

# GIRALIA RESOURCES NL

ABN 64 009 218 204

## Annual Report

30 June 2004

# GIRALIA RESOURCES NL

## *Contents ...*

	<i>Page</i>
Corporate Directory .....	1
Chairman's Report .....	2
Review of Operations .....	3-21
Directors' Report.....	22-25
Financial Statements	
Statements of Financial Performance .....	26
Statements of Financial Position.....	27
Statements of Cash Flows.....	28-29
Notes to the Financial Statements.....	30-46
Directors' Declaration.....	47
Independent Auditor Report.....	48-49
Additional Shareholder Information.....	50-51
Corporate Governance Statement.....	52-54
Interests in Mining Tenements .....	55-59

# GIRALIA RESOURCES NL

## *Corporate Directory ...*

### ***Directors***

Graham D. Riley B. Juris L.L.B. (Chairman)  
Stanley A. Macdonald  
R Michael Joyce B.Sc (Hons) M.Sc

### ***Secretary***

Bruce R. Acutt B.Comm

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### ***Auditors***

KPMG  
Chartered Accountants  
152 - 158 St George's Terrace  
PERTH WA 6000

### ***Share Register***

Security Transfer Registrars Pty Ltd  
PO Box 535  
APPLECROSS WA 6953  
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### ***Solicitors***

Dibbs Barker Gosling  
Level 1, 189 St George's Terrace  
PERTH WA 6000

### ***Bankers***

Commonwealth Bank of Australia Limited  
Forrest Place  
PERTH WA 6000

### ***Home Exchange***

Australian Stock Exchange Limited  
2 The Esplanade  
PERTH WA 6000

**ASX Code : GIR**

# GIRALIA RESOURCES NL

## *Chairman's Report ...*

The past year represents a watershed for the Company, which has traditionally operated on the basis of innovative and early project definition and acquisition, followed by the involvement of a mining major through farm-in, with a resultant interest for the Company carried through the early and risky stages of exploration. This modus-operandi was considered to offer shareholders the best leverage where market conditions had restrained both the price of the Company's shares and its ability to raise new capital at an acceptable cost, with many major Australian and international groups joining with Giralia in joint venture projects. Indeed, the Company's excellent relationship with Mount Isa Mines (MIM), built through involvement in numerous joint ventures and database arrangements with Giralia, helped the Company secure a 100% interest in the Ann Mason copper deposit in Nevada, USA.

The expiration of the Company's listed options on 31 March 2004 resulted in an unprecedented uptake of some 99%, and the raising of A\$6 million in working capital. This demonstration of faith in the Company, its properties and management could not have come at a better time, with the injection of funds facilitating the acquisition of a 100% interest in the Company's Snake Well project, and the acceleration of exploration on this and other properties in the Company's impressive multi-commodity portfolio. Shareholders are referred to the Review of Operations for full details of our on-going programs.

The quality of the Company's exploration projects and joint ventures has again been underscored through its association with US utility, General Atomics, and its affiliate, Heathgate Resources Pty Ltd, which is currently actively exploring the Company's Lake Frome property in South Australia. Lake Frome covers some 2000 square kilometres adjoining Heathgate's approved and operating Beverley uranium mine, and contains potential extensions of the mineralised palaeo channels which form the basis of the mining operations at Beverley, with interpreted targets on Giralia's ground. This joint venture property, adjoining an operating mine with all approvals and licences in place, probably offers Giralia's shareholders the greatest chance to monetise any exploration success in a commodity like uranium in Australia.

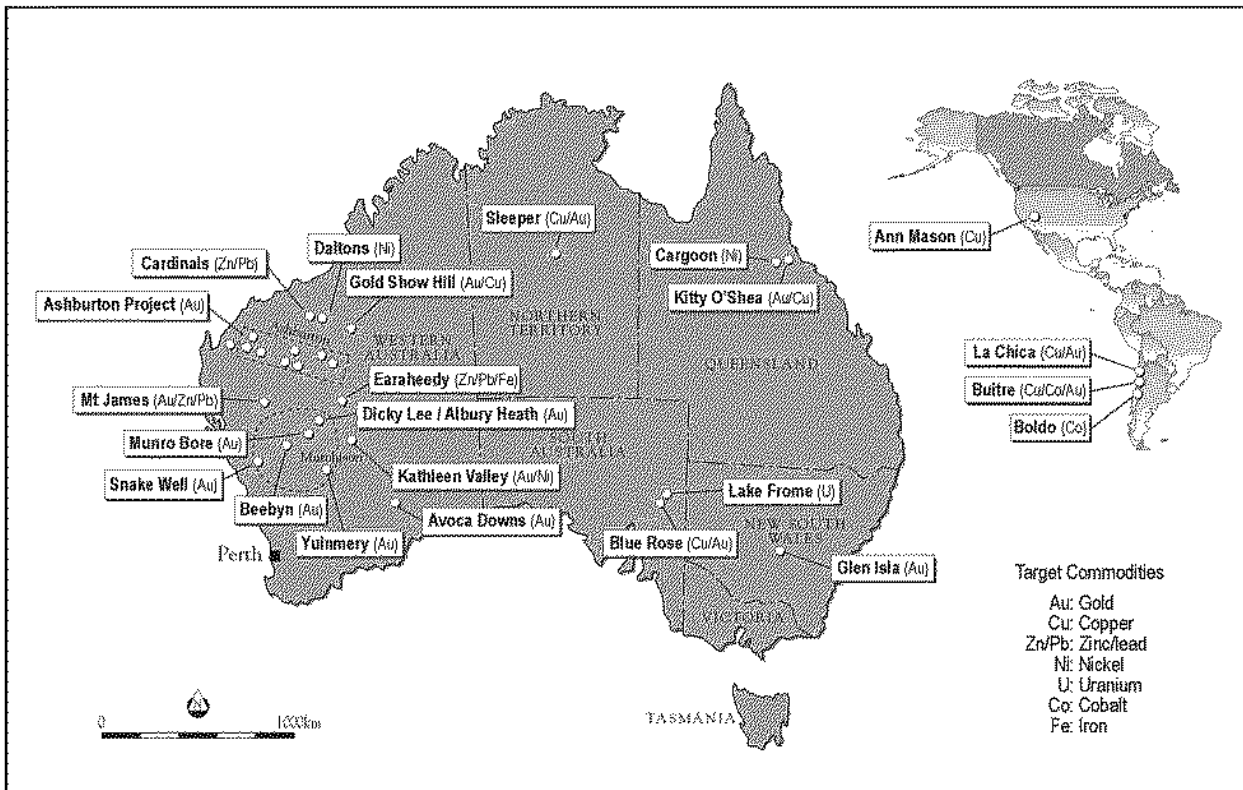
Although the resource sector is currently well supported, volatility can be expected to continue and it is incumbent upon management to continue to efficiently husband and maximise the impact of every exploration dollar spent. Whilst the Company is currently better capitalised than it has ever been, and in a position to push ahead aggressively with its exploration projects, quality joint ventures will always remain an important part of our business strategy. I know management shares my aim of keeping the Company lean and efficient through a period of extraordinary exploration activity, and my thanks go out to them and all employees and contractors for their outstanding efforts over the past 12 months.

**Graham Riley**  
**CHAIRMAN**

14 October 2004

# GIRALIA RESOURCES NL

## Review of Operations ...



**PROJECT LOCATION MAP**

Giralia Resources NL continued aggressive drilling throughout the year with around 35,000 metres of drilling completed on the Company's projects, including substantial drilling on several advanced projects. Additionally, the Company continued the growth of its highly regarded portfolio of multi-commodity exploration properties.

- In December 2003, Giralia resumed 100% interest in the advanced Snake Well gold and base metals project in Western Australia, and subsequent intensive drilling resulted in the project gold resource base being more than doubled to 2.49 million tonnes @ 2 grams per tonne gold for 160,000 ounces. The Company considers Snake Well to be a near term production opportunity, and intends to continue to grow this resource base with ongoing drilling.
- During the year the Company acquired 100% interest in the Ann Mason copper deposit in Nevada USA, a large undeveloped porphyry style copper deposit previously estimated to contain 495 million tonnes @ 0.4% copper, with drill intersections including 196 metres @ 1.14 % copper, and an adjacent untested geophysical target.
- At the Company's Daltons Joint Venture, a high grade nickel and platinum group element project in the Pilbara region of WA, initial drilling intersected anomalous disseminated nickel-copper sulphides, and provided down hole EM conductors for follow up drill testing, planned for October 2004.

Additionally, drilling on the Company's 100% owned Munro Bore gold project and Blue Rose copper-gold project continued to provide strong encouragement, and Giralia remains a key player through non-managed joint venture exposure in the emerging Ashburton gold province, whilst retaining significant holdings in the Earraheedy Basin, Murchison and Eastern Goldfields regions of WA.

Giralia is now fully funded for further exploration of its exciting and diverse assets, with \$6 million raised through the exercise of 99% of the Company's listed options on 31 March 2004.

# GIRALIA RESOURCES NL

## Review of Operations ...

### Snake Well Project

The Company's Snake Well project covers approximately 300 square kilometres of the Archaean Talling greenstone belt in the Western Murchison Province, 450 kilometres north of Perth in Western Australia. Giralia has resumed 100% interest in this advanced gold project by pre-empting the assignment of Mount Isa Mines Ltd's ("MIM's") obligations under the Snake Well Joint Venture to Straits Exploration (Australia) Pty Ltd ("Straits"). MIM was entitled to earn a 60% interest at Snake Well through expenditure of \$3 million, with approximately \$750,000 spent, prior to the merger between MIM and Xstrata.

Resource level reverse circulation ("RC") and diamond drilling, and concurrent regional aircore drilling recommenced at Snake Well following the Company's resumption of 100% interest in the project in December 2003, with a total of 16,887.43 metres of drilling, comprising 171 RC holes (9407 metres), 118 Aircore holes (6728 metres) and 11 diamond tails (752.43 metres), completed. The main focus of drilling was the promising Mixy lode discovery, which returned high grade gold intersections over more than 200 metres of strike, some of which are shown in the table below:

**Significant Intersections – Mixy Lode December 2003-June 2004**

Hole No	N	E	Incl/Az	Depth (m)	From (m)	To (m)	Intersection (g/t gold)
RCRW061	9682	9720	-60°/330°	85	36	48	<b>12m @ 10.34</b>
					incl 37	41	<b>4m @ 27.8</b>
RCRW063	9700	9740	-60°/150°	75	40	53	<b>13m @ 5.08</b>
					incl 45	49	<b>4m @ 11.01</b>
RCRW064	9640	9700	-60°/330°	130	81	95	<b>14m @ 5.91</b>
					incl 82	85	<b>3m @ 24.9</b>
RCRW065	9620	9740	-60°/330°	142	94	105	<b>11m @ 4.31</b>
					incl 94	100	<b>6m @ 7.65</b>
RCRW069	9610	9780	-60°/330°	120	82	94	<b>12m @ 18.8</b>
					91	94	<b>3m @ 68.1</b>
RCRW071	9700	9660	-60°/330°	45	5	8	<b>3m @ 10.5</b>
RDRW099	9720	9820	-60°/150°	173	148.95	154.6	<b>5.65m @ 74.8</b>
					incl 148.95	149.65	<b>0.7m @ 121.5</b>
					152.15	152.65	<b>0.5m @ 154</b>
					153.6	154.6	<b>1.0m @ 260</b>
RDRW103	9550	9860	-60°/330°	191	153.4	156.0	<b>3.6m @ 29.8</b>
					incl 153.4	154.9	<b>1.5m @ 70.8</b>
RCRW109	9610	9760	-60°/330°	124	94	107	<b>13m @ 9.99</b>
					98	102	<b>4m @ 30.3</b>

RC prefix = Reverse Circulation drill hole, analysis of 1 metre riffle split samples by 50g fire assay or screen fire assay

RD prefix = Pre-collared diamond drill hole, analysis of ½ NQ core by 50g fire assay or screen fire assay

g/t gold = grams per tonne gold

co-ordinates are Rabbit Well local grid

A revised total project gold inventory of **2.49 million tonnes @ 2.0 g/t gold** was estimated at 30 June 2004 for the Snake Well project, including initial resource estimates for the new Mixy, Calisi 1 and Calisi 2 lodes, and the Asp and 1080 laterite zones, along with updated estimates for the A-zone deposit (previously 460,000t @ 3.1 g/t gold Inferred) and the Lop, Buckshot and Warren laterite zones (previously 620,000t @ 1.1 g/t gold Inferred).

# GIRALIA RESOURCES NL

## Review of Operations ...

### SNAKE WELL PROJECT – IDENTIFIED MINERAL RESOURCES AT 30/6/04

#### Lodes

DEPOSIT	TOTAL INDICATED & INFERRED			Category
	Tonnes	Grade g/t gold (uncut)	Grade g/t gold (cut)	
A-zone	795,000	2.2	2.0	Indicated *
	(incl. 455,000)	2.9	2.8)	Indicated
Mixy	340,000	5.1	3.5	Inferred
	(incl. 80,000)	17.3	11.2)	Inferred
Calisi 1	110,000	4.1	3.8	Inferred
Calisi 2	180,000	3.2	2.4	Inferred
Royal Standard	35,000	4.3	4.3	Inferred
<b>Total Lodes</b>	<b>1,460,000</b>	<b>3.2</b>	<b>2.6</b>	

#### Laterites

DEPOSIT	TOTAL INDICATED & INFERRED			Category
	Tonnes	Grade g/t gold (uncut)	Grade g/t gold (cut)	
Lop	440,000	1.2	1.1	Indicated
Buckshot	120,000	0.9	0.9	Indicated
Warren	170,000	1.1	1.1	Indicated
Asp	200,000	0.9	0.9	Inferred
1080	95,000	0.8	0.8	Inferred
<b>Total Laterites</b>	<b>1,025,000</b>	<b>1.1</b>	<b>1.0</b>	

TOTAL INDICATED & INFERRED			
<b>Overall Totals:</b>	<b>2,485,000</b>	<b>2.3</b>	<b>2.0</b>
<b>Contained Gold:</b>		<b>185,000 ounces</b>	<b>160,000 ounces</b>

Note : Tonnages and grades rounded.

\* A very minor portion (3%) of the A-zone resource is classified as Inferred.

The Company aims to continue to grow this resource base with further exploration drilling at and along strike from the existing deposits.

Drilling continued at Snake Well in the September 2004 quarter, aimed at confirming and extending high grade oxidised and primary quartz lode mineralisation at the Mixy and Calisi lodes, and testing a 1 kilometre segment of the shear zone that hosts Mixy and Calisi 1.

Details of progress on individual prospects within the Snake Well area are provided below.

#### Rabbit Well Lodes

Giralia's 100% owned Snake Well tenements comprise around 45 kilometres of strike of the Talling greenstone belt. The southern half of the greenstone sequence comprises a 2-3 kilometre thick zone of mafic rocks and banded iron formations, within which a prominent magnetic unit (the Houghtons Magnetic Unit) shows strong gold anomalism over more than 15 kilometres of strike. The 2 kilometre long Rabbit Well gold anomaly hosts significant primary mineralisation associated with shearing and quartz veining in mafic rocks (Mixy and Calisi lodes), along with widespread near surface (top 15 metres) gold mineralisation in lateritic gravels. A gold anomaly of similar scale at Asp, 6 kilometres west of Rabbit Well, has received limited follow up to date.

# GIRALIA RESOURCES NL

## *Review of Operations ...*

The Rabbit Well anomaly was again the focus of most of the drilling at Snake Well during the year. Results were positive, with the Mixy lode producing high grade intersections over more than 200 metres strike resulting in an initial Inferred Resource estimate of 340,000 tonnes @ 3.5 g/t gold, including 80,000 tonnes @ 11.2 g/t gold. The Mixy deposit is interpreted to be open along strike and down plunge.

The presence of particulate gold, and the likelihood of grade upside at Mixy, has been confirmed by both screen fire assay checks and re-sampling and assaying of selected intervals for metallurgical head grades, which has resulted in some significant upgrades to several Mixy lode intersections:

Hole No	Intersection from Initial Assays	Intersection from Screen Fire Assay	Intersection from Metallurgical Head
RDRW103	3.6m @ 29.8 g/t		3.6m @ 67.5 g/t
RDRW099	5.65m @ 18.9 g/t	5.65m @ 74.8 g/t	
RCRW065	6m @ 7.65 g/t		6m @ 30.8 g/t

Preliminary metallurgical testwork on drill hole composites from the Mixy lode indicates good recoveries, and confirms a high proportion of gravity recoverable gold.

Hole No	Assay Head Grade	Total Au Recovery	Gravity Recovery	Vertical Depth	
RCRW061	9.22 g/t	99.2%	79.9%	35m	Oxide
RCRW065	30.8 g/t	99.7%	82.9%	80m	Transition
RCRW100	7.64 g/t	81.5%	68.5%	110m	Primary
RDRW103/108	25.9 g/t	98.3%	47.8%	120-150m	Primary
Average:		<b>94.7%</b>	<b>69.8%</b>		

At the Calisi prospect, initial resource estimates for the Calisi 1 and nearby Calisi 2 lodes returned a total Inferred Resource of 290,000 tonnes @ 3.1g/t gold.

Several important intersections were returned from RC holes targeted at strike extensions to the Mixy and Calisi lodes. From an exploration viewpoint, of particular significance are hole RCRW113 (7 metres @ 3.93 g/t gold), located 100 metres east of the Mixy deposit, and hole RCRW132 (11 metres @ 1.02 g/t gold), located mid-way between the Mixy and Calisi 1 deposits beneath the Lop laterite zone.

### *Rabbit Well laterites*

Resource level shallow RC drilling led to an increase in near surface gold resources in mineralised lateritic gravels at the Rabbit Well prospect.

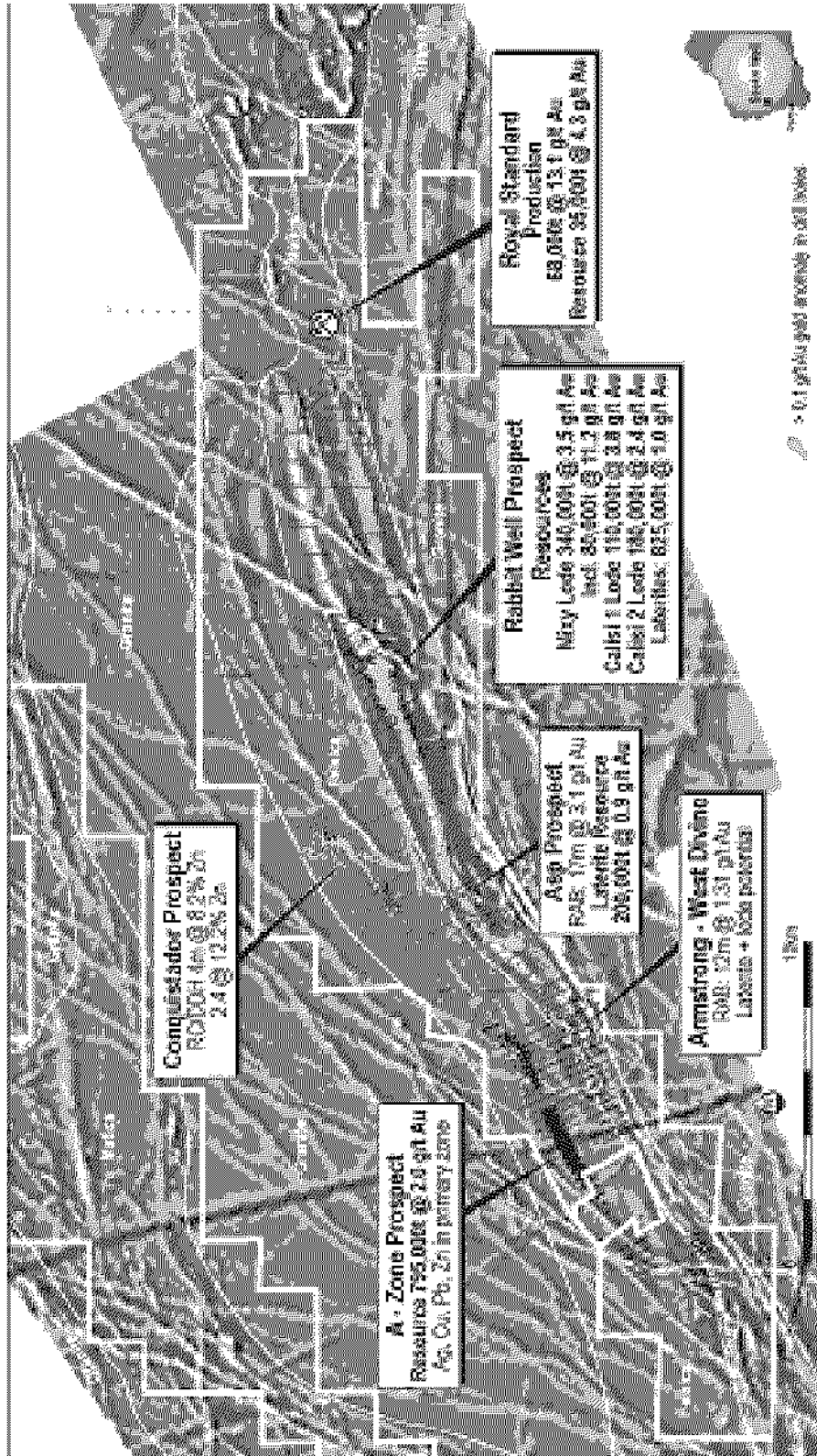
The total laterite resource for the Lop, Buckshot, 1080 and Warren zones was increased to 825,000 tonnes @ 1.1 g/t gold (previously 620,000 tonnes @ 1.1 g/t gold).

Previous metallurgical testwork on pulverized drill composites from the Lop and Warren prospects returned positive results with gold recoveries of approximately 90%. A sample of low grade mineralisation ( less than 0.5 g/t gold) from the Buckshot laterite zone was excavated in a small pit and preliminary testwork to test heap leach characteristics provided encouragement with gold recoveries of 70% for –6mm feed crush size, and 67% for –12.5 mm feed crush size. Further testwork on samples of more representative grade is warranted.



# GIRALIA RESOURCES NL

Review of  
Operations ...



## SNAKE WELL PROJECT

Aeromagnetic map showing gold anomalies and resources

# GIRALIA RESOURCES NL

## *Review of Operations ...*

### *Asp Prospect*

A new laterite resource was discovered at Asp with an initial Inferred Resource estimate of 200,000 tonnes @ 0.9 g/t gold. Further drilling is planned to test lode targets at the 1.6 kilometre long Asp gold anomaly, located approximately 6 kilometres west of the Rabbit Well prospect along the same well defined aeromagnetic trend. Six RC holes were drilled into lode targets at Asp during the year, with a best intersection of 4 metres @ 1.97 g/t gold.

### *Royal Standard*

The Royal Standard lode produced approximately 68,000 tonnes of ore at a recovered grade of 13.1 g/t gold between 1897–1937, from underground mining to a depth of only 75 metres below surface. An Inferred Resource of 35,000 tonnes @ 4.3 g/t gold was estimated to 50 metres depth immediately to the east of the previously stoped area. Aircore drilling in an area 2 kilometres west of the Royal Standard mine has defined a gold anomaly (greater than 0.1 g/t gold) over 2.6 kilometres long, with a best intersection of 3 metres @ 1.15 g/t gold.

### *A-Zone, Conquistador trend*

A felsic volcanic sequence in the north of the greenstone belt at Snake Well hosts both a gold resource with unusual copper lead zinc and silver credits at A-Zone, and volcanic hosted massive sulphide ("VHMS") style zinc mineralisation at the Conquistador prospect, 10 kilometres along strike from A-Zone, where RC and diamond drilling has returned intersections including 4 metres @ 8.2% zinc, 0.63% lead, 0.52% copper, 20.5 g/t silver and 2.4 metres @ 12.15% zinc, 0.63% lead, 0.64% copper, 27.5 g/t silver and 0.4 g/t gold.

During the year the A-Zone gold resource was increased to 795,000 Tonnes @ 2.0g/t gold (Indicated Resource) following re-estimation to include all recent drilling. There was no work at Conquistador.

### Daltons Joint Venture

Giralia's Daltons nickel joint venture is located 150 kilometres south of Port Hedland in Western Australia's Pilbara region. Giralia can earn 75% interest through expenditure of \$625,000 from Haoma Mining NL ("Haoma"), with Haoma retaining rights to tantalum and gold.

In 2003 detailed prospecting and mapping by Giralia of the northern portion of the Daltons ultramafic complex, along with gossan search and rock chip sampling, confirmed the likelihood of highly enriched sulphide deposits at the margins of the ultramafic complex, with gossans along the basal ultramafic contact returning strongly anomalous nickel, copper and platinum group elements ("PGE") grades including 5.7% nickel, 9.43% copper and 7.1 g/t PGE.

High grade nickel sulphide drill intersections were reported from initial drill testing in 1971, when two holes reportedly encountered high grade massive sulphides at a serpentinite-sediment contact at the Kingsway zone:

**DDH 3 – 0.9 metres @ 9.29% nickel, 3.59% copper within 3.5 metres @ 2.55% nickel, 1.16% copper**

**DDH 5 – 0.7 metres @ 11.81% nickel, 3.11% copper within 3.7 metres @ 2.41% nickel, 0.61% copper**

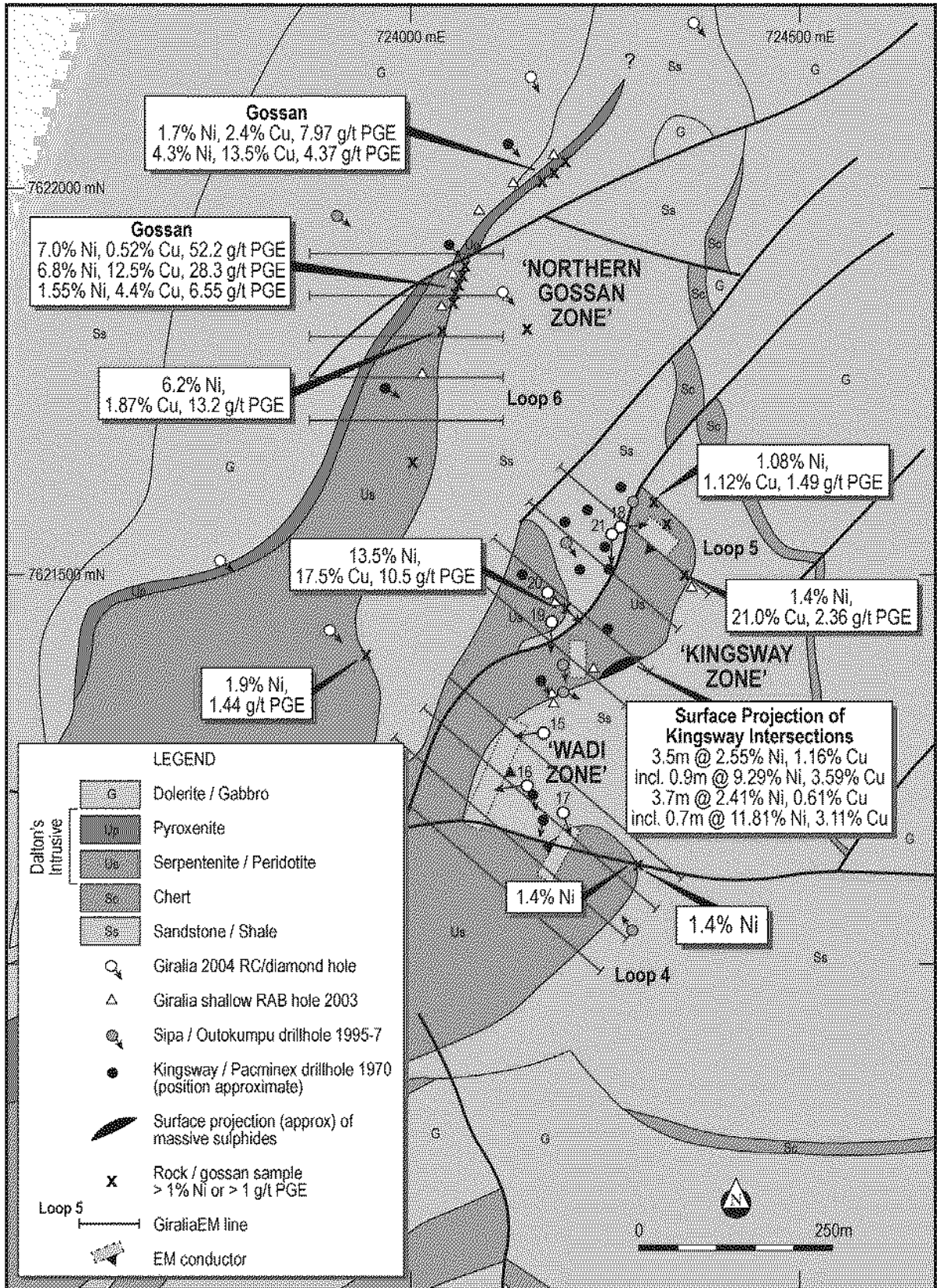
Individual assays as high as 31.4% nickel (over 16.5cm) were reported.

Shallow bedrock geochemical drilling was completed at the Daltons prospect in late November 2003 following completion of Aboriginal heritage clearances. The program utilised a small track mounted rotary air blast ("RAB") rig to access difficult sites. Fourteen shallow holes were drilled (average depth 18 metres), with a number of holes failing to reach target depth due to the limitations of the rig. Assay results confirmed anomalous nickel, copper and PGE.

Hole RBDN001	from 9-10 metres, 1 metre @ 0.65% nickel, 0.13% copper, 0.3 g/t PGE.
Hole RBDN002	from 6-18 metres, 12 metres @ 0.32% nickel, 0.09% copper, 0.12g/t PGE
Hole RBDN008	from 12-18 metres, 6 metres @ 0.61% nickel, 0.21% copper, 0.08g/t PGE

# GIRALIA RESOURCES NL

Review of  
Operations ...



## DALTONS PROJECT

# GIRALIA RESOURCES NL

## *Review of Operations ...*

The result from RBDN008 in particular is regarded as highly encouraging, as this hole, targeted at the updip projected position of a strong bedrock EM anomaly in the Kingsway-Wadi prospect (see below), was abandoned before reaching its target, but still returned very anomalous values indicative of the likely presence of magmatic nickel bearing sulphides, within altered serpentinite, over the final 6 metres of the hole.

Ground electromagnetic ("EM") surveys were carried out in early November 2003 at Daltons. A strong surface EM conductor was defined in the Wadi area around 100 metres along strike from the Kingsway zone.

First pass RC (7 holes/700 metres) and diamond drilling (5 holes/609.63 metres) was completed at Daltons in late May 2004, targeting the 300 metre long section of the basal contact of the Daltons ultramafic in the Kingsway-Wadi zone, where 1970s drill holes reportedly intersected high grade nickel-copper sulphides. The program was designed to provide a platform for down-hole geophysical exploration below the depth limits of surface electromagnetic ("EM") surveys, which were unable to detect the previously intersected massive sulphide zone. A 29 metre water bore was also drilled and cased.

An encouraging disseminated sulphide intersection at the basal ultramafic contact was returned from hole RDDN019, including 0.66 metres @ 0.54% Ni, 0.12% Cu and 0.2 g/t PGE, however indications from drill hole geology and down-hole EM surveys suggest that the recent drilling may not have been deep enough to intersect the massive sulphides.

Down-hole EM has been read for 5 of the 7 holes, and preliminary interpretation by consultants Newexco suggests the presence of a conductor of interest below RDDN019. An off-hole conductor was also detected below hole RDDN021. Holes RDDN015 and RDDN016 intersected a black shale unit at the targeted position of the Wadi conductor, just south of the basal ultramafic contact.

### **Daltons Joint Venture - May RC/Diamond Drilling**

Hole No	East	North	Incl/Az	Depth (m)	From (m)	To (m)	Intersection
RDDN016	724088	7621158	-55°/295°	161.35	84	96	12m @ 0.46% zinc
RCDN017	724140	7621138	-60°/138°	100.0	95	98	3m @ 1.02% zinc, 0.36% nickel
RDDN019	724148	7621395	-60°/187°	259.78	254.94	255.6	0.66m @ 0.54% nickel, 0.17% copper, 0.2 g/t PGE
RDDN020	724132	7621421	-72°/128°	269.60	267.05	267.32	0.27m @ 0.64% copper
RDDN021	724230	7621469	-65°/185°	272.10	52	64	12m @ 0.15% copper

Co-ordinates are AMG (AGD84)

Further drill testing of down-hole EM targets, particularly beneath RDDN019, is planned for October 2004.

Additionally, mapping and rock chip sampling has outlined a new, undrilled area of strong nickel, copper, and platinum group element ("PGE") mineralisation at the basal contact of the Daltons ultramafic. The new prospect, approximately 1 kilometre to the south-west of the Kingsway zone of high grade nickel sulphide intersections, returned assay results including **1.14% nickel, 0.99% copper, and 0.84 g/t PGE**. Ground EM is planned to test this segment of the basal contact.

### **Cardinals Project**

Giralia's 100% owned Cardinals prospect is located immediately west of the Daltons joint venture and covers strike extensions to the host rocks of Sipa Resources Ltd's Panorama base metals project. Shallow percussion drilling in 1978 beneath the Cardinals gossan returned a best intersection of 10 metres @ 5.9% zinc, 0.94% copper, 36 g/t silver (including 2 metres @ 13.2% zinc).

# GIRALIA RESOURCES NL

## *Review of Operations ...*

Additionally, nickel exploration in the 1970s resulted in the discovery of nickel-copper anomalous gossans in ultramafic rocks in the Cardinals area. Prospecting and rock sampling in 2002 confirmed nickel prospectivity and returned strongly anomalous levels of PGE in nickel gossans in ultramafics south of the Cardinals prospect.

### **Ann Mason, Nevada USA**

In October 2003 the Company purchased 100% interest in MIM (USA) Inc, an offshore subsidiary of the MIM group of companies now controlled by Xstrata. MIM (USA) Inc's assets include the Ann Mason porphyry copper deposit in the Yerrington district, Nevada. The Yerrington district is located in the western portion of Nevada's Basin of Range Province, on the eastern flank of the Sierra Nevada.

The Ann Mason deposit was estimated to contain 495 million tonnes @ 0.4% copper, defined by drilling in the 1970s by the Anaconda Copper Company, and reportedly has a stripping ratio of 3.5:1 and copper recoveries of 90% by flotation. The deposit is known from Anaconda sampling to contain silver and molybdenum credits, and limited re-sampling of old drillcore by MIM in 2002 returned gold grades to 0.28 g/t Au, along with up to 2.64 g/t silver and 259 ppm molybdenum.

Potential for extensions to the deposit and evidence of a higher grade core at Ann Mason is indicated by holes **D316: 196 metres @ 1.14% Cu**, and **D317: 152 metres @ 0.8% Cu**, located on the south-west margin of the deposit.

MIM (USA) Inc. acquired the Ann Mason property in 2002 and completed a geophysical survey using MIM's proprietary MIMDAS system. The survey indicated that the known copper deposit lies on the eastern flank of a major chargeability anomaly, which appears untested by drilling.

### **Munro Bore Project**

Giralia's 100% owned Munro Bore Project is located on a granted Mining Lease, 50 kilometres south of Meekatharra, and is strategically placed within trucking distance of a processing plant.

Exploration to date at Munro Bore has defined several targets with gold resource potential, particularly at Munro Bore North, an area of previous RC drilling where intersections include 12 metres @ 4.74 g/t gold, 24 metres @ 2.1 g/t gold and 10 metres @ 5.98 g/t gold. At the Munro Bore Workings, an area of significant historical pits and open stopes has returned intersections including 2 metres @ 8.8 g/t gold and 20 metres @ 2.4 g/t gold. At the Central Zone, 2002 intersections included 37 metres @ 2.09 g/t gold and 12 metres @ 1.12 g/t gold, whilst at the Southern prospect, 3 consecutive 100 metre spaced RAB lines returned anomalous intersections, including 16 metres @ 0.93 g/t gold and 5 metres @ 1.5 g/t.

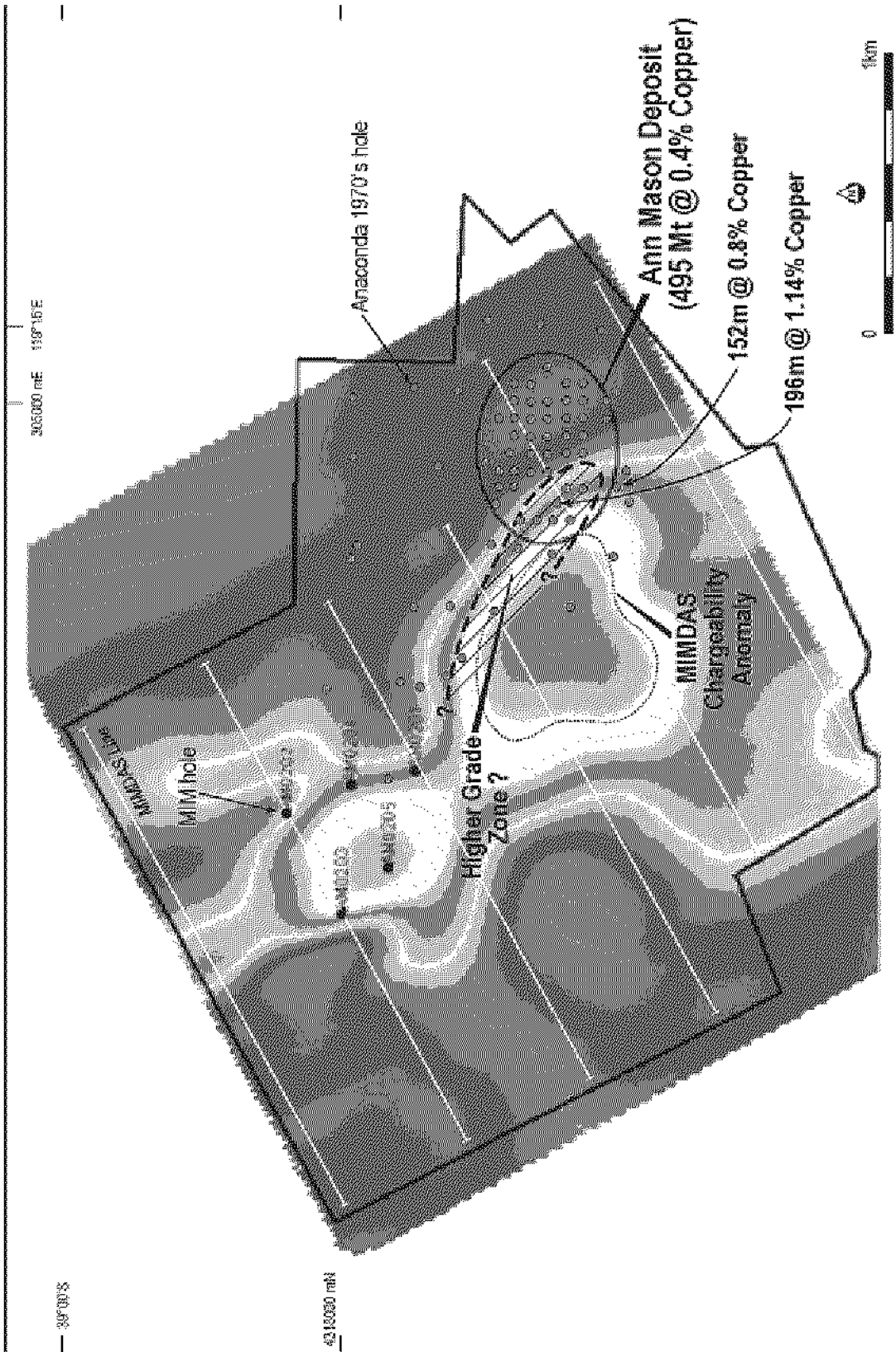
Positive results were returned from 2 phases of RC and aircore drilling completed in early October 2003 and March 2004 (total 30 holes for 1667 metres).

The October 2003 drilling tested targets in all four prospective areas at Munro Bore; North, Workings, Central and Southern. Intersections are shown in the table below. The result from hole RCMB005 (18 metres @ 1.42 g/t gold including 6 metres @ 2.77 g/t gold from 18 metres) is significant in that it demonstrates the presence of a second parallel zone of gold mineralisation at the North prospect, whilst RCMB003 (8metres@ 1.68 g/t gold) confirms a western extension to the main North zone of mineralisation.

Aircore hole RAMB006 (18 metres @ 2.86 g/t gold from 28 metres) tested the Southern prospect, a 100 metre wide zone of supergene gold anomalism defined by previous RAB drilling in a zone of silicified, quartz veined, fuchsite altered felsic schists.

# GIRALIA RESOURCES NL

Review of  
Operations ...



**ANN MASON PROJECT**  
MIMDAS Chargeability Anomaly

# GIRALIA RESOURCES NL

## Review of Operations ...

**Table 1 : Munro Bore October 2003 Aircore Drilling Intersections**

Hole No	E	N	Incl	Az.	Depth	From (m)	To (m)	Intersection (g/t gold)
RAMB006	643450	7002610	-60°	130°	62m	28	46	<b>18m @ 2.86</b>
						incl 28	31	<b>3m @ 7.59</b>
						and 37	46	<b>9m @ 2.91</b>

\* 1 metre spear/grab sampling, analysis by 50g fire assay

**Table 2 : Munro Bore October 2003 RC Drilling Intersections**

Hole No	E	N	Incl.	Depth	From (m)	To (m)	Intersection (g/t gold)
RCMB003	644370	7004335	-90°	55m	8	16	8m @ 1.68
					incl 12	15	3m @ 3.11
RCMB005	644400	7004440	-90°	50m	18	36	<b>18m @ 1.42</b>
					incl 18	24	<b>6m @ 2.77</b>

\* 1 metre riffle split sampling, analysis by 50g fire assay

Follow up RC drilling was completed in late March 2004 at the North and Southern zones. Intersections from Southern include **28 metres @ 6.71 g/t gold from 2 metres depth (includes 1 metre @ 148 g/t gold)** and 13 metres @ 1.48 g/t gold from 22 metres depth.

These holes, along with the October 2003 intersection from the Southern prospect (18 metres @ 2.86 g/t gold), define an open-ended 150 metre long mineralised zone with clear resource potential. This zone remains untested below 50 metres depth.

### MUNRO BORE RC DRILLING – MARCH 2004

#### Significant intersections

Hole No	E	N	Incl/Az	Depth	From-To (m)	Intersection (g/t gold)
RCMB012	644370	7004440	-90°	45m	13-15	2m @ 2.72
					31-33	2m @ 1.97
RCMB019	643457	7002602	-60°/130°	60m	18-26	8m @ 1.76
RCMB020	643435	7002585	-60°/130°	40m	2-30	<b>28m @ 6.71</b>
					incl 19-20	<b>1m @ 148</b>
RCMB021	643414	7002573	-60°/130°	48m	22-35	13m @ 1.48
					and 42-46	4m @ 1.10
RCMB023	643386	7002550	-60°/130°	48m	39-48	9m @ 1.35

The potential for shallow oxide gold resources at the North, and Southern prospects at Munro Bore have been substantially upgraded by work during the year. Follow up drilling for resource definition is planned.

### Yuimmery Joint Venture

Mines & Resources Australia Pty Ltd ("MRA") can earn 51% interest in Giralia's Yuimmery project, located 10 kilometres east of the historic Youanmi gold mine (700,000 ounces gold produced), 110 kilometres south-east of Mount Magnet, and 55 kilometres south-west of Troy Resources NL's Sandstone gold operations.

# GIRALIA RESOURCES NL

## *Review of Operations ...*

Giralia holds contiguous tenements (over 200 square kilometres) covering almost all of the Yuinmery greenstone belt. The belt contains numerous historical gold workings and base metals anomalous gossans.

Previous sampling has defined a 2.5 kilometre long multi element (predominantly gold ± arsenic, copper) soil anomaly, with individual gold in soil values to 30 g/t, remains effectively untested by drilling.

MRA commenced reconnaissance and field checking following receipt of data from detailed aeromagnetic and radiometric survey flown in June 2002. In total, 550 soil samples, 243 stream sediment samples and 10 rock chip samples were collected during the year, with gold in soil values to 29 g/t gold reported.

RAB drilling (213 RAB holes for 7173 metres) was completed during the June 2004 quarter. Encouraging drilling results of 8 metres @ 1.17 g/t gold and 12 metres @ 0.68 g/t gold were returned from the RAB holes, with numerous anomalous gold results returned throughout the drilling areas.

### **YUINMERY JOINT VENTURE Anomalous RAB Results (>0.4 g/t gold)**

Hole No.	Co-ordinates		Incl/Az	Depth (m)	Interval (m)	Intersection (g/t gold)
	Northing	Easting				
YUR044	6834195	686028	-60/270	40	12 – 20	8m @ 1.17
YUR045	6834200	686009	-60/270	37	16 – 24	8m @ 0.43
YUR148	6838850	690066	-60/090	31	20 – 24	4m @ 0.43
YUR178	6839050	688983	-60/090	60	36 – 44	8m @ 0.87
YUR202	6838550	688750	-60/090	54	40 – 52	12m @ 0.68

MRA plans further soil sampling, along with 1 metre resampling of anomalous RAB intersections and consider that significant results were returned from the RAB drilling that require further investigation. Follow-up drilling is proposed in several areas.

### **Gold Show Hill Joint Venture**

Straits Resources Ltd ("Straits") reports the completion of one precollared diamond drill hole (total depth 256.55 metres) on Giralia's Gold Show Hill tenement, located 220 kilometres south-east of Port Hedland in Western Australia's Pilbara Block. Subsequent to the end of year, Straits withdrew from the Gold Show Hill Joint Venture, under which it could earn 60% interest through expenditure of \$1 million. The Gold Show Hill project comprises three Exploration Licences surrounding the base metal mineralised Quartz Circle project. Preliminary composite sampling from the 2004 drill hole returned anomalous intervals including 158 metres to 162 metres, 4m @ 2.1 g/t gold, and 216 metres to 220 metres, 4m @ 2.32 g/t gold, 0.13% copper. A high order gold in-soil anomaly to the south of the area drilled remains untested, and will be the focus of future work.

### **ASHBURTON DISTRICT**

The Company's Ashburton gold province properties in Western Australia cover more than 50 kilometres of strike of the 200 kilometre long segment of the central Ashburton, considered most prospective for 'Carlin-style' gold deposits. The giant Carlin gold camp in the USA has a total endowment of over 100 million ounces of gold.

Additionally, the Ashburton forms the southern and western fringe of the Hammersley Basin iron ore province. During the year the Company received several offers of commodity specific iron-ore joint ventures on its extensive holdings in the area and negotiations continue.

Total earn-in expenditure on Giralia's Ashburton properties increased to \$5.7 million in four joint ventures covering 16 exploration licences during the year.



# GIRALIA RESOURCES NL

## *Review of Operations ...*

### **Mt Wall Joint Venture**

The Mt Wall Joint Venture covers Giralia's Anthiby Well project, located 100 kilometres west of Paraburdoo in the Ashburton. Newcrest Operations Ltd ("Newcrest") and Sipa Resources NL ("Sipa") have agreed to earn a 72% interest by expenditure of \$1 million.

The joint venture area comprises a significant and integral part of Newcrest/Sipa's Cheela discovery, a 30 kilometre long gold and arsenic anomaly of which the western 10 kilometres lies on Giralia's tenement. Newcrest and Sipa have reported intersections of 17 metres @ 3.5 g/t, and 35 metres @ 2.2 g/t gold from shallow drilling at Cheela, to the east of the Mt Wall Joint Venture area, and primary intersections (12 metres @ 1.8 g/t gold) from immediately south of Giralia's tenement.

Drilling during the year comprised a further 16 RAB/aircore holes for 800 metres and 1 RC hole for 96 metres at the Mt Wall anomaly, a 1.2 kilometre long zone of elevated gold values and associated arsenic, zinc and  $\pm$  antimony anomalism, forming a north-north-west trending coherent group and straddling a faulted contact between dolomite to the north and sandstone, siltstone and shale to the south. The Mt Wall prospect is located approximately 2 kilometres west of the original Anthiby Well prospect, where previous drilling between 1986 and 1993 returned intersections of 6 metres @ 3.67 g/t and 4 metres @ 5.23 g/t gold, also on Giralia's tenement.

Newcrest Operations Ltd reports the completion of a Sub Audio Magnetic (SAM) resistivity geophysical survey at Mt Wall in May-June 2004. The survey successfully mapped the geological contact that appears to control gold-arsenic-antimony anomalism, and identified numerous cross faults that are considered targets for higher grade, structurally controlled mineralisation.

### **Beasley Creek/Sylvania Joint Venture**

Newcrest can earn 65% interest in Giralia's Beasley Creek and Sylvania tenements by expenditure of \$1.2 million. The Beasley Creek EL was granted late in the year whilst the Sylvania tenement remains in the Native Title process.

The Beasley Creek project, located in the Rocklea Dome, covers a geological setting clearly analogous to the high grade Paulsens gold deposit, within the nearby Wyloo Dome. Recent prospecting activity has led to the discovery of rich patches of surface gold nuggets, whilst previous exploration returned a drill intersection of 3 metres @ 3.15 g/t gold beneath a 700 metre long quartz ridge. At Sylvania the potential strike extensions of drill intersections, including 4 metres at 8.6 g/t gold and 2 metres at 9.5 g/t gold, remain untested beneath cover sequences.

### **Ashburton Joint Venture**

The Ashburton Joint Venture takes in Giralia's Angelo, Feed Bore, West Beasley and Urandy Creek projects. Mines & Resources Australia Pty Ltd ("MRA"), the Australian subsidiary of the giant French company, Cogema, has agreed to spend \$2.5 million to earn 51% interest in these properties.

Field work commenced late in the year on several of the Angelo, Feed Bore and Beasley West tenements, following the withdrawal of most Native Title objections. MRA reports that interpretations were completed of detailed aeromagnetic surveys flown in 2003 over all three projects, whilst rock chip and soil sampling and general geological reconnaissance was undertaken on the granted Urandy Creek tenements. RAB drilling commenced in August 2004 at Urandy Creek.

# GIRALIA RESOURCES NL

## *Review of Operations ...*

### *Angelo*

The Angelo project covers 40 kilometres of strike extensions just east of Sipa's Paraburdoo gold mining operation, which includes the high-grade Waugh deposit (reserves of 415,000 tonnes @ 7.75 g/t gold) located on the 11 kilometre long Diligence Dome Alteration Zone. Two of Sipa's prospects, Diligence Nose North and Diligence Nose South, lie in the nose of the dome, immediately west of Giralia's Angelo tenements. Additionally, the Nanjilgardy Fault zone, a major regional thrust fault, along which the Mt Olympus and Zeus ore bodies lie, is exposed for at least 15 kilometres into the Company's Angelo licences, and is interpreted from aeromagnetic data to project beneath cover for a further 20 kilometres.

Other than several extremely widely spaced traverses of RAB drilling (between 5 and 9 kilometres apart) in the north-east of the Angelo tenements, there has been no drilling on Giralia's ground, and little gold exploration at all in the past 10 years.

### *Beasley West*

The Beasley West tenement covers the area of a gold discovery made by prospectors in the Ashburton. The discovery includes a significant gold in quartz specimen (containing approximately 20 ounces of gold) plus numerous other near-surface gold traces widespread within an approximately 5 square kilometre area in the Ashburton district.

The largest single nugget located to date, the 'Snapping Duck' specimen, contained significant free gold in an angular, fist-sized quartz rock and appears not to have been transported far from its source.

### *Feed Bore*

The Feed Bore EL adjoins Newcrest/Sipa's New Morning discovery, hosted by the Duck Creek Dolomite just south of the Cheela anomaly. At New Morning, grab samples to 8.8 g/t gold were reported, with first pass drilling returning an intersection of 6 metres @ 1.3 g/t gold, 1.6% arsenic.

### *Urandy Creek*

At Urandy Creek, Giralia's tenements cover 40 kilometres of strike of equivalents to the host sequence to the Mt Olympus-Waugh deposits, cut by major strike faults. During the year MRA withdrew from the two northern tenements at Urandy Creek, having completed surface geochemical sampling.

RAB drilling commenced at Urandy Creek subsequent to the end of the year.

### **Dolphin Hill Joint Venture**

De Beers Exploration Australia Pty Ltd has agreed to earn 60% interest through expenditure of \$1 million on Giralia's Dolphin Hill exploration licence in the Central Ashburton, which covers a discrete hyperspectral anomaly outlined by DeBeers' proprietary airborne system.

### **Kathleen Valley Joint Venture**

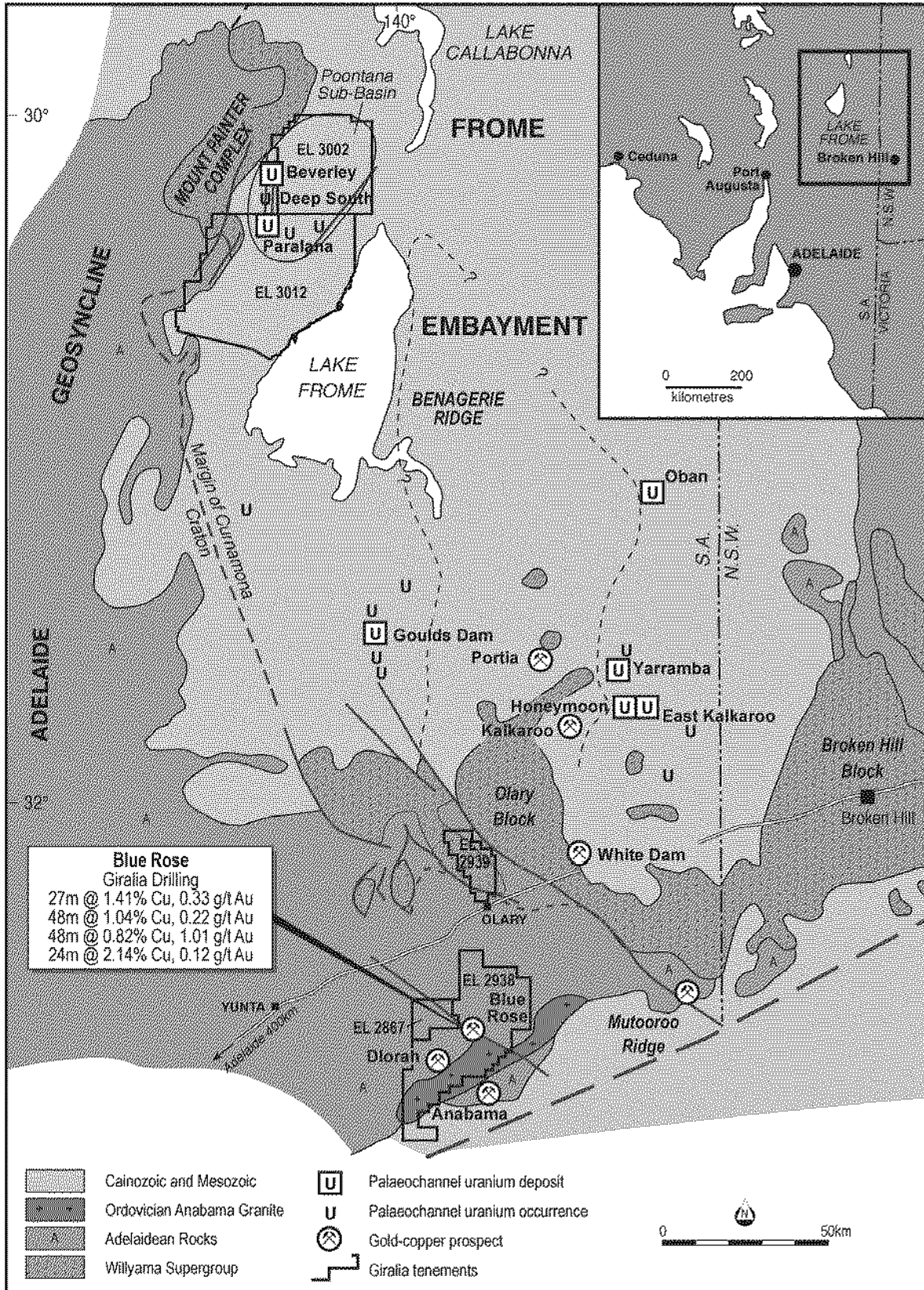
#### **Mt Harris Joint Venture**

Joint venture operator, Jubilee Gold Mines ("Jubilee") is reviewing gold and nickel potential on these two joint ventures, located approximately 5 kilometres north of Jubilee's Cosmos nickel mine, and reports the completion of detailed gravity surveys and regional air photo surveys. A low level detailed aeromagnetic survey is planned for August 2004. Jubilee has earned a 70% interest at Kathleen Valley and Mt Harris, and is continuing to sole fund exploration with Giralia diluting.

# GIRALIA RESOURCES NL

Review of  
Operations ...

## BLUE ROSE AND LAKE FROME PROJECTS



# GIRALIA RESOURCES NL

## Review of Operations ...

### SOUTH AUSTRALIA

#### Blue Rose Project

Giralia's 100% owned Blue Rose project is located 300 kilometres north-east of Adelaide, and comprises three Exploration Licences covering an area of approximately 1500 square kilometres, north and south of the Barrier Highway between the townships of Mannahill and Olary.

The tenements are situated along the southern flank of the Proterozoic Curnamona Craton (Olary Block) and the adjoining Nackara Arc west of Broken Hill, covering a Mid Ordovician granite intrusive and surrounding Upper Proterozoic sediments, including thick skarn altered dolomitic sequences hosting copper-gold mineralisation.

Reverse circulation ("RC") drilling conducted by Giralia in 2002 and 2003 intersected potentially significant copper and gold mineralisation within a skarn-altered Upper Proterozoic dolomite sequence, intruded by monzogranite dykes probably related to the Mid Ordovician aged Anabama Granite. Below the zone of weathering, mineralisation at Blue Rose is associated with disseminated bornite and chalcopyrite hosted by talc and tremolite rich altered dolomites with conspicuous secondary biotite.

Both secondary and primary mineralisation has been discovered, with better intersections including **48 metres @ 1.04% copper, 0.22 g/t gold from 8 metres, 27 metres @ 1.41% copper, 0.33 g/t gold from 73 metres, and 48 metres @ 0.82% copper, 1.01 g/t gold from 84 metres.**

RC and aircore drilling in February 2004 (total 40 holes/1255 metres) tested potential extensions to shallow secondary copper mineralisation at Blue Rose (previous intersections include 41 metres @ 1.62% copper from 9 metres depth), along with a first pass test of the 'Dlorah' prospect, an isolated 2 kilometre long linear magnetic high in an area of no outcrop 16 kilometres south-west (along strike) from Blue Rose.

Intersections of 36 metres @ 0.68% copper from 4 metres depth and 30 metres @ 0.6% copper from 7 metres depth were returned, with most holes finishing in strongly anomalous copper values.

Geological logging confirmed that the Dlorah anomaly is sourced by skarn altered metasediments similar to Blue Rose, although copper values were low.

Detailed gravity surveys are planned to aid in targeting primary intrusive hosted porphyry copper mineralisation beneath the secondary copper blanket at Blue Rose.

#### **BLUE ROSE PROJECT MARCH 2004 RC/AIRCORE DRILLING**

##### **Anomalous results**

HOLE	NORTH	EAST	INCL	DEPTH (m)	FROM (m)	TO (m)	INTERSECTION
RABR175	6380000	418200	-90	14	0	4	4m @ 0.47 g/t gold *
RABR176	6379900	418200	-90	39	20	24	4m @ 0.15 g/t gold *
RABR183	6388190	429350	-90	40	7	40	33m @ 0.15% copper
					incl 38	40	2m @ 0.12 g/t gold
RABR185	6388190	429300	-90	41	7	41	34m @ 0.29% copper
					incl 19	41	22m @ 0.4 g/t gold
RABR186	6388200	429250	-90	40	4	40	36m @ 0.68% copper
					incl 25	40	15m @ 1.0% copper
					and 37	40	3m @ 0.25 g/t gold
RABR187	6388120	429200	-90	40	9	40	31m @ 0.18% copper
RABR188	6388133	429107	-90	37	9	37	28m @ 0.17% copper
RABR189	6388190	429100	-90	37	34	37	3m @ 0.39% copper
RABR190	6388201	429150	-90	36	7	35	28m @ 0.18% copper

# GIRALIA RESOURCES NL

## Review of Operations ...

### Blue Rose Project March 2004 Rc/Aircore Drilling - Anomalous results (cont'd)

HOLE	NORTH	EAST	INCL	DEPTH (m)	FROM (m)	TO (m)	INTERSECTION
RABR191	6388160	429150	-90	37	7	37	30m @ 0.60% copper
					incl 11	15	4m @ 1.03% copper
					and 31	37	6m @ 0.17 g/t gold
RABR195	6388175	428850	-90	40	10	40	30m @ 0.19% copper
					incl 38	40	2m @ 0.35 g/t gold
RABR196	6388190	428750	-90	40	14	40	26m @ 0.34% copper
					incl 18	22	4m @ 1.21% copper

\* Repeat gold analyses inconsistent

### Lake Frome Joint Venture

Giralia's Lake Frome Joint Venture tenements cover 2000 square kilometres adjoining the Beverley in-situ leach uranium mine operated by Heathgate Resources Pty Ltd ("Heathgate"), an affiliate of the US utility, General Atomic. Heathgate has responsibility for exploration programs and expenditure up to a mining decision point. Giralia Resources NL (25%) is free-carried up to this point.

Heathgate continued preliminary drill testing of targets on Giralia's Lake Frome tenements, which adjoin the Beverley mine leases to the east and south. A TEMPEST airborne EM survey completed in 2002 defined targets related to conductive 'highs' adjacent to possible structurally controlled palaeo channels prospective for Beverley style mineralisation, particularly an interpreted target extending south of the Beverley Mine onto joint venture tenements. During 2004, Heathgate discovered ore-grade intersections at 'Deep South' along the interpreted southern extension of the Beverley palaeochannel, north of Giralia's tenements.

A total of 28 rotary-mud holes totalling 5222 metres were drilled on the Lake Frome joint venture tenements as part of Heathgate's regional exploration program for palaeochannel-hosted uranium within the Tertiary sequences of the Frome Basin. All holes were logged using a down-hole geophysical probe. No significant intersections of anomalous radioactivity were intersected, although possible areas of follow-up work have been identified, and a number of first pass targets have not yet been tested. A resumption of drilling was planned for late in the September 2004 quarter.

### Earaheedy Project

Giralia now holds 100% interest in nine exploration licences and applications in the Earraheedy Basin, north of Wiluna in Western Australia. Very broadly spaced drilling by a previous tenement holder led to the discovery of significant primary base metals mineralisation at Navajoh, where an intersection of 8.8 metres @ 5.9% zinc and lead (including 3.3 metres @ 11.2% zinc, and 0.93% lead) is untested for 500 metres to 1 kilometre in all directions. A step out hole 1.1 kilometres to the north-east returned 6 metres @ 4.1% zinc and lead, and a further 20 metres @ 1% zinc and lead. At Magazine there are no follow up holes within a 1 kilometre radius of a discovery intersection of 5 metres @ 5.6% zinc and lead (including 2 metres @ 8.2% zinc and 2.8% lead).

During the year Giralia successfully acquired more zinc/lead prospective ground in the Earraheedy, consolidating its 100% control of the entire 30 kilometre long zone of primary carbonate hosted zinc/lead anomalism, which now includes the Chinook prospect (best intersection to date 6 metres @ 3.63% zinc and lead).

In the western Earraheedy, previous drilling has defined an area of widespread shallow oxidised copper intersections at Corktree Well, associated with chert breccias in regolith after carbonate rocks, and silica-dolomite alteration.

# GIRALIA RESOURCES NL

## *Review of Operations ...*

The Earraheedy Basin also contains thick, strike persistent iron formations, principally of the granular or pelloidal type, which were the subject of iron-ore exploration in the late 1970s. Areas of near surface enrichment were located, with grades up to 66% iron. Minor drilling returned a best intersection of 14 metres @ 59% iron. Giralia's Earraheedy tenements take in most of the iron-ore prospective areas defined by past work.

Expressions of interest were received from several iron-ore companies with respect to the iron-ore potential at Earraheedy.

### **Clever Mary Joint Venture**

Giralia's adjoining Clever Mary and Big Bend projects are located 250 kilometres north-west of Meekatharra in the Gascoyne Province in Western Australia. Clever Mary covers a shear zone in Lower Proterozoic 'greenstones', BIFs and quartz mica schists which is highly gold anomalous over 10 kilometres strike. RAB drilling, costeaning and broad spaced RC drilling have outlined a (+1 g/t gold) mineralised zone at West Point over 2.5 kilometres long and open to the west beneath cover.

Better results include: trenching 18 metres @ 2.49 g/t gold; RAB 14 metres @ 1.57 g/t gold and 4 metres @ 8 g/t gold; RC drilling 13 metres @ 1.02 g/t gold and 2 metres @ 3.66 g/t gold.

Talisman Mining Ltd has agreed to earn 60% in Clever Mary and Big Bend, and in two new tenement applications, through expenditure of \$1 million. Talisman reports no work on the project during the year.

### **Beebyn Project**

Giralia's Beebyn gold project comprises 100% interest in 4 contiguous Exploration Licence Applications covering 30 kilometres of strike of a series of major structures extending north of the Big Bell and Cuddingwarra gold mines near Cue in the Murchison Province of Western Australia. The Big Bell gold deposit, 20 kilometres to the south, has past production and current reserves totalling 2.7 million ounces of gold. These tenement applications remain in the Native Title process.

### **Avoca Downs Project**

The Company's 100% owned Avoca Downs project is located 90 kilometres east of Kalgoorlie in the Eastern Goldfields province of Western Australia's Archaean Yilgarn Block.

During the year, Giralia further increased its holdings to nine Exploration Licence Applications covering major fault zones in the area around the Randalls and Karonie gold deposits. Four tenements are now granted and planning has commenced for initial field programs.

### **Cargoan Project**

The Cargoan project is located 150 kilometres west of Charters Towers in north-east Queensland and includes a substantial gossan outcrop at the Brady's Reward prospect, where previous rock chip sampling returned up to 1.5% nickel and 1.2% copper. The gossan is hosted by amphibolites, calcsilicate rocks and metasediments of the Cambro-Ordovician Cape River Beds, close to the margin of the Siluro-Devonian Dumbana Granite.

The style of nickel mineralisation may have similarities to the unusual Avebury deposit near Zeehan in Tasmania (Allegiance Mining NL), which is reportedly associated with an ultramafic body within a sequence of Cambrian sedimentary and volcanic rocks intruded by a Devonian granite.

### **Albury Heath/Dicky Lee**

Giralia sold its interest in these projects near Meekatharra in Western Australia for \$100,000 cash and a \$1/tonne royalty during the year.

# GIRALIA RESOURCES NL

## *Review of Operations ...*

### **OTHER – NEW PROJECTS**

#### **Sleeper, NT**

Giralia has applied for an EL covering a discrete aeromagnetic anomaly north of Tennant Creek in the Northern Territory, prospective for copper-gold mineralisation.

#### **Kitty O'Shea, Old**

In Queensland's Cape River Province, the Kitty O'Shea EPM Application covers an area of copper-gold mineralisation associated with Permo-Carboniferous intrusives.

#### **Glen Isla, NSW**

A new tenement application covers the Kyalite and Glen Isla epithermal gold prospects, located near Tomingley in New South Wales. Previous drill holes have returned elevated gold values over substantial thicknesses, including 72 metres @ 0.31 g/t gold, 396 metres @ 0.16 g/t gold.

### **OVERSEAS**

#### **Chile**

Giralia holds three mineralised properties in the coastal ranges north of Santago in Chile, South America through the Company's subsidiary, Minera Atacama Ltda. Two projects (Buitre and Boldo) cover areas of historical high grade cobalt mineralisation in skarn/replacement style deposits and one (La Chica) covers an area highly prospective for Candelaria style iron-oxide copper-gold, and porphyry copper mineralisation.

There was no work on these properties during the year. The Company is investigating the possibility of expanding its ground position in the Candelaria belt through commodity-specific farm-in arrangements with Chilean companies.

#### **Nusa Tenggara, Indonesia**

Giralia's withdrawal from the Nusa Tenggara project was finalised in December 2003.

#### **Notes:**

- 1. The information in this report was compiled by R M Joyce who is a Member of the Aus.I.M.M., with not less than 5 years experience in the relevant fields, and who consents to the report appearing in the form and context in which it appears.*
- 2. The information in this report that relates to Identified Mineral Resources for the 'Mixy' and 'A-zone' deposits at Snake Well is based on information compiled by R E Williams, Consultant, who is a Member of The Australasian Institute of Mining and Metallurgy with sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person, as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". R E Williams consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*
- 3. The information in this report that relates to Identified Mineral Resources for the 'Calisi 1', 'Calisi 2', 'Royal Standard' and Snake Well laterite deposits is based on information compiled by Rodney Michael Joyce, who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of the Company, with sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity which he is undertaking to qualify as a Competent Person, as defined in the 1999 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Rodney Michael Joyce consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.*

# GIRALIA RESOURCES NL

## *Directors' Report ...*

The Directors present their report together with the financial report of Giralia Resources NL ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2004, and the auditors' report thereon.

### **1. Directors**

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

Graham Douglas Riley - Chairman	Director since 30 June 1998
Rodney Michael Joyce - Managing Director	Executive Director since 10 May 2000
Stanley Allan Macdonald	Director since 12 April 1991

### **2. Directors' Meetings**

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:-

Director	Number of Meetings Attended	Number of Meetings Held While in Office
G D Riley	10	10
S A Macdonald	10	10
R M Joyce	10	10

### **3. Principal Activities**

The principal activity of the consolidated entity during the course of the financial year was mineral exploration. There was no significant change in the nature of the activity of the consolidated entity during the year.

### **4. Financial Results**

The net consolidated loss for the financial year attributable to members of Giralia Resources NL after income tax was \$548,168 (2003: loss \$419,684).

### **5. Review of Operations**

During the year the consolidated entity continued its exploration activities in Australia, the USA and Chile.

### **6. Dividends**

There were no dividends paid or declared by the Company since the end of the previous financial year. The Directors do not recommend the payment of a dividend in respect of the current financial year.

### **7. State of Affairs**

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

- During the year the Company placed 13,821,114 shares at various prices to raise \$1,754,889 after costs, and in March 2004 42,371,930 15 cent options were exercised to raise \$5,974,487 after costs.



# GIRALIA RESOURCES NL

## *Directors' Report ...*

### **8. Events Subsequent to Balance Date**

The Government has announced that it plans to amend the tax consolidation legislation. Details of the proposed changes are not yet available. The effects of any change will be brought to account when the legislation is substantively enacted and the entity can assess the impact.

For reporting periods starting on or after 1 July 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

Other than the matters discussed above, 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/or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

### **9. Likely Developments**

The consolidated entity will continue to pursue its policy of acquiring and testing attractive mineral properties with a view to developing properties capable of economic mineral production. Joint venture partners will be sought where appropriate.

### **10. Directors' Information**

#### ***Graham Douglas Riley B.Juris L.L.B. (Chairman)***

Mr Riley is a qualified legal practitioner, having gained his Bachelor of Laws and Bachelor of Jurisprudence Degrees. After 10 years legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector, where he continues to act in various non-executive capacities. Mr Riley is a Director of Arc Energy NL.

#### ***Rodney Michael Joyce BSc (Hons), MSc. (Managing Director)***

Mr Joyce is a geologist with over 20 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree in Geology from Monash University. He also holds a MSc in Mineral Exploration from the Royal School of Mines, University of London, UK. Prior to joining Giralia as Exploration Manager in late 1998, he was the leader of a successful gold exploration team at Aberfoyle Resources Ltd responsible for significant gold discoveries at Khartoum (Carosue Dam) and Davyhurst in Western Australia.

#### ***Stanley Allan Macdonald***

Mr Macdonald is a major shareholder in the Company and has been associated with the mining and exploration industry for over twenty years.

### **11. Directors' Interests**

The relevant interest of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 at the date of this report, is as follows:-

	Fully Paid Ordinary Shares		Options	
	Number Directly Held	Number Beneficially Held	Number Directly Held	Number Beneficially Held
G D Riley	-	5,135,015	-	-
S A Macdonald	6,159,520	210,000	-	-
R M Joyce	-	550,000	-	2,500,000

# GIRALIA RESOURCES NL

## *Directors' Report ...*

### **12. Directors' and senior executives' emoluments**

The Board of Directors decides on remuneration policies and packages applicable to the Board members and employees of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Directors and senior employees may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity. Shares issued are a result of the exercise of options previously granted.

Details of the nature and amount of each major element of the emoluments of each director of the Company and the consolidated entity are:

<b>Director</b>	<b>Base Emolument \$</b>	<b>Non-cash Benefit \$</b>	<b>Super Contribution \$</b>	<b>Options</b>	<b>Total \$</b>
G D Riley	18,750	-	-	-	18,750
S A Macdonald	49,200	-	-	-	49,200
R M Joyce	123,852	-	11,152	31,000	166,004

No shares or options were issued during or since the end of the financial year to Directors or senior executives, apart from 1,000,000 25 cent options expiring on 27 November 2005 to Mr R M Joyce, which was approved by shareholders. The share options were valued using the Black Scholes methodology using the following key assumptions:

- Share price for Giralia at 27/11/03 19 cents
- Exercise price 25 cents
- Interest Rate 4.50%
- Volatility factor  
(based on prices over the past twelve months) 70% -100%
- Term of options 2 years

### **13. Unissued shares under option**

The following options exist at the date of this report:

- 1,500,000 unlisted options expiring on or before 28 November 2007, at an exercise price of 25 cents
- 1,000,000 unlisted options expiring on or before 30 November 2005, at an exercise price of 25 cents

There are no un-issued shares under option at the date of this report other than those referred to above. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

### **14. Indemnification of Officers and Auditors**

During the financial year the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company or of any related body corporate against liability incurred by an officer or auditor. In addition, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

# GIRALIA RESOURCES NL

## *Directors' Report ...*

### **15. Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Giralia Resources NL support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the Additional Shareholder Information section of the annual report, in accordance with ASX Listing Rules.

### **16. Environmental Regulation**

The consolidated entity's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

Dated at Perth this 29th day of September 2004.

Signed in accordance with a resolution of the Directors.

**G D RILEY**  
**Chairman**

## GIRALIA RESOURCES NL

*Statements of  
Financial Performance ...  
for the year ended 30 June 2004*

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Revenue from sale of tenements	2	90,000	30,776	90,000	30,776
Revenue from sale of investment	2	188,906	16,435	188,906	16,435
Other revenue from ordinary activities	2	108,426	8,816	108,426	8,816
Revenue from rendering of services	2	-	37,450	-	37,450
<b>Total Revenue</b>		<u>387,332</u>	<u>93,477</u>	<u>387,332</u>	<u>93,477</u>
Exploration expenses		(255,518)	(118,472)	(255,518)	(118,472)
Employee expenses		(190,132)	(192,623)	(190,132)	(192,623)
Carrying amount of investment sold	3	(173,145)	(13,837)	(173,145)	(13,837)
Carrying amount of tenements sold	3	(105,263)	(30,776)	(105,263)	(30,776)
Depreciation expenses		(8,237)	(9,472)	(8,237)	(9,472)
General and administration expenses		(203,205)	(147,981)	(203,205)	(147,981)
<b>Loss from ordinary activities before related income tax expenses</b>		<u>(548,168)</u>	<u>(419,684)</u>	<u>(548,168)</u>	<u>(419,684)</u>
Income tax relating to ordinary activities	6	-	-	-	-
<b>Net loss</b>	15	<u>(548,168)</u>	<u>(419,684)</u>	<u>(548,168)</u>	<u>(419,684)</u>
<b>Basic and diluted loss per share</b>	4	<u>.005</u>	<u>.005</u>	<u>.005</u>	<u>.005</u>

The Statements of Financial Performance is to be read in conjunction with the notes to the Financial Statements

# GIRALIA RESOURCES NL

*Statements of  
Financial Position  
as at 30 June 2004*

	Note	Consolidated		The Company	
		2004 \$	2003 \$	2004 \$	2003 \$
<b>Current Assets</b>					
Cash		5,973,628	165,028	5,973,628	165,028
Receivables	7	120,664	4,886	120,664	4,886
<b>Total Current Assets</b>		<u>6,094,292</u>	<u>169,914</u>	<u>6,094,292</u>	<u>169,914</u>
<b>Non-Current Assets</b>					
Receivables	7	-	-	1,263,841	52,885
Property, plant and equipment	8	27,227	12,352	27,227	12,352
Exploration, evaluation and development expenditure	9	2,848,916	1,290,731	1,389,462	1,051,324
Other financial assets	10	25,235	173,145	220,848	359,667
<b>Total Non-Current Assets</b>		<u>2,901,378</u>	<u>1,476,228</u>	<u>2,901,378</u>	<u>1,476,228</u>
<b>Total Assets</b>		<u>8,995,670</u>	<u>1,646,142</u>	<u>8,995,670</u>	<u>1,646,142</u>
<b>Current Liabilities</b>					
Payables	11	232,680	88,387	232,680	88,387
Provisions	12	64,982	41,193	64,982	41,193
<b>Total Current Liabilities</b>		<u>297,662</u>	<u>129,580</u>	<u>297,662</u>	<u>129,580</u>
<b>Total Liabilities</b>		<u>297,662</u>	<u>129,580</u>	<u>297,662</u>	<u>129,580</u>
<b>Net Assets</b>		<u>8,698,008</u>	<u>1,516,562</u>	<u>8,698,008</u>	<u>1,516,562</u>
<b>Shareholders' Equity</b>					
Contributed equity	13	22,789,856	15,060,480	22,789,856	15,060,480
Asset Revaluation Reserve	14	238	-	238	-
Retained losses	15	(14,092,086)	(13,543,918)	(14,092,086)	(13,543,918)
<b>Total equity</b>		<u>8,698,008</u>	<u>1,516,562</u>	<u>8,698,008</u>	<u>1,516,562</u>

The Statements of Financial Position is to be read in conjunction with the notes to the Financial Statements

# GIRALIA RESOURCES NL

*Statements of  
Cash Flows  
for the year ended 30 June 2004*

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash payments in the course of operations		(350,251)	(359,005)	(350,251)	(359,005)
Interest received		108,426	10,398	108,426	10,398
Administration fee received		-	37,450	-	37,450
Net cash used in operating activities	ii)	(241,825)	(311,157)	(241,825)	(311,157)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payments for plant and equipment		(23,112)	(2,456)	(23,112)	(2,456)
Cash receipts from Farm-in Agreements		11,971	592,592	11,971	592,592
Cash payments for exploration expenditure		(1,530,937)	(805,535)	(710,890)	(772,943)
Loan to controlled entities		-	-	(1,210,956)	(32,592)
Investment in controlled entity		-	-	(9,091)	-
Cash receipt from sale of tenements		90,000	30,776	90,000	30,776
Cash payments for purchase of tenements		(400,000)	(85,000)	-	(85,000)
Purchase of investment in listed company		(15,779)	(4,950)	(15,779)	(4,950)
Sale of investment in listed company		188,906	16,435	188,906	16,435
Net cash used in investing activities		(1,678,951)	(258,138)	(1,678,951)	(258,138)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares and options		8,180,748	190,000	8,180,748	190,000
Costs of share and option issue		(451,372)	(1,833)	(451,372)	(1,833)
Net cash provided by financing activities		7,729,376	188,167	7,729,376	188,167
Net increase/(decrease) in cash held		5,808,600	(381,128)	5,808,600	(381,128)
Cash at the beginning of the financial year		165,028	546,156	165,028	546,156
Cash at the end of the financial year	i)	5,973,628	165,028	5,973,628	165,028

# GIRALIA RESOURCES NL

*Statements of  
Cash Flows*  
for the year ended 30 June 2004

Consolidated		The Company	
2004	2003	2004	2003
\$	\$	\$	\$

## NOTES TO THE STATEMENT OF CASH FLOWS

### i) RECONCILIATION OF CASH FLOWS

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at the bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows.

Cash	92,327	103,613	92,327	103,613
Deposits at call	5,881,301	61,415	5,881,301	61,415
	5,973,628	165,028	5,973,628	165,028
	5,973,628	165,028	5,973,628	165,028

### ii) RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss after income tax	(548,168)	(419,684)	(548,168)	(419,684)
Add/(less) non-cash items:				
Amounts written off for exploration expenditure	255,518	118,472	255,518	118,472
Depreciation	8,237	9,472	8,237	9,472
Profit on sale of investment	(15,761)	(2,598)	(15,761)	(2,598)
Loss on sale of tenements	15,263	-	15,263	-
Amounts written off/(back) in respect of listed investment	(9,218)	9,218	(9,218)	9,218
	(294,129)	(285,120)	(294,129)	(285,120)
Net cash used in operating activities before change in assets and liabilities				
Change in assets and liabilities during the financial year:				
(Increase)/Decrease in receivables	(115,778)	13,837	(115,778)	13,837
Increase/(Decrease) in accounts payable	144,293	(59,257)	144,293	(59,257)
Increase in provisions	23,789	19,383	23,789	19,383
	(241,825)	(311,157)	(241,825)	(311,157)
	(241,825)	(311,157)	(241,825)	(311,157)

iii) The Company did not have any financing facilities available at 30th June 2004 (2003: Nil)

The Statements of Cash Flows is to be read in conjunction with the notes to the Financial Statements

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 1: STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

### a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

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

### b) Comparative Information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

### c) Non-Current Assets

The carrying amounts of all non current assets valued on a cost basis, except exploration expenditure carried forward, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

### d) Revenue Recognition

#### *Interest Income*

Interest income is recognised as it accrues.

#### *Sale of Non-current Assets*

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

### e) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

#### *Tax consolidation*

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 16. The implementation date for the tax-consolidated group is 1 July 2003. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).



# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 1: STATEMENT OF ACCOUNTING POLICIES (conf'd)

### f) Property, plant and equipment

#### *Acquisitions of assets*

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

#### *Depreciation and amortisation*

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

Items of property, plant and equipment are depreciated/amortised over their estimated useful lives. The depreciation rates used for each class of asset for the current and previous years are as follows:

- Plant and equipment	20% - 33%
- Office furniture and fittings	7.5%

The straight line method of depreciation is used. Assets are depreciated from the date of acquisition.

### g) Operating Leases

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

### h) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

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

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

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

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

Receipts from farm-in agreements are accounted for as a recoupment of exploration expenditure.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 1: STATEMENT OF ACCOUNTING POLICIES (cont'd)

### i) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. Accounts payable are normally settled within 60 days.

### j) Employee Benefits

#### *Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs.

#### *Long Service Leave*

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dated based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expense.

#### *Superannuation Plan*

The Company contributes to a defined contribution superannuation plan. Contributions are recognised as an expense as they are made.

### k) Foreign Currency

#### *Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the operating result in the financial year in which the exchange rates change.

### l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 1: STATEMENT OF ACCOUNTING POLICIES (cont'd)

### m) Restoration Costs

#### *Provisions*

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

### n) Investments

#### *Other Entities*

Investments in other listed entities are measured at fair value, being quoted market prices at reporting date.

#### *Controlled Entities*

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

### o) Principles of Consolidation

#### *Controlled Entities*

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

#### *Transactions Eliminated on Consolidation*

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

### p) Earnings Per Share

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

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

### q) Segment Reporting

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The geographical segments reported are: Australia and Chile.

### r) Revaluations of non-current assets

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve except that amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Potential capital gains tax is only taken into account if the asset is held for sale.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

	Consolidated		The Company	
	2004	2003	2004	2003
2: REVENUE FROM ORDINARY ACTIVITIES	\$	\$	\$	\$
<i>Other Revenue</i>				
Interest received or due and receivable from:				
Other parties	108,426	8,816	108,426	8,816
Gross proceeds from sale of investment	188,906	16,435	188,906	16,435
Gross proceeds from sale of tenements	90,000	30,776	90,000	30,776
Rendering of services revenue from operating activities	-	37,450	-	37,450
	387,332	93,477	387,332	93,477
	387,332	93,477	387,332	93,477
<b>3: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>				
a) Individually significant expenses/revenue included in loss from ordinary activities before income tax expense:				
Exploration expenditure written off	(183,195)	(112,177)	(183,195)	(112,177)
b) Loss from ordinary activities before income tax expense has been arrived at after charging the following items:				
Exploration expenditure written off in respect of areas of interest abandoned	(72,323)	(6,295)	(72,323)	(6,295)
Receivable repaid	-	4,641	-	4,641
Proceeds on sale of tenements	90,000	30,776	90,000	30,776
Carrying amount of tenements sold	(105,263)	(30,776)	(105,263)	(30,776)
	(15,263)	-	(15,263)	-
	(15,263)	-	(15,263)	-
Proceeds on sale of investments	188,906	16,435	188,906	16,435
Carrying amount of investments sold	(173,145)	(13,837)	(173,145)	(13,837)
	15,761	2,598	15,761	2,598
	15,761	2,598	15,761	2,598

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

### 3: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (cont'd)

	Consolidated		The Company	
	2004	2003	2004	2003
Depreciation of:	\$	\$	\$	\$
- plant and equipment	(7,285)	(7,477)	(7,285)	(7,477)
- furniture and fittings	(952)	(1,995)	(952)	(1,995)
Amounts set aside to provision for:				
- employee benefits	(23,789)	(19,383)	(23,789)	(19,383)
Lease rental expense - operating lease	(63,578)	(51,870)	(63,578)	(51,870)
Amount written back/(down) in respect of listed investment	9,218	(9,218)	9,218	(9,218)
	=====	=====	=====	=====

### 4: LOSS PER SHARE

Weighted average number of ordinary shares used in the calculation of the basic earnings per share	101,272,437	80,957,126	101,272,437	80,957,126
	=====	=====	=====	=====
Weighted average number of ordinary shares used in the calculation of the diluted earnings per share	101,272,437	80,957,126	101,272,437	80,957,126
	=====	=====	=====	=====

As at 30 June 2004 (2003: 42,721,930) the Company  
had on issue, options over un-issued capital as follows:

No of Options	Expiry Date	Exercise Price
1,500,000	28 November 2007	25 cents (Unlisted)
1,000,000	30 November 2005	25 cents (Unlisted)

There are no dilutive potential ordinary shares, therefore  
diluted loss per share has not been calculated or disclosed.

### 5: AUDITORS' REMUNERATION

Audit services:				
Auditors of the Company – KPMG Australia				
audit and review of financial reports	10,870	11,564	10,870	11,564
	=====	=====	=====	=====

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

6: TAXATION	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating loss before income tax	(548,168)	(419,684)	(548,168)	(419,684)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Prima facie income tax expense/(credit) at 30% (2003: 30%)	(164,450)	(125,905)	(164,450)	(125,905)
Non-deductible expenditure	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Income tax benefit	(164,450)	(125,905)	(164,450)	(125,905)
Future income tax benefit not brought to account	164,450	125,905	164,450	125,905
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Income tax expense/(credit) attributable to operating loss	-	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
The Directors estimate that the gross tax losses at 30 June 2004 not brought to account because recovery is not virtually certain is:	6,086,671	5,664,630	6,086,671	5,664,630
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

Not included in the gross tax losses not brought to account are \$1.8 million (2003: \$1.8 million) of quarantined losses incurred on overseas projects.

The Company is taxed as a public company.

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

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

## 7: RECEIVABLES

### Current

Other debtors	120,664	4,886	120,664	4,886
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

### Non-Current

Loan to controlled entities	-	-	1,263,841	52,885
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

The loan to the controlled entity is unsecured, interest free and of no fixed term. The loan is provided to fund exploration expenditure by the controlled entity. Accordingly, the ultimate recoupment of the loan and the investment in the controlled entity is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

8: PROPERTY, PLANT & EQUIPMENT	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Plant and Equipment</b>				
At cost	113,537	90,825	113,537	90,825
Accumulated depreciation	(92,260)	(84,975)	(92,260)	(84,975)
	21,277	5,850	21,277	5,850
<b>Furniture and Fittings</b>				
At cost	20,886	20,486	20,886	20,486
Accumulated depreciation	(14,936)	(13,984)	(14,936)	(13,984)
	5,950	6,502	5,950	6,502
Total – net book value	27,227	12,352	27,227	12,352

### Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

#### Plant and Equipment

Carrying amount at beginning of year	5,850	11,235	5,850	11,235
Additions	22,712	2,092	22,712	2,092
Depreciation	(7,285)	(7,477)	(7,285)	(7,477)
Carrying amount at end of year	21,277	5,850	21,277	5,850

#### Furniture and Fittings

Carrying amount at beginning of year	6,502	8,133	6,502	8,133
Additions	400	364	400	364
Depreciation	(952)	(1,995)	(952)	(1,995)
Carrying amount at end of year	5,950	6,502	5,950	6,502

### 9: EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Costs carried forward in respect of areas of interest in:

Exploration and/or evaluation phase	2,848,916	1,290,731	1,389,462	1,051,324
-------------------------------------	-----------	-----------	-----------	-----------

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation, or sale of the respective areas of interest at an amount greater than or equal to the carrying value.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

	Consolidated		The Company																					
	2004	2003	2004	2003																				
	\$	\$	\$	\$																				
<b>10: OTHER FINANCIAL ASSETS</b>																								
<b>Non-current</b>																								
Investments in controlled entities - at cost	-	-	195,613	186,522																				
Listed shares and options at current market value	25,235	173,145	25,235	173,145																				
	<u>25,235</u>	<u>173,145</u>	<u>220,848</u>	<u>359,667</u>																				
<b>11: PAYABLES</b>																								
Trade creditors and accruals	232,680	88,387	232,680	88,387																				
<b>12: PROVISIONS</b>																								
Employee benefits	64,982	41,193	64,982	41,193																				
<p>The present value of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td>Assumed rate of increase in wage and salary rates</td> <td style="text-align: right;">2.5%</td> <td style="text-align: right;">2.75%</td> <td style="text-align: right;">2.5%</td> <td style="text-align: right;">2.75%</td> </tr> <tr> <td>Discount rate</td> <td style="text-align: right;">5.1%</td> <td style="text-align: right;">6.8%</td> <td style="text-align: right;">5.1%</td> <td style="text-align: right;">6.8%</td> </tr> <tr> <td>Settlement term (years)</td> <td style="text-align: right;">15</td> <td style="text-align: right;">15</td> <td style="text-align: right;">15</td> <td style="text-align: right;">15</td> </tr> </table> <p><b>Number of employees</b></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td>Number of employees at year end</td> <td style="text-align: right;">3</td> <td style="text-align: right;">2</td> <td style="text-align: right;">3</td> <td style="text-align: right;">2</td> </tr> </table>					Assumed rate of increase in wage and salary rates	2.5%	2.75%	2.5%	2.75%	Discount rate	5.1%	6.8%	5.1%	6.8%	Settlement term (years)	15	15	15	15	Number of employees at year end	3	2	3	2
Assumed rate of increase in wage and salary rates	2.5%	2.75%	2.5%	2.75%																				
Discount rate	5.1%	6.8%	5.1%	6.8%																				
Settlement term (years)	15	15	15	15																				
Number of employees at year end	3	2	3	2																				
<b>13: CONTRIBUTED EQUITY</b>																								
a) Issued and paid-up share capital																								
137,150,170 (2003: 80,957,126)																								
ordinary shares fully paid	22,789,044	14,701,377	22,789,044	14,701,377																				
37,500 (2003: 37,500)																								
ordinary shares paid to 1 cent (9 cents per share remains uncalled)		375	375	375																				
375																								
87,500 (2003: 87,500)																								
ordinary shares paid to 0.5 cent (9.5 cents per share remains uncalled)	437	437	437	437																				
<i>Option Premium</i>																								
Nil (2003: 40,321,930) listed options over ordinary shares	-	358,291	-	358,291																				
	<u>22,789,856</u>	<u>15,060,480</u>	<u>22,789,856</u>	<u>15,060,480</u>																				



# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

	Consolidated		The Company	
	2004	2003	2004	2003
13: CONTRIBUTED EQUITY (cont'd)	\$	\$	\$	\$
<i>Movements in Ordinary Share Capital</i>				
Balance at beginning of the financial year	14,702,189	14,514,022	14,702,189	14,514,022
Shares Issued:				
2,000,000 shares at 9.5 cents each issued for working capital, less related costs	-	188,167	-	188,167
4,100,000 shares at 10 cent each issued to raise capital, less related costs	394,750	-	394,750	-
2,700,000 shares at 16 cents each issued for the purchase of tenements	416,641	-	416,641	-
7,021,114 shares at 14 cents each issued to raise capital, less related costs	943,498	-	943,498	-
42,371,930 listed options exercised at 15 cents each, less related costs	5,974,487	-	5,974,487	-
Transfer of option premium to ordinary share capital	358,291	-	358,291	-
	<u>22,789,856</u>	<u>14,702,189</u>	<u>22,789,856</u>	<u>14,702,189</u>

*Terms and conditions*

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

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

*Movements in Listed Share Options*

Balance at the beginning of the financial year 40,321,930 (2003: 36,821,930)				
15 cent 31 March 2004 options	358,291	358,291	358,291	358,291
2,050,000 15 cent 31 March 2004 options issued pursuant to a share placement to raise capital	-	-	-	-
Transfer of option premium to ordinary capital	(358,291)	-	(358,291)	-
	<u>-</u>	<u>358,291</u>	<u>-</u>	<u>358,291</u>
Balance at 30 June 2004: Nil (2003: 40,321,930)	<u>-</u>	<u>358,291</u>	<u>-</u>	<u>358,291</u>

- b) Options  
Refer to note 4 for options on issue  
at 30 June 2004.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

14: RESERVES	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<i>Asset revaluation</i>				
Balance at beginning of year	-	196,875	-	196,875
Revaluation increment/reversal on listed shares	238	(196,875)	238	(196,875)
	238	-	238	-
	238	-	238	-
 Asset Revaluation				
The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation of the investment in Red 5 Limited, measured at fair value.				
 15: ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	13,543,918	13,124,234	13,543,918	13,124,234
Net loss	548,168	419,684	548,168	419,684
	14,092,086	13,543,918	14,092,086	13,543,918
	14,092,086	13,543,918	14,092,086	13,543,918

## 16: CONTROLLED ENTITIES

The following companies are controlled entities of Giralia Resources NL:

Controlled Entities	Principal Activity	Place of Incorporation	Interest Held
Coral Gem Pty Ltd	Exploration	Australia	100%
Tallering Resources NL	Exploration	Australia	100%
Carlinga Mining Pty Limited	Exploration	Australia	100%
Minera Atacama Limitada	Exploration	Chile	100%
MIM (USA) Inc	Exploration	USA	100%

The investment in the controlled entities are by way of investments in the ordinary shares of the entities. On 14 October 2003 Coral Gem Pty Ltd purchased 100% of the voting shares of MIM (USA) Inc for \$9,091. The fair value of the net assets acquired, being mineral tenements, is recorded as \$9,091.

## 17: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

### a) Interest Rate Risk Exposure

The consolidated entity is exposed to interest risk on its cash balances and term deposits held with financial institutions in Australia.

The consolidated entity is not exposed to interest rate risk on any class of financial assets and financial liabilities at 30 June 2004 except for cash balances that earn interest at an average of 1% to 5% (2003: 1% to 5%) per annum.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 17: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

### b) Credit Risk Exposure

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity's transactions occur in Australia, USA and Chile. It is not, however, materially exposed to an individual customer.

The consolidated entity has minimal credit risk relating to trade debtors and term debtors due to the nature of its business.

### c) Foreign Exchange Risk

The economic entity has limited foreign exchange risk.

### d) Net Fair Values of Financial Assets and Liabilities

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

The net fair value of monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the value of contractual or expected future cash flows on amounts due from customers or other corporations (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, trade debtors, term debtors, listed securities and accounts payable approximate net fair value.

18: COMMITMENTS	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating Lease Commitments				
Future operating lease rentals not provided for in the financial statements and payable:				
Not later than one year	45,675	43,130	45,675	43,130
Later than one year but not later than five years	7,680	53,356	7,680	53,356
	53,355	96,486	53,355	96,486
	53,355	96,486	53,355	96,486

- a) The Company has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements in order to retain its interests in these tenements, which would be approximately \$877,440 (2003: \$450,000) during the next 12 months.

These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Consolidated Entity.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 19: DIRECTOR & EXECUTIVE DISCLOSURES

### Remuneration of specified directors and specified executives by the consolidated entity

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Total remuneration for all non-executive directors during the year was \$18,750, which was paid to the Chairman. Non-executive directors do not receive bonuses, nor are they issued options on securities. Directors' fees cover all Board activities.

The following table provides the details of all directors of the Company ("specified directors") and the nature and amount of the elements of their remuneration for the year ended 30 June 2004. The Company has no specified executives.

Specified Directors		Primary	Post-employment	Equity	Total
		Salary & Fees \$	Superannuation benefits \$	Compensation Value of options (A) \$	
Mr G D Riley	2004	18,750	-	-	18,750
Mr S A Macdonald	2004	49,200	-	-	49,200
Mr R M Joyce	2004	123,852	11,152	31,000	166,004
<b>Total all specified directors</b>	<b>2004</b>	<b>191,802</b>	<b>11,152</b>	<b>31,000</b>	<b>233,954</b>

(A) The fair value of the options is calculated at the date of grant using the Black-Scholes model and allocated to each reporting period evenly over the period from grant date to vesting date.

### Equity instruments

#### *Options and rights over equity instruments granted as remunerations*

During the reporting period the following options over ordinary shares were granted and vested:

Specified directors	Number of options granted during the year	Number of options vested during the year
Mr R M Joyce	1,000,000	1,000,000

All options granted in the current year were granted on 27 November 2003, have an expiry date of 27 November 2005, an exercise price of 25 cents per share, and a fair value of 3.1 cents per share at grant date. No options have been granted since the end of the financial year. The options were provided at no cost to the recipients.

#### *Exercise of options granted as remuneration*

During the reporting period there were no options exercised which had been previously granted as remuneration.

#### *Option holdings*

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

# GIRALIA RESOURCES NL

*Notes to and forming part of the Financial Statements ... for the year ended 30 June 2004*

## 19: DIRECTOR & EXECUTIVE DISCLOSURES (cont'd)

	Held at 1 July 2003	Granted as remuneration	Exercised	Held at 30 June 2004	Vested and exercisable at 30 June 2004
Specified Directors					
Mr G D Riley	4,350,005	-	4,350,005	-	-
Mr R M Joyce	1,750,000	1,000,000	250,000	2,500,000	2,500,000
Mr S A Macdonald	8,326,507	-	8,326,507	-	-

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

### *Equity holdings and transactions*

The movement during the reporting period in the number of ordinary shares in Giralia Resources NL held directly, indirectly or beneficially by each specified director, including their personally-related entities, is as follows:

Specified Directors	Held at 1 July 2003	Purchases	Received on exercise of options	Sales	Held at 30 June 2004
Mr G D Riley	5,010,010	-	4,350,005	4,225,000	5,135,015
Mr R M Joyce	300,000	-	250,000	-	550,000
Mr S A Macdonald	8,293,013	-	4,326,507	6,250,000	6,369,520

### *Other transactions with the Company or its controlled entities*

From time to time, specified directors and specified executives of the Company or its controlled entities, or their personally-related entities, may purchase goods from the consolidated entity. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

## 20: SEGMENT INFORMATION

The consolidated entity is involved in exploration activity on mining tenements situated in Australia, Chile and the USA. All revenue and expenditure relates predominantly to the consolidated entity's Australian activities.

The assets in the respective segments are as follows:-	Consolidated	
	2004 \$	2003 \$
Australia	8,951,736	1,628,410
Chile	31,113	17,732
USA	12,821	-
	8,995,670	1,646,142
Segment results, loss:-		
Australia	(548,168)	(419,684)
Chile	-	-
USA	-	-
	(548,168)	(419,684)

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## 21: NON-DIRECTOR RELATED PARTIES

The classes of non-director related parties are:

- wholly-owned controlled entities
- directors of related parties and their director-related entities

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>Receivables</b>				
Aggregate amounts receivable from non-director related parties:				
<i>Amounts receivable other than trade debts</i>				
Non-current				
Wholly-owned controlled entities	-	-	1,263,841	52,885
	=====	=====	=====	=====

### Percentage of equity interest

Details of equity interests held in classes of related parties are set out as follows:

Controlled entities Note 16

No interest was charged on these loans during the year, and there are no fixed terms for repayment or security.

## 22: EVENTS SUBSEQUENT TO BALANCE DATE

Since 30 June 2004 there have been no material events which may significantly effect the operations of the Company.

### International Financial Reporting Standards (IFRS)

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australia Accounting Standards Board.

Giralia is managing the changes required for the transition to Australian equivalents of IFRS to determine the most appropriate accounting policy for the consolidated entity.

Entities complying with the 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 2004.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

(i) *Income tax*

Under AASB 112 *Income Taxes*, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the 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.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

**22: EVENTS SUBSEQUENT TO BALANCE DATE (cont'd)**

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

(ii) *Provisions, Contingent Liabilities and Contingent Assets*

Under the AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, mining restoration and rehabilitation provisions will be required to be discounted to present value.

(iii) *Equity-based compensation benefits*

Under AASB 2 *Share-based Payment*, equity-based compensation to employees will be recognised as an expense in respect of the services rendered.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

(iv) *Financial instruments*

Under AASB 132 *Financial Instruments: Disclosure and Presentation*, the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under AASB 139 *Financial Instruments: Recognition and Measurement* there may be major impacts as a result of:

- financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

(v) *Recoverable amount of non-current assets*

Under AASB 136 *Impairment of Assets*, discounted cash flows must be used to calculate an asset's recoverable amount. Recoverable amount is defined as the higher of an asset's net selling price and its value in use where value in use is based on the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. This will result in a change in the current accounting policy where the net cash flows are not discounted to their present values. At this stage the Company has not determined the impact of using discounted cash flows.

(vi) *Exploration and evaluation expenditure*

The International Financial Reporting Standard on Exploration for and Evaluation of Mineral Resources is not expected to be issued until the fourth quarter of 2004. As such, the impact of changes to the Company's existing accounting policy, which is in accordance with AASB 1022 *Accounting for the extractive industries*, is not yet determinable.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

# GIRALIA RESOURCES NL

*Notes to and  
forming part of the  
Financial Statements ...  
for the year ended 30 June 2004*

## **22: EVENTS SUBSEQUENT TO BALANCE DATE (cont'd)**

### **Tax consolidation**

The Government has announced that it plans to amend the tax consolidation legislation. Details of the proposed changes are not yet available. The effects of any change will be brought to account when the legislation is substantively enacted and the entity can assess the impact.



# GIRALIA RESOURCES NL

## *Directors' Declaration ...*

- 1: In the opinion of the Directors of Giralia Resources NL ("the Company"):
- a. the financial statements and notes, set out on pages 26 to 46, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the year 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.

Dated at Perth this 29th day of September 2004.

Signed in accordance with a resolution of the Directors.

.....  
**G D RILEY**  
**Chairman**



## **Independent audit report to members of Giralia Resources NL**

### ***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 both Giralia Resources NL (the "Company") and the Consolidated Entity, for the year ended 30 June 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report 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 judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

### ***Independence***

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





***Audit opinion***

In our opinion, the financial report of Giralia Resources NL is in accordance with:

- a) the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the financial year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

KPMG

A handwritten signature in black ink that reads 'B C Fullarton' in a cursive font.

B C FULLARTON  
Partner

Perth  
29 September 2004

# GIRALIA RESOURCES NL

## **Additional Shareholder Information ... in Compliance with ASX Requirements**

Statement at 23 September 2004

### **1: DISTRIBUTION OF EQUITY SECURITIES**

a) Analysis of numbers of shareholders by size of holding.

	<b>Number of shareholders</b>	<b>Number of shares</b>
1 - 1,000	66	42,048
1,001 - 5,000	342	1,137,348
5,001 - 10,000	312	2,643,969
10,001 - 100,000	658	26,504,696
100,001 and over	158	106,822,109
	<hr/> <hr/>	<hr/> <hr/>
	1,536	137,150,170
	<hr/> <hr/>	<hr/> <hr/>

b) Number of shareholders holding less than a marketable parcel - 265

### **2: VOTING RIGHTS**

At general meetings of the Company, each member entitled to vote may vote in person or by proxy or attorney. On a show of hands every person present who is a member or a representative of a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each share held.

### **3: EMPLOYEE SHARE PLAN**

A total of 125,000 partly paid shares issued to directors and employees of the Company remain outstanding.

The shares will not be listed on the Australian Stock Exchange until they are fully paid.

### **4: SUBSTANTIAL SHAREHOLDERS**

Substantial Shareholders as defined by Section 671B of Australian Corporations Law are:

	<b>N° of shares held</b>	<b>% Interest</b>
Breamlea Pty Ltd	12,000,000	8.75
Yandal Investments Pty Ltd	10,208,468	7.44
National Nominees Ltd	7,010,010	5.18

### **5: UNQUOTED EQUITY SECURITIES**

The following unquoted options are on issue:

1,500,000 options exercisable at 25 cents each by 28 November 2007  
Persons holding 20% or more: R M Joyce 100%

1,000,000 options exercisable at 25 cents each by 30 November 2005  
Persons holding 20% or more: R M Joyce 100%

## GIRALIA RESOURCES NL

***Additional  
Shareholder  
Information ...  
in Compliance  
with ASX Requirements***

### 6: PARTICULARS OF TWENTY LARGEST SHAREHOLDERS

	Shareholder	No of Shares	% Held
1.	Breamlea Pty Ltd	12,000,000	8.75
2.	Yandal Investments Pty Ltd	10,208,468	7.44
3.	National Nominees Pty Ltd	7,101,000	5.18
4.	Stanley Allan Macdonald	6,159,520	4.49
5.	Satinbrook Pty Ltd	5,135,015	3.74
6.	John Bevan Tilbrook	4,802,206	3.50
7.	Crescent Nominees Ltd	4,649,784	3.39
8.	Westpac Custodian Nominees	3,300,000	2.41
9.	Murdoch & Company Ltd	3,177,231	2.32
10.	Corporation der la Noble	2,206,010	1.61
11.	Grey Willow Pty Ltd	1,832,142	1.34
12.	Equity Trustees Ltd	1,798,143	1.31
13.	ANZ Nominees Limited	1,627,110	1.19
14.	Rowson Nominees Pty Ltd	1,570,035	1.14
15.	Maxigold Holdings Pty Ltd	1,378,018	1.00
16.	Mr William Henry Hernstadt	1,100,000	.80
17.	Citicorp Nominees Pty Ltd	1,024,000	.75
18.	Pillage Investments Pty Ltd	1,000,000	.73
19.	Torbay Nominees Pty Ltd	1,000,000	.73
20.	Richard Timothy Locke	975,000	.71
		<hr/> <hr/> 72,043,682	<hr/> <hr/> 53

# GIRALIA RESOURCES NL

## *Corporate Governance Statement for the Year Ended 30 June 2004 ...*

The Board of Directors of Giralia Resources NL is responsible for the corporate governance of the Company. The Board monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The following outlines the main corporate governance practices established to ensure the Board is equipped to discharge its responsibilities.

### **Composition and Functions of Board**

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

- ◆ The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas.
- ◆ Directors may bring characteristics which allow a mix of qualifications, skill and experience.

The Board will review its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

The Managing Director is accountable to the Board for management of the Company, with authority levels approved by the Board, and is subject to the supervision of the Board.

The performance of all Directors will be reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

Each Director will have the right to seek independent advice at the Company's expense. However, prior approval by the Chairman will be required, which will not be unreasonably withheld.

### **Remuneration**

The Board will review the remuneration packages and policies applicable to Executive Directors, senior executives and Non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract qualified and experienced Directors and senior executives. Where necessary, the Board will obtain independent advice on the appropriateness of remuneration packages and provide employment contracts to employees.

### **Business Risk**

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk which are identified will be regularly considered at Board meetings. Included in these areas are foreign currency and commodities price fluctuations, performance of activities, human resources, Occupational Health & Safety, the environment and continuous disclosure obligations.

### **Financial Reporting Safeguards**

The Company's Managing Director and Company Secretary are required to state in writing to the Board that the Company's financial reports present a true and fair view of the Company's financial position.

# GIRALIA RESOURCES NL

## *Corporate Governance Statement for the Year Ended 30 June 2004 ...*

### **Ethical Standards and Disclosure**

The Board's policy is that Directors and management conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Directors, employees and contractors are required to comply with the Company's comprehensive Share Trading Policy when dealing in the Company's securities.

The Company abides by a policy of continuous disclosure, as required by the ASX Listing Rules.

### **Environment**

The Company aims to ensure that the highest standard of environmental care is achieved and that it complies with all relevant environmental legislation.

### **The Role and Rights of Shareholders**

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:-

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document). The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- the half-yearly report contains summarised financial information and a review of the operations of the Company during the period. Half-year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities Commission and the Australian Stock Exchange. The financial statements are sent to any shareholder who requests them;
- quarterly reports contain a review of the operations of the Company and the report of cash flows for the quarter prepared in accordance with the requirements of the Australian Stock Exchange Listing Rules and released to the Australian Stock Exchange. The quarterly reports are sent to any shareholder who requests them; and
- proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders.
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to the ASX.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The auditor is invited to attend the Annual General Meeting of shareholders. The Chairman will permit shareholders to ask questions about the conduct of the audit, and the preparation and content of the audit report.

The shareholders are responsible for voting on the appointment of directors.

# GIRALIA RESOURCES NL

*Corporate Governance Statement  
for the Year Ended  
30 June 2004 ...*

## **Non-compliance statement**

Giralia Resources NL has not followed all of the best practice recommendations released by the ASX Corporate Governance Council, and set out in Australian Stock Exchange Limited (ASX) Listing Rule 4.10.3.

The Company has identified those recommendations that have not been followed as follows:

- At the date of this report no separate nomination, remuneration or audit committees of the Board of Directors exist.
- When applying the definition of independence of the ASX Corporate Governance Council, the majority of the Board is not independent, however the Chairman is considered to be independent.
- The Company has not yet developed a Code of Conduct for directors and officers, and to guide compliance with legal and other obligations to legitimate stakeholders.
- The Company has in place a Share Trading Policy concerning trading in Company securities, which was adopted in June 2004 but has not yet been publicly disclosed.

The reasons the Company has not followed all of the recommendations are as follows:

- The Company is a junior exploration company with limited financial and human resources.
- The Company has confined its management structures to maximise the availability of resources for exploration.
- Two of the Company's three directors are active in the management of the Company, thereby effecting substantial savings in the managerial and administration costs of the Company.
- The minimisation of organisational structures allows the Company to respond quickly to any opportunities that may arise.
- All matters to be dealt with by the nomination, remuneration and audit committees are dealt with by the full Board of Directors.

The Company recognises the importance of proper corporate governance and, notwithstanding its size and limited resources, has endeavoured to meet the principles of good corporate governance and best practice recommendations set by the ASX Corporate Governance Council.



## GIRALIA RESOURCES NL

*Interests in  
Mining Tenements ...  
at 23 September 2004*

PROJECT PARTICULARS	TENEMENT NUMBERS	GIRALIA'S INTEREST	
<b>WESTERN AUSTRALIA</b>			
Albury Heath (Dicky Lee)	ML 51/614	Nil	Subject to royalty agreement
	PLA 51/2476, 7	Nil	Subject to royalty agreement
	ML 51/578	Nil	Subject to royalty agreement
Angelo	ELA 52/1646	100%	Reducing to 49%, JV partner funding
	ELA 52/1647	100%	Reducing to 49%, JV partner funding
	ELA 52/1513	100%	Reducing to 49%, JV partner funding
	ELA 52/1573	100%	Reducing to 49%, JV partner funding
	ELA 52/1614	100%	Reducing to 49%, JV partner funding
	EL 52/1645	100%	Reducing to 49%, JV partner funding
Anthiby Well	EL 08/1095	90%	Reducing to 28%, JV partner funding
	MLA 08/303-6	90%	Reducing to 28%, JV partner funding
Avoca Downs	ELA 25/246	100%	
	ELA 25/286	100%	
	EL 28/1091	100%	
	EL 28/1109	100%	
	ELA 28/1121	100%	
	EL 28/1151	100%	
	EL 28/1330	100%	
	EL 28/1333	100%	
	ELA 28/1490	100%	
Bassit Bore	ELA 09/1088	100%	
Beasley Creek	EL 47/1061	100%	Reducing to 35%, JV partner funding
Beasley West	EL 47/1115	100%	Reducing to 49%, JV partner funding
Beebyn	ELA 20/466	100%	
	ELA 51/916	100%	
	ELA 51/933	100%	
	ELA 51/1049	100%	
Bonney Downs	EL 46/562	100%	
Cardinals	EL 45/2112	90%	
	ELA 45/2464	100%	
	PLA 45/2561	100%	
	MLA 45/1026	90%	
	MLA 45/1027	90%	
Clever Mary – Big Bend	EL 09/974	100%	Reducing to 40%, JV partner funding
	EL 52/1648	40%	JV partner funding

## GIRALIA RESOURCES NL

*Interests in  
Mining Tenements ...  
at 23 September 2004*

PROJECT PARTICULARS	TENEMENT NUMBERS	GIRALIA'S INTEREST	
<b>Western Australia (cont'd)</b>			
Corktree Bore	EL 52/1498	100%	
	ELA 52/1657	100%	
Corner Well	ELA 51/1063	100%	
Cosmos South	ELA 36/393	50%	
Cowboy Cairn	ELA 46/579	100%	
Daltons	EL 45/2186	0%	Earning 75%, Giralia funding
	EL 45/2187	0%	Earning 75%, Giralia funding
Diamond Dam	ELA 52/1631	100%	
Diorite Hill	ELA 38/1430	100%	
Dolphin Hill	ELA 08/1326	100%	Subject to diamonds JV, partner funding
Earaheedy	ELA 69/1571	100%	
	ELA 69/1722	100%	
	ELA 69/1768	100%	
	ELA 69/1771	100%	
	ELA 69/1804	100%	
	ELA 69/1838	100%	
	ELA 69/1882	100%	
	ELA 69/1897	100%	
	ELA 69/1907	100%	
Echo Gorge	ELA 47/1241	100%	
Feed Bore	ELA 08/1275	100%	Reducing to 49%, JV partner funding
Gilbert Cairn	ELA 46/577	100%	
Gold Show Hill	EL 46/461	100%	
	ELA 46/556	100%	
	MLA 46/266	100%	
Granite Hill	ELA 39/1075	100%	
Hardey Junction	EL 08/1121	100%	
Howlett Bore	ELA 08/1464	100%	
Joyce Well	EL 70/2406	100%	
Kathleen Valley	ML 36/264-266	22%	Reducing – JV partner funding
	ML 36/365	22%	Reducing – JV partner funding
	ML 36/376	22%	Reducing – JV partner funding
	ML 36/441	22%	Reducing – JV partner funding
	ML 36/459-460	22%	Reducing – JV partner funding

## GIRALIA RESOURCES NL

*Interests in  
Mining Tenements ...  
at 23 September 2004*

PROJECT PARTICULARS	TENEMENT NUMBERS	GIRALIA'S INTEREST	
<b>Western Australia (cont'd)</b>			
Lake Austin	ELA 21/99	100%	
Little Sandy Desert	ELA 46/585	100%	
Marshall Well	EL 37/754	100%	
Meekatharra North	PL 51/2353	100%	
	MLA 51/845	100%	
Mongolia Bore	ELA 09/980	100%	
Mt Charnleigh	ELA 28/1407	100%	
Mt McClure	ELA 36/521	100%	
	ELA 36/532	100%	
Mt Fairbairn	ELA 80/3232	100%	
Mt Hornett	ELA 39/1053	100%	
Mt Harris	ML 36/162	30%	Reducing, JV partner funding
	ML 37/176	30%	Reducing, JV partner funding
	ML 36/328	30%	Reducing, JV partner funding
Mt Maguire	ELA 52/1707	100%	
Mt Misery	ELA 70/2675	100%	
Munro Bore	ML 51/338	100%	
Norman Cairn	ELA 46/565	100%	
Snake Well	EL 59/467	100%	
	EL 59/963	100%	
	ELA 59/1123	100%	
	ELA 59/1133	100%	
	ELA 59/1137	100%	
	MLA 59/474-478	100%	
	MLA 59/505	100%	
	MLA 59/564-565	100%	
	PL 59/1229-1234	100%	
PL 59/1240-1251	100%		
PLA 59/1668-9	100%		
Seabrook Hills	ELA 25/286	100%	
	ELA 25/287	100%	
Sylvania	ELA52/1414	100%	Reducing to 35% JV partner funding
Tabletop Well	ELA 45/2612	100%	

# GIRALIA RESOURCES NL

*Interests in  
Mining Tenements ...  
at 23 September 2004*

PROJECT PARTICULARS	TENEMENT NUMBERS	GIRALIA'S INTEREST	
<b>Western Australia (cont'd)</b>			
Tectonic Well	ELA 37/779	100%	
Urandy Creek	EL 08/1227	100%	Reducing to 49%, JV partner funding
	EL 47/982	100%	Reducing to 49%, JV partner funding
	MLA 47/563-5	100%	Reducing to 49%, JV partner funding
	ELA 47/1409	100%	
Western Creek	EL 52/1483	100%	
Wildara Outcamp	ELA 37/756	100%	
Wyoonda Thango Hills	ELA 57/573	100%	
Yangibana Creek	ELA 09/1048	100%	
Yuinmery	EL 57/369	49%	Reducing, JV partner funding
	MLA 57/499-500	49%	Reducing, JV partner funding
	EL 57/514	49%	Reducing, JV partner funding
	EL 57/524	49%	Reducing, JV partner funding
	PLA 57/1021-102	49%	Reducing, JV partner funding
<b>QUEENSLAND</b>			
Cargoon	EPM 14169	100%	
	EPM 14170	100%	
Kitty O'Shea	EPM 14460	100%	
<b>SOUTH AUSTRALIA</b>			
Lake Frome	EL 3002	25%	Free carried to decision to mine
	EL 3012	25%	Free carried to decision to mine
Blue Rose	EL 2867	100%	
	EL 2938-2939	100%	
<b>NEW SOUTH WALES</b>			
Glen Isla	ELA 2281	100%	
<b>NORTHERN TERRITORY</b>			
Sleeper	EL 24065	100%	

# GIRALIA RESOURCES NL

*Interests in  
Mining Tenements ...  
at 23 September 2004*

PROJECT PARTICULARS	TENEMENT NUMBERS	GIRALIA'S INTEREST
<b>CHILE</b>		
Boldo, Buitre, La Chica projects		100% Through Giralía's 100% owned subsidiary, Minera Atacameña Ltda
<b>USA</b>		
Ann Mason claims		100% Through Giralía's 100% owned subsidiary, MIM (USA) Inc

**ABBREVIATIONS:**

PL - Prospecting Licence  
EL - Exploration Licence  
ML - Mining Lease

PLA - Prospecting Licence Application  
ELA - Exploration Licence Application  
MLA - Mining Lease Application