by each of the directors of the Company during the period ended 30 June 2005 are:

<b>Director</b>	<b>Board Meetings Held</b>	<b>Board Meetings Attended</b>
Michael Higgins	11	11
Christopher Rashleigh	11	11
Kevin Bullock	11	11
Peter Carroll (appointed 12/09/05)	-	-

The company is not of the size, nor are its financial affairs of such complexity to justify a separate Audit Committee to the Board of Directors. All matters which might properly be dealt with by such a committee are the subject of review at Board meetings.

**Directors' Shareholding Register**

The relevant interest of each director, and their associates, in shares, or options over issued shares, of the Company up to the date of this report are as follows:

<b>Director</b>	<b>Ordinary Shares</b>	<b>Options</b>
Michael Higgins	4,300,000	1,300,000
Christopher Rashleigh	2,250,000	1,300,000
Kevin Bullock	2,700,000	400,000
BSM Mining Pty Ltd [1]	250,000	-

[1] BSM Mining Pty Ltd is a related entity of both Michael Higgins and Christopher Rashleigh.

**Officers' and Auditors' Indemnification**

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

**Environmental Regulation**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Directors Remuneration**

Full details relating to the Directors are set out in Note 14.

**Options**

At the date of this report, options over the unissued share of the Company are as follows:

- On 10 March 2005, 900,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.05 each. The options are exercisable on or before 10 March 2010. The options hold no voting or dividend rights and are not transferable.
- On 3 August 2005, 1,050,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.10 each. The options are exercisable on or before 3 August 2010. The options hold no voting or dividend rights and are not transferable.
- On 3 August 2005, 1,050,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.20 each. The options are exercisable on or before 3 August 2010. The options hold no voting or dividend rights and are not transferable.
- No options were exercised during the period.

**Indo Gold Limited**  
**Directors' report** (continued)

**Proceedings on Behalf of the Company**

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

**Auditor's Independence Declaration**

Our auditors have provided the Board of Directors with a signed Independence Declaration in accordance with section 307C of the Corporations Act 2001. This declaration is attached to the Directors' Report.

This report is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M. Higgins', followed by a horizontal line and a dash.

**Michael Higgins**  
**Director**

**Dated at Brisbane, 9<sup>th</sup> November 2005**

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The Board of Directors  
Indo Gold Limited  
Suite 1, Level 1, 32 Park Road  
Milton QLD 4064

### **Auditor's Independence Declaration**

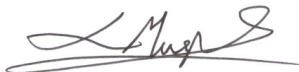
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Indo Gold Limited.

As lead audit partner for the audit of the financial report of Indo Gold Limited for the period ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully

**Hacketts**



**Liam J Murphy**  
Audit Partner  
Dated at Brisbane, 9<sup>th</sup> November 2005

# Indo Gold Limited

## Financial report – 30 June 2005

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This financial report covers Indo Gold Limited.

Indo Gold Limited is a public company domiciled in Australia. Its registered office and principal place of business is:

Suite 1, Level 1, 32 Park Road  
Milton QLD 4064

**Indo Gold Limited**  
**Statement of financial performance**  
**For the period ended 30 June 2005**

	Note	Period ended 30 June 2005 \$
<b>Revenue from ordinary activities</b>	<b>3</b>	<u>1,713</u>
<i>Expenses from ordinary activities:</i>		
Exploration expenses		(63,207)
Administration expenses		(3,368)
Travel expenses		(27,828)
Legal expenses		<u>(17,719)</u>
<b>Total Expenses from ordinary activities</b>	<b>4</b>	<u>(112,122)</u>
<b>Loss from ordinary activities before related income tax expense</b>		(110,409)
Income tax benefit/(expense) related to operating loss	<b>6</b>	-
<b>Net loss attributable to members of Indo Gold Limited after income tax expense</b>		<u>(110,409)</u>
<b>Total revenues, expenses and valuation adjustments attributable to members of Indo Gold Limited recognised directly in equity</b>		-
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u><u>(110,409)</u></u>

The statement of financial performance should be read in conjunction with the accompanying notes to the financial statements

**Indo Gold Limited**  
**Statement of financial position**  
**As at 30 June 2005**

	Note	2005 \$
<b>Current Assets</b>		
Cash at bank	7	351,527
Receivables	8	<u>6,295</u>
<b>TOTAL CURRENT ASSETS</b>		<u>357,822</u>
<b>Non-Current Assets</b>		
Loan – Indo Gold Mine PVT Ltd	8	75,214
Intangibles	9	<u>101,997</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>177,211</u>
<b>TOTAL ASSETS</b>		<u>535,033</u>
<b>Current Liabilities</b>		
Payables	10	<u>54,992</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>54,992</u>
<b>TOTAL LIABILITIES</b>		<u>54,992</u>
<b>NET ASSETS</b>		<u>480,041</u>
<b>EQUITY</b>		
Share capital	11	590,450
Accumulated losses	12	<u>(110,409)</u>
<b>TOTAL EQUITY</b>		<u>480,041</u>

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

**Indo Gold Limited**  
**Statement of cash flows**  
**For the period ended 30 June 2005**

	Notes	2005 \$
<b>Cash flows from operating activities</b>		
Receipts from customers		-
Payments to suppliers		(113,425)
Interest received		1,713
<b>Net cash inflow from operating activities</b>	<b>18</b>	<u>(111,712)</u>
<b>Cash flows from investing activities</b>		
Payments for intangible assets		(51,997)
<b>Net cash (outflow) from investing activities</b>		<u>(51,997)</u>
<b>Cash flows from financing activities</b>		
Loan advanced to related parties		(75,214)
Proceeds from share issue		590,450
<b>Net cash inflow (outflow) from financing activities</b>		<u>515,236</u>
<b>Net increase (decrease) in cash held</b>		<b>351,527</b>
Cash at the beginning of the financial period		-
<b>Cash at the end of the financial year</b>	<b>7</b>	<u><u>351,527</u></u>

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

**Indo Gold Limited**  
**Notes to the financial statements**  
For the period ended 30 June 2005

**Note 1. Summary of significant accounting policies**

**(a) Basis of accounting**

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

The financial report covers Indo Gold Limited, an unlisted public company, incorporated and domiciled in Australia.

It has been prepared on an accrual basis and is based on historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

**(b) Income Tax**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

**(c) Intangibles**

Formation costs are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

**(d) Revenue recognition**

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets

**(e) Payables**

A liability is recorded for goods and services received prior to balance date, whether invoiced to the company or not. Payables are normally settled within 30 days.

**(f) Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005** (continued)

**(g) Adoption of Australian equivalents to international financial reporting standards**

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to ISAB interpretations originated by the International Financial Reporting Interpretations Committee of the former Standing Interpretations Committee.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2005.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of management:

*Income tax*

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculated temporary differences based on their carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. There is expected to be an immaterial impact on the application of this standard.

*Intangible assets*

The entity recognises that they have intangible assets and will be required to revalue any items that have not been determined by reference to an active market. There is expected to be an immaterial impact on the application of this standard.

*Share based payments*

Under AASB2 Share based Payments, the Company will be required to determine the fair value of options issued to employees and directors as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share based payments that have not vested as at 1 January 2005. For the Company options granted this period vest after 1 January 2005, therefore the fair value of the share based payments will be reflected in the results of the Company. Under this standard the Company would recognise the fair value of options issued to Directors, key executives and key research staff as an expense on a pro-rata basis in the income statement over the vesting period of the options, with a corresponding adjustment to equity. The Company is not yet in a position to reliably estimate the impact of this standard on options issued to directors.

**Note 2. Segment Information**

The Company operates predominantly in one business segment being the promotion and management of exploration and mining projects. The Company's customers are located predominantly in India.

**Note 3. Revenue**

	<b>Period ended</b>
	<b>30 June 2005</b>
<b>Revenue from operating activities</b>	\$
Sale of goods or services	-
<b>Revenue from outside the operating activities</b>	
Interest revenue	<u>1,713</u>
<b>Total Revenue</b>	<u><u>1,713</u></u>

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 4. Operating Loss from Ordinary Activities before Income Tax Expense**

**Period ended**  
**30 June 2005**  
**\$**

**Expenses**

Loss from ordinary activities before income tax expense includes the following expenses:

**Expenses from ordinary activities**

*Exploration expenses:*

Consultants fees	56,588
Assay expenses	3,033
Data Processing expenses	1,811
Freight and accommodation	1,775
	<u>63,207</u>

*Travel and accommodation expenses:*

Airfares, Air Charter and Insurance	19,362
Accommodation and Meals	7,241
Other travel and accommodation expenses	1,225
	<u>27,828</u>

**Note 5. Auditors' Remuneration**

Remuneration of Hacketts Chartered Accountants for:

Audit Services	
- Audit of financial reports under the Corporations Act 2001	1,500
Accounting and other services	
- Assistance in the preparation of financial statements.	2,500
	<u>4,000</u>

**Note 6. Income Tax**

**Period ended**  
**30 June 2005**  
**\$**

The income tax expense for the financial period differs from the amount calculated on the profit/ (loss). The differences are reconciled as follows:

Loss from ordinary activities before income tax expense	(110,409)
	<u>(110,409)</u>
Income tax benefit calculated @ 30%	(33,123)
Tax effect of permanent differences:	
Non-deductible formation costs	(120)
Income tax adjusted for permanent differences	<u>(33,243)</u>
Future Income Tax Benefits not recognised	
Losses	28,090
Timing differences	5,153
	<u>33,243</u>
<b>Income Tax Expense</b>	<u>-</u>

Future income tax benefits have not been brought to account because realisation of the asset is not assured beyond reasonable doubt, or if relating to losses realisation is not virtually certain.

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 7. Cash at Bank**

	<b>2005</b>
	<b>\$</b>
Cash at bank	<u><u>351,527</u></u>

The above figures are reconciled to cash at the end of the financial period as shown in the statement of cash flows as follows:

Cash at bank and on hand	<u>351,527</u>
Balances per statement of cash flows	<u><u>351,527</u></u>

Cash held at bank is bearing interest at rates averaging at 4.8%.

**Note 8. Receivables**

*Current*

Other debtors	<b>640</b>
GST Receivable	<u>5,655</u>
	<u><u>6,295</u></u>

*Non-current*

Loan – Indo Gold Mine PVT Ltd	<u><u>75,214</u></u>
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In accordance with the terms of the Heads of Agreement entered into with Metal Mining India PVT Ltd (MMI), the company has committed to funding the activities of the JV Company to achieve business milestones. Monies transferred to the JV Company are currently being recognised as a loan recoverable in future years when the JV Company is in a position to repay it.

**Note 9. Intangibles**

Formation costs - Indo Gold Mine PVT Ltd	[1]	<b>100,000</b>
Formation costs – Indo Gold Limited		<u>1,997</u>
<b>Total intangible assets</b>		<u><u>101,997</u></u>

[1] On 23 October 2004, the Company entered into a Heads of Agreement with Metal Mining India PVT Ltd (MMI) to establish and conduct an incorporated joint venture (Indo Gold Mine PVT Ltd) to conduct exploration using Reconnaissance Permits available to MMI. In accordance with the terms of the Heads of Agreement the Company agreed to reimburse MMI \$100,000 for expenditure incurred in the acquisition of the Reconnaissance Permits. The company paid \$50,000 and committed to providing MMI \$50,000 in shares in any future capital raisings for the Joint Venture either through an IPO or private placement. Directors believe that it is probable that this commitment will be realised in the next 12 months and have therefore fully provided for the cost of the shares expected to be issued.

**Note 10. Payables**

**Current:**

Trade creditors		<b>1,992</b>
Accruals		<u>3,000</u>
Provision for cost of establishing Indo Gold Mine PVT Ltd	9[1]	<u>50,000</u>
		<u><u>54,992</u></u>

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005 (continued)**

**Note 11. Equity**

**2005**

**\$**

**a. Share capital**

Share Capital 12,800,000 ordinary shares, fully paid

**590,450**

**b. Fully paid ordinary shares**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

**c. Movements in ordinary share capital:**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>Issue price \$</b>	<b>\$</b>
15 September 2004	Share Issue	250,000	0.06	15,000
15 September 2004	Share Issue	300,000	0.033	10,000
15 September 2004	Share Issue	50,000	0.001	50
15 September 2004	Share Issue	300,000	0.05	15,000
21 January 2005	Share Issue	2,400,000	0.015	36,000
21 January 2005	Share Issue	1,600,000	0.015	24,000
21 January 2005	Share Issue	200,000	0.001	200
14 March 2005	Share Issue	2,000,000	0.025	50,000
14 March 2005	Share Issue	200,000	0.001	200
14 March 2005	Share Issue	2,200,000	0.05	110,000
10 June 2005	Share Issue	500,000	0.10	50,000
14 June 2005	Share Issue	1,500,000	0.10	150,000
14 June 2005	Share Issue	500,000	0.10	50,000
22 June 2005	Share Issue	500,000	0.10	50,000
23 June 2005	Share Issue	300,000	0.10	30,000
30 June 2005	Balance	<b>12,800,000</b>		<b>590,450</b>

**d. Options**

i. On 10 March 2005, 900,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.05 each. The options are exercisable on or before 10 March 2010. The options hold no voting or dividend rights and are not transferable. At balance date no options had been exercised.

ii. **Details of options granted during the period**

<b>Granted to directors or director related entities of:</b>	<b>Granted Number</b>	<b>Grant Date</b>	<b>Terms &amp; Conditions for each Grant</b>		
			<b>Exercise Price</b>	<b>Exercise Date From</b>	<b>Expiry Date</b>
Christopher Rashleigh	300,000	10 March 2005	\$0.05	10 March 2005	10 March 2010
Michael Higgins	300,000	10 March 2005	\$0.05	10 March 2005	10 March 2010
Kevin Bullock	300,000	10 March 2005	\$0.05	10 March 2005	10 March 2010

iii. **Shares issued on exercise of options**

No options have been exercised as at 30 June 2005.

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005** (continued)

	<b>Period ended</b>
	<b>30 June 2005</b>
<b>Note 12. Retained Losses</b>	<b>\$</b>
Accumulated losses at the beginning of the financial period	-
Net loss attributable to members of the Company	<b>(110,409)</b>
Retained losses at the end of the financial period	<b>(110,392)</b>

**Note 13. Financial Instruments**

**a. Credit risk exposures**

The credit risk on financial assets of the company which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

**b. Interest rate risk exposures**

The company's exposure to interest rate risk and the effective weighted average interest rate is set out in the relevant note.

**c. Net fair value of financial assets and liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and the financial liabilities of the company approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

**Note 14. Directors and Executives' Disclosure**

**a. Directors**

The names and positions held of Directors and Specified Executives of the Company in office at any time during the financial period ended 30 June 2005 are:

**Directors:**

Michael Higgins	Director
Kevin Bullock	Director
Christopher Rashleigh	Director and Company Secretary

**b. Directors Remuneration**

There was no income paid or payable, or otherwise made available to directors of the company at any time during the period.

**c. Loans to/(from) directors and associated entities** **2005**

**\$**

Loans to directors and associated entities are disclosed in Note 8 and comprise:

Loan – Indo Gold Mine PVT Ltd	<b>75,214</b>
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In accordance with the terms of the Heads of Agreement entered into with Metal Mining India PVT Ltd.

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005** (continued)

**d. Director's holdings of shares**

The interests of directors of the Company and their director-related entities in shares of the Company at 30 June 2005 are set out below.

Shareholdings	Balance at the start of the period	Received as Remuneration	Options Exercised	Acquired	Balance at the end of the period
<b>Directors:</b>					
Michael Higgins	-	-	-	4,300,000	4,300,000
Kevin Bullock	-	-	-	2,700,000	2,700,000
Christopher Rashleigh	-	-	-	2,250,000	2,250,000
BSM Mining Pty Ltd [1]				250,000	250,000
				<b>9,500,000</b>	<b>9,500,000</b>
[1] BSM Mining Pty Ltd is a related entity of both Michael Higgins and Christopher Rashleigh					

**e. Directors holdings of options**

The interests of directors of the Company and their director-related entities in share options of the Company at 30 June 2005 are set in Note 11 (c).

**f. Other transactions with directors and director related entities**

No director of the company has received or become entitled to receive any benefit other than those included in the aggregate amount of remuneration received or due and receivable and declared in the financial statements:

**Note 15. Interest in Joint Venture**

On 23 October 2004, the Company entered into a Heads of Agreement with Metal Mining India Pvt Ltd (MMI) to establish and conduct an incorporated joint venture to conduct exploration using Reconnaissance Permits available to MMI. The JV Company established is called Indo Gold Mines Pvt Ltd (IGM). In accordance with the terms of the Heads of Agreement the shareholding in IGM shall be 70% Indo Gold Limited and 30% MMI.

The directors are of the opinion that in accordance with the terms of the Heads of Agreement the Company is in control of IGM. This position is expected to be recognised formally when the draft Joint Venture (JV) Agreement currently being prepared to replace the Heads of Agreement is finalised. However, the operating results since the date of acquisition and position of IGM have not been included in the statement of financial performance or statement of financial position respectively as at 30 June 2005. The directors are of the opinion that the operations of this entity up to 30 June 2005 have been minimal and were not material to the results or position of the Company as at 30 June 2005.

**Note 16. Contingent Liabilities**

Directors are not aware of any contingent liabilities that are likely to have a material effect on the results of the entity as disclosed in these financial statements.

**Note 17. Commitments for Expenditure**

Directors are not aware of any expenditure or capital commitments that are likely to have a material effect on the results of the entity as disclosed in these financial statements.

**Indo Gold Limited**  
**Notes to the financial statements**  
**30 June 2005** (continued)

**Note 18. Reconciliation of loss from ordinary activities to net cash outflow from operating activities**

	2005 \$
Loss from ordinary activities	(110,409)
Change in operating assets and liabilities	
Decrease (increase) in trade debtors	(6,295)
Increase (decrease) in trade creditors	1,992
Increase (decrease) in accruals and other creditors	3,000
Net cash outflow from operating activities	<u>(111,712)</u>

**Note 19. Events subsequent to reporting date**

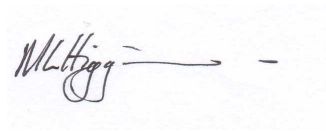
No matters or circumstances have arisen since the 30 June 2005 that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

**Indo Gold Limited**  
**Directors' declaration**

In the opinion of the directors of Indo Gold Limited (the Company):

- (a) the financial statements and notes, set out on pages 8 to 18, are in accordance with the Corporations Act 2001 including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of its performance, as represented by the results of its operations and its cash flows, for the period ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'M Higgins', followed by a horizontal line and a dash.

**M Higgins**  
**Director**  
**Dated at Brisbane, 9<sup>th</sup> November 2005**

## **Independent audit report to the members of Indo Gold Ltd**

### **Scope**

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

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Indo Gold Limited for the period ended 30 June 2005.

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

### **Audit Approach**

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

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

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

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

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

### **Independence**

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given the Directors of the Company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

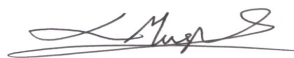
### **Audit Opinion**

In our opinion, the financial report of Indo Gold Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - i) giving a true and fair view of the Company's financial position as at 30 June 2005 and of the performance for the period ended on that date; and
  - ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



**Hacketts Chartered Accountants**  
**Brisbane, 9<sup>th</sup> November 2005**



**Liam Murphy**  
**Audit Partner**