Gold Aura Limited

ABN 75 067 519 779

Annual Report
for the year ended 30 June 2006

Contents

Directors	Ken Chapple *(Managing Director)* Robert Boutflower Murdoch *(Chairperson, Non Executive Director)* James Collins-Taylor *(Non Executive Director)*
Company Secretary	John Lemon
Registered office	Suite 1, Level 6 200 Creek Street Brisbane QLD 4000 AUSTRALIA Postal address: PO Box 728 SPRING HILL QLD 4004 AUSTRALIA Telephone: (07) 3833 3833 Facsimile: (07) 3833 3888 E-mail: info@goldaura.com.au
Share registry	Link Market Services Limited Level 12 300 Queen Street Brisbane QLD 4000 AUSTRALIA Postal Address: GPO Box 2537 Brisbane QLD 4001 Telephone: (02) 8280 7454 Facsimile: (07) 3228 4999
Auditors	Pitcher Partners, Brisbane, QLD
Solicitors	Hopgood Ganim, Brisbane, QLD
Stock exchange listings	Gold Aura Limited shares and options are quoted on the Australian Stock Exchange as codes "GOA" and "GOAO" respectively.
Website address	www.goldaura.com.au

Directors' report

The Directors present their report on the consolidated entity (referred to hereafter as "the Group") consisting of Gold Aura Limited (referred to hereafter as "the Company" or "GOA") and its controlled entity for the year ended 30 June 2006.

Directors
The names and details of the Directors of the Company in office during the year and until the date of this report are:

K G Chapple B.Sc., B.Econ. *(Managing Director).*
Experience and expertise
Ken Chapple was appointed Managing Director on 20 April 2006. Prior to that he was the Director responsible for the implementation and supervision of the company's gold exploration program. Mr Chapple has extensive experience in gold and metal exploration. Before joining the Company, Mr Chapple worked for Union Resources Limited for 8 years and prior to that with BHP Exploration for 23 years. Director since 2002.

Special responsibilities
Managing Director

Interests in shares and options
960,000 ordinary shares in Gold Aura Limited
166,864 options over ordinary shares in Gold Aura Limited

R B Murdoch B.A. (Earth Sciences), M.A.I.M.M., M.A.I.G. *(Chairperson, Non Executive Director)*
Experience and expertise
Robert Murdoch has over 30 years of international business experience in the management of public companies, predominantly in the mining industry. Director since 1992.

Other current directorships
Union Resources Limited (director since 1992) and Jab Technologies Limited (director since 1999)

Special responsibilities
Member of the Audit Committee

Interests in shares and options
4,408,234 ordinary shares in Gold Aura Limited
662,343 options over ordinary shares in Gold Aura Limited

J D Collins-Taylor BA Bus ACA *(Non Executive Director)*
Experience and expertise
James Collins-Taylor was appointed a director of the Company on 20 October 2005. He is a chartered accountant and was formerly with Deloitte Touche Tohmatsu for 12 years. Mr Collins-Taylor has worked in the private equity and venture capital fields in Asia since 1992. He has extensive finance experience, and has been involved in a number of major transactions involving companies listed on the London and Hong Kong Stock Exchanges.

Other current directorships
Union Resources Limited (director since 2005)

Special responsibilities
Chairman of the Audit Committee

Interests in shares and options
257,402 ordinary shares in Gold Aura Limited
42,901 options over ordinary shares in Gold Aura Limited

Former Directors
N C White was a Director from the beginning of the financial year until his resignation on 18 July 2005.
A T Prowse was a Director from the beginning of the financial year until his resignation on 20 October 2005.

All Directors shown were in office for the entire year and up to the date of this report, unless otherwise stated.

Company Secretary
The Company Secretary is Mr John Lemon BA, LLB (Hons).

Mr Lemon has been Company Secretary since 13 February 2006. He is a qualified solicitor and has previously worked as an in-house lawyer for a number of large corporations, as well as having worked as Company secretary for several other listed public companies.

Company Secretary (continued)
Mr M Ilett was Company Secretary from the beginning of the financial year until his resignation on 13 February 2006.

Directors' meetings
The number of meetings of the Company's board of directors and of each board committee held during the year, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees Audit	
	A	**B**	**A**	**B**
K G Chapple	7	7	**	**
R B Murdoch	7	7	2	2
J D Collins-Taylor	6	6	1	1
A T Prowse	2	2	1	1

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
** = Not a member of the relevant committee

Principal activities
During the year the principal continuing activities of the consolidated entity consisted of the evaluation of potential world class gold projects for investment in Australia, Paua New Guinea, Central Asia and South America including:

(a) exploration and pre-feasibility study of the Company's gold tenements on Ferguson Island in Papua New Guinea;
(b) office review of the Croydon Gold Project in North Queensland and planning for ground follow-up geophysical traversing;
(c) acquisition of an 80% participating interest in Gold Aura Kazakhstan LLP ("GAK") and negotiation by GAK of the Exploration Contract for Southern Bayankol Concession area with Kazakhstan Government.
(d) exploration of three tenements in NW China which are held by joint venture partner, China EcoMine Resources Co. Ltd.;
(e) exploration of gold properties in the Tapajos region of central-northern Brazil; and
(f) evaluation of potential world class opportunities worldwide.

Review of operations
The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2006 was $494,087 (June 2005: loss $522,801).

GOA's business strategy is to focus shareholder funds into exploration for major new discoveries, and further evaluation of the Company's existing projects. During the twelve months to 30 June 2006, GOA focused its operations in two main directions:

(a) gold production in the short term; and
(b) exploration in areas with potential for the discovery of world class gold deposits.

GOLD PRODUCTION IN THE SHORT TERM

Fergusson Island Gold Project, PNG

The Fergusson Island Gold Project comprises two main gold deposits (Gameta and Wapolu) and surrounding areas considered prospective for further gold mineralisation. A pre-feasibility study undertaken in 2004/2005 indicated that a viable gold mine could be established at Gameta with an annual gold production capacity of around 55,000 ounces at an operating cost of approximately US$225 an ounce. This, together with the recent significant rise in the gold price, has enhanced the economic potential of the Project.

Towards the end of the financial year, the Company commenced preparations for drill-testing of gold anomalies at Wapolu and in-fill resource drilling at Gameta.

Review of operations (continued)

EXPLORATION AND EVALUATION IN AREAS WITH POTENTIAL FOR THE DISCOVERY OF WORLD CLASS GOLD DEPOSITS

Central Asian Black Shale Gold Belt

The main exploration focus has been in the Central Asian Black Shale Gold Belt which hosts a significant number of world class gold deposits including the largest in the world (Muruntau in Uzbekistan - a resource of 170 million ounces). Two active projects, Sazhen in Kazakhstan and Saiyikale in China, have so far resulted from this work.

- ***Sazhen Joint Venture, Kazakhstan***

In accordance with an agreement previously entered into with Gold Aura Kazakhstan LLP ("GAK"), a Kazakhstan-registered company, GOA acquired an 80% participating interest in GAK in June 2006.

In December 2005 GAK won a tender giving GAK the exclusive right to negotiate an Exploration Contract with the Kazakhstan Government to acquire the gold exploration rights to the Southern Bayankol Concession area in South-East Kazakhstan.

This Concession area contains the highly prospective Sazhen Prospect where previous exploration has revealed significant and highly encouraging gold anomalism in rock samples collected over an extensive ENE-WSW trending zone 7.5 kilometres long by up to 2.5 kilometres wide.

GAK commenced negotiations of the Exploration Contract with the Kazakhstan Government in early 2006 and was granted permission to commence field work prior to the signing of the Contract. Field work activities were planned for commencement in July 2006.

- ***Saiyikale Gold Project, China***

GOA entered into a joint venture with Chinese company China EcoMine Resources Co. Ltd. ("China EcoMine") in 2004. China EcoMine holds three Mineral Exploration Rights ("MERs") in the Xinjiang Autonomous Region of North-Western China. The granted mineral tenements cover the extrapolated extension of the Sazhen mineralisation from Kazakhstan into China.

Under its agreement with China EcoMine, GOA will acquire 90% equity in the MERs by the expenditure of US$2.0 million.

During the first quarter of the financial year China EcoMine completed a reconnaissance exploration programme within the joint venture area. The reconnaissance located widespread limonite stained rock float and separate rock chip assays of 1g/t Au and up to 4% Cu were obtained. In the latter part of the financial year field work was carried out in the more prospective western and central MERs. Rock samples were collected and assay results are awaited.

Brazil Gold Project

GOA commenced an assessment of the Tapajos District of central-northern Brazil where some 18 million ounces of mainly alluvial gold has been produced since 1958. GOA considers this district to be an under-explored area holding considerable potential for the discovery of narrow high grade gold quartz veins and quartz vein stock-works. A three month option agreement was entered into over a number of gold properties and was subsequently extended to 31 August 2006.

Croydon Gold Project, North Queensland

GOA holds tenements over a significant area of the Croydon Goldfields, which has historical production of just under one million ounces of gold and one million ounces of silver, ranking it amongst the more significant goldfields in Australia.

GOA has previously served notices as provided for under the Native Title Access regime to gain ground access to the area covered by GOA's tenements for the purpose of undertaking exploration activities. During the year heavy rains in the area due to cyclonic activity delayed field inspections requested by the local Aboriginal Land claimants. Preparations were made to undertake ground magnetic surveys to fine-tune drill targets in the Caldera and Wallabadah Prospect areas following completion of field inspections.

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

(a) An increase in contributed equity of $3,990,494 (from $4,817,593 to $8,808,087) as a result of:

Issue of 7,255,882 fully paid ordinary shares @ 8.5 cents each under a private placement (29 August 2005)	**616,750**
Issue of 10,863,851 fully paid ordinary shares @ 8.5 cents each under Share Purchase Plan (14 October 2005)	**923,429**
Issue of 23,421,951 fully paid ordinary shares @ 8.5 cents each under Rights Issue (24 May 2006)	**1,990,868**
Issue of 7,023,445 fully paid ordinary shares @ 8.5 cents each under a private placement (24 May 2006)	**596,993**
Issue of 40,414 fully paid ordinary shares @ 13 cents each on exercise of options (21 June 2006)	**5,254**
	4,133,294
Less: Transaction costs arising on share issues, net of current income tax	**(142,800)**
Net increase in share capital	3,990,494

(b) On 13 September 2005 Union Resources Limited ("Union"") completed an in specie share distribution of 10,142,764 Gold Aura Limited shares to eligible Union shareholders on the basis of one (1) ordinary Gold Aura Share for every fifty (50) Union shares held. The shares were distributed equally to eligible Union shareholders on a pro rata basis based on the number of shares held on the record date on 7 September 2005. As a result of the in specie share distribution Gold Aura Limited ceased to be a subsidiary of Union.

(c) The Company acquired an 80% participating interest in Gold Aura Kazakhstan LLP, a Kazakhstan-registered entity, on 13 June 2006.

(d) The Company increased exploration and evaluation expenditure from $4,138,178 to $5,083,090.

Dividends - Gold Aura Limited
No dividends of the parent entity or the consolidated entity have been paid or declared or recommended since the end of the preceeding year. The Directors do not recommend the payment of any dividend for the year ended 30 June 2006.

Significant events after the balance date

Significant events occurring after the balance date of 30 June 2006 are as follows:

(a) Exploration drilling at the Wapolu Prospect on Fergusson Island commenced in early September 2006 and was completed in late September. The drill rig is being re-located to Gameta to commence the in-fill drilling programme;
(b) Exploration by Gold Aura Kazakhstan LLP ("GAK") in the Southern Bayankil Concession area was commenced in July, and in August the GAK exploration field team reached the highly prospective Sazhen Prospect site and commenced investigations and sampling. Assay results are awaited;
(c) The field program at Saiyikale was completed. Assay results are awaited;
(d) The Option Agreement in Brazil was completed. Assessment of results is in progress;
(e) Ground geophysical traversing was commenced and completed in the Croydon Project area. Assessment of data collected is in progress;
(f) In early September 2006 the Company entered into a contract for the sale of the Company's Georgetown (Queensland) Gold Plant and associated mining leases;

(g) On 22 September 2006 Gold Aura Limited ("GOA") and Gold Aura Kazakhstan LLP ("GAK") entered into a loan agreement which provides for GOA to advance to GAK by way of loan the sum of US$299,000.

Likely developments and expected results of operations
Gold Aura will commence the in-fill drilling programme at Gameta with the expectations that it will lead to a full feasibility study into the commercial development of the Fergusson Island Gold Project at Gameta. Negotiations of an Exploration Contract by Gold Aura Kazakhstan LLP are continuing with the Kazakstan Government and are expected to be completed shortly. Further evaluation of potential new projects will be undertaken including projects in the Central Asian Black Shale Belt, and Brazil with a view to identifying investment opportunities that will grow the Company into the future. It is expected that drill targets will be selected following the geophysical survey at Croydon with drilling, subject to rig availability, to commence in the second quarter of the current financial year.

Environmental regulation and performance
The consolidated entity is subject to environmental regulation in relation to its former mining activities in North Queensland by the Environmental Protection Agency of Queensland. The company complies with the Mineral Resources Act (1989) and Environmental Protection Act (1994).

Shares under option
Unissued ordinary shares of Gold Aura Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number under option
31 March 2009	13 cents	24,438,308

Option holders do not have any rights under the options to participate in any share issue of the Company.

No options were issued to directors, officers or employees during the year as part of their remuneration.

Shares issued on the exercise of options
40,414 Gold Aura Limited Shares were issued during the year ended 30 June 2006 as a result of the exercise of options over unissued shares in the Company. No further shares have been issued since that date.

Indemnification and insurance of directors
During the year, Gold Aura Limited paid a premium of $47,266 to insure the directors and officers of the company in relation to all liabilities and expenses arising as a result of the performance of their duties in their respective capacities to the extent permitted by law. The insurance period covered is from 24 December 2005 to 23 December 2006.

Non-audit services
During the financial year Gold Aura Limited paid the following amounts to the Consolidated Entity's auditor, Pitcher Partners, for non-audit services provided:

taxation advice - $11,308

The Directors of Gold Aura Limited have considered the position and in accordance with the advice received from the Company's Audit Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by Pitcher Partners did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Audit Committee
The Audit Committee oversees and appraises the quality of audits conducted by the consolidated entity's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the consolidated entity properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management. During the year the Company held two audit committee meetings.

Members of the Audit Committee during the year were:

Name and position
J Collins-Taylor - Non Executive Director

R B Murdoch - Non Executive Director

A T Prowse - Non Executive Director

Remuneration report
The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share-based compensation

A Principles used to determine the nature and amount of remuneration.
The Board of Directors is responsible for determining and reviewing compensation arrangements for Directors and senior executives. The Board also reviews and ratifies the Managing Director's recommendations on the remuneration of key management and staff.

Executive Remuneration
Contracts for services are reviewed on a regular basis to ensure that they properly reflect the duties and responsibilities of the individuals concerned. The Executive remuneration is based on a number of factors including length of service, relevant market conditions, knowledge and experience within the industry, organisational experience, performance of the Company,and ensuring that the remuneration is competitive in retaining and attracting motivated people. There are no guaranteed pay increases included in senior executives' contracts.

Currently executive remuneration comprises total fixed remuneration, and does not comprise any incentive-based remuneration.

The Directors are not entitled to any retirement benefits, except under the superannuation guarantee legislation.

Non Executive Directors
Non Executive Directors other than Mr Murdoch each receive remuneration of $18,000 per annum. Mr Murdoch does not receive director's fees. Non Executive Directors do not currently participate in any cash bonus or share or option plans. Other than compulsory payments made under the superannuation guarantee legislation, there are no retirement benefits provided to Non Executive Directors.

Remuneration report (continued)
B Details of remuneration (audited)
Details of the nature and amount of each element of the emoluments of each director and the four executives of the consolidated entity receiving the highest emoluments for the year are as follows:

Directors remuneration*

2006	Short-term benefits	Post-employment benefits	Share-based payment	
	Cash salary and fees $	Super-annuation $	Equity shares $	Total $
Executive Directors - Current*				
K G Chapple (Managing Director)	149,733	13,472	-	163,205
Non Executive Directors - Current*				
R B Murdoch (Chairperson, Non Executive Director)	35,225	-	-	35,225
J D Collins-Taylor (Non Executive Director)	13,000	-	-	13,000
Non Executive Directors - Non current**	-	-	-	-
A T Prowse (Non Executive Director)	-	-	-	-
N C White (Non Executive Director)				-
Other key management personnel - Current**				
J A Lemon	23,308	-	-	23,308
C C Estwick	4,903	441	-	5,344
M J Ilett	23,635	-	-	23,635
J P Stephenson	35,735	3,216	-	38,951
Total Directors and Other key management personnel	**285,539**	**17,129**	**-**	**302,668**

*The Directors' and Executives' remuneration have been determined on the basis of the cost to the entity which includes specific benefits and GST.

** A T Prowse was a Director of the Company from the beginning of the financial year until his resignation on 20 October 2005. N C White was a Director from the beginning of the financial year until his resignation on 18 July 2005.

*** There were only four key management personnel during the year ended 30 June 2006.

Directors remuneration*

2005	Short-term employee benefits	Post-employment benefits	Share-based payment	
	Cash salary and fees $	Super-annuation $	Equity shares $	Total $
Executive Directors - Current*				
R B Murdoch (Chairman)	75,750	-	-	75,750
K G Chapple (Executive Exploration Director)	140,000	12,600	-	152,600
Non Executive Directors - Non Current*	-	-	-	-
A T Prowse (Non Executive Director)	77,446	-	-	77,446
N C White (Non Executive Director)	19,800	-	-	19,800
T Roeggla (Non Executive Director)**	-	-	-	-
Other key management personnel - Current*				
M J Ilett	37,819	-	-	37,819
Total Directors and Other key management personnel	**350,815**	**12,600**	**-**	**363,415**

*The Directors' and Executives' remuneration have been determined on the basis of the cost to the entity which includes specific benefits and GST.

**Thomas Roeggla was a Director from the beginning of the financial year untll his resignation on 11 February 2005.

Remuneration report (continued)

C Service agreements (audited)
Remuneration and other terms of employment for the Directors and other key management personnel are formalised in service agreements. The contractual arrangements contain certain provisions typically found in contracts of this nature. Other major provisions of the agreements relating to the remuneration are set out below:

K G Chapple (Managing Director)
- Term of agreement - 29 October 2005 to 28 October 2008
- Base salary of $180,000 per annum plus superannuation guarantee
- Period of Termination - Three (3) Months

R B Murdoch (Chairperson)
- Base Salary of $1,250 per day plus travel, accommodation and general out of pocket expenses
- Period of Termination - Three (3) Months

J D Collins-Taylor (Non-Executive Director)
- Director's fee of $18,000 per annum plus travel, accommodation and general out of pocket expenses

J Lemon (Company Secretary)
- Base Salary $85 per hour for Company Secretarial services
- Base Salary $125 per hour for Legal Services
- Period of Termination - Four (4) Weeks

C C Estwick (Chief Financial Officer)
- Base Salary of $125 per hour inclusive of superannuation guarantee.
- Period of Termination - Four (4) Weeks

M J Ilett
- Base Salary of $85 per hour inclusive of GST
- Period of Termination - Four (4) Weeks

D Share-based compensation (audited)
No equity-based compensation was paid to officers and employees.

Directors' interests in contracts
No material contracts involving Directors' interests were entered into during or at the end of the year, other than those transactions detailed in the Financial Report in note 26.

Loans to directors and executives

No loans were made to Directors or Executives.

Auditors' independence declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page11.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Corporate governance
The Board of Directors is responsible for the Corporate Governance of the consolidated entity. The Board is committed to achieving the highest standards of corporate behaviour and accountability. The company's corporate governance statement is contained in the following section of this report.

Signed for and on behalf of the Board in accordance with a resolution of the Directors.

R B Murdoch

Chairman

K G Chapple

Managing Director

Brisbane
29 September 2006

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

Level 21
300 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 35
Brisbane Qld 4001
Australia

Tel: 07 3228 4000
Fax: 07 3221 6420

www.pitcher.com.au
info@pitcherqld.com.au

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Auditor's Independence Declaration

to the Directors of Gold Aura Limited

As lead auditor for the audit of Gold Aura Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gold Aura Limited and the entities it controlled during the period.

PITCHER PARTNERS

R J St Clair

R J St Clair
Partner

Brisbane, 29 September 2006

Corporate governance statement

This statement outlines the main corporate governance practices in place and the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council ("ASX Council") throughout the year as contained in the ASX Council's "Principles of Good Corporate Governance and Best Practice Recommendations". Departures from the ASX Council Best Practice Recommendations have been identified and explained below.

Principle 1 - Lay solid foundations for management and oversight
The Board has formalised the functions reserved to the Board and those delegated to management in the "Board Charter" adopted by the Board. A copy of the Board Charter can be found on the Company's website.

The Board is responsible to shareholders for the Company's overall Corporate Governance. The Board appointed Mr Ken Chapple Managing Director on 20 April 2006. The board delegates to the Managing Director and the executive team the responsibility for the operation and administration of the Company. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess performance.

Responsibilities
The responsibilities of the board include:

- establish, monitor and modify the corporate, business and tactical level strategies of the Company;
- ensure compliance with good corporate governance and other requirements of the law;
- monitor the performance of the Company and its management;
- undertake a review of risks and further develop systems of internal control;
- approve decisions concerning capital and major expenditure; and
- ensure proper disclosure to shareholders and other stakeholders.

Principle 2 - Structure the Board to add value
The current Board of three members comprises two non executive directors and one executive director. The names, skills and experience of the directors in office at the date of this statement and the period of office of each director are set out in the Directors' Report. The directors believe that the Board is of sufficient composition, size and commitment to adequately discharge its responsibilities and duties.

Independence of Directors
Mr James Collins-Taylor is an independent director. Due the size and nature of the Company, the Board does not consist of a majority of independent Directors. The Board believes that the individual directors make quality and independent judgements in the best interests of the Company.

The Board distinguishes between the concept of independence and issues of conflict of interest and material personal interest. The Board's policies and procedures ensure that interests in matters are disclosed by directors and that directors are excluded from voting on matters where conflicts of interest or material personal interests exist. All directors are also able to obtain independent advice at the expense of the Company.

The composition of the Board will be monitored to ensure that additional independent directors are appointed on a timely basis to fulfil specific skill sets needed by the Board to discharge its responsibilities competently and to meet its obligations.

Chairperson of the Board
The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board’s relationship with the company’s senior executives. The Chairman is not an independent director, as defined in the ASX Best Practice Recommendations, but brings independent judgement to his role. The roles of Chairman and chief executive officer are not exercised by the same person.

Nomination
As Gold Aura Limited has a relatively small Board it has not established a formal nomination committee. The whole Board participates in the selection of members of the Board. The Board has adopted a Nomination and Remuneration Policy, a copy of which appears on the Company's website.

The Nomination and Remuneration Policy delegates to non-executive Directors the responsibilities of:

- assessing the necessary competencies of Board members to add value to the Company;
- reviewing the Board's succession plans;
- evaluating the Board's performance; and
- providing recommendations for the appointment and removal of members of the Board and committees of the Board.

Principle 3 - Promote ethical and responsible decision making

Code of Conduct
The Company is firmly committed to ethical business practices, a safe workplace, and compliance with the law. Fair dealing with the Company's suppliers, advisors, customers, employees and competitors is expected at all levels of the organisation. All directors, executive management and employees are expected to act with integrity to enhance the performance of the Group. The Company has established a Code of Conduct which provides a guide to the Directors and employees as to the practices necessary to maintain confidence in the Company's integrity and ethical practices. The Code of Conduct is contained in the "Corporate Governance Policy", a copy of which has been published on the Company's website.

Trading in Company Securities by Directors, Officers and Employees
The Board has established written guidelines set out in its Corporate Ethics Policy that sets guidelines for trading in the Company's shares. The policy restricts the buying or selling of Company Shares within seven days prior to the release of the half-year and annual reports, and at any time during which the Directors are aware of unpublished price sensitive information.

A copy of the Corporate Ethics Policy has been published on the Company's website.

Principle 4 - Safeguard integrity in financial reporting

Statement to the Board by the Chief Executive Officer and Chief Financial Officer

The Board requires the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that the consolidated financial statements of Company and its controlled entities present a true and fair view, in all material respects, of the financial condition and operational results and are in accordance with applicable accounting standards.

Audit Committee
The Board has established an Audit Committee which operates under a Charter approved by the Board. A copy of the charter appears on the Company's website.

It is the Audit Committee's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

Meetings of the Committee were attended by invitation by the Chief Executive Officer and Chief Financial Officer, the engagement partner from the Company's external auditors and other senior staff or professional people considered appropriate. The Audit Committee consists of two members who are non-executive directors of the Company. All members of the Committee are financially literate; one member has financial expertise; and the other member has expertise in the resources industry.

During the period the Audit Committee met with the external auditor to review the independence of the external auditor and discuss the need for rotation of external audit engagement partners. The Audit Committee determined that was no need for any change in the external auditor.

Principle 5 - Make timely and balanced disclosure
The Company has established policies and procedures designed to ensure compliance with the ASX Listing Rule requirements so that announcements are made in a timely manner, are factual, do not omit material information, are balanced, and are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions. The Chief Executive Officer and Company Secretary are responsible for interpreting and monitoring the Company's disclosure policy and the Company Secretary is responsible for all communications with the ASX.

ASX announcements are also published on the Company's website. The Company's Corporate Governance Policy contains procedures relating to timely and balanced disclosure. A copy of this policy has been published on the Company's website.

Principle 6 - Respect the rights of shareholders
The Company aims to keep shareholders informed of the Company's performance and all major developments in an ongoing manner. The Company regularly communicates to its shareholders in a timely manner through a communications strategy that consists of:

- relevant disclosures made in accordance with ASX Listing Rule disclosure requirements;
- annual financial reports which are distributed unless specifically requested otherwise;
- making documents that have been released publicly available on the Company's website; and
- communicating with shareholders electronically through the Company's web-based application.

The Company's website contains a corporate governance section that includes copies of policies, procedures and charters.

The Company has requested that the external auditor attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Principle 7 - Recognise and manage risk
Oversight of the risk management function

The Company recognises that it is necessary to undertake activities that involve a level of risk in order to achieve high levels of performance. The Board and Audit Committee are responsible for the oversight of the Group's risk management and control framework.

The size of the Company and the comprehensive nature of its reporting systems have led the Board to conclude that a formal internal audit process would not be cost effective nor reduce risk. There is no formal Risk Management Policy, however the Company is focused on the identification and management of risk including:

- establishing the Company's corporate level and business level goals and monitoring and implementing strategies to achieve these goals;
- identifying and measuring risks that might impact upon the achievement of the Company's goals and monitoring for trends and emergent factors;
- reviewing the year-end reports and other reports required to be lodged with the ASX; and
- establishing separate project teams to identify risk management strategies and monitor the risk and implementation strategies for each major Company project.

The Board believes that there are adequate controls to ensure that financial reports provide a truthful and factual position for the Company.

Certification of risk management controls

The Chief Executive Officer and Chief Financial Officer are each required to make an annual written statement to the Board with respect to the adequacy of risk management and internal controls.

Principle 8 - Encourage enhanced performance

The Board undertakes an annual review of its performance and the performance of key executives. Directors were initially invited to join the Board on the basis of their experience and skills in relation to the Company's activities.

The performance criteria against which Directors and executives are assessed are in line with the Company's objectives. The Board has a responsibility to ensure that executive remuneration is fair and reasonable, having regard to the competitive market for executive talent, structured effectively to motivate and retain valued executives, and designed to produce value for shareholders.

Principle 9 - Remunerate fairly and responsibly
As Gold Aura Limited has a relatively small Board it has not established a formal remuneration committee. The whole Board is responsible for recommending and reviewing the remuneration arrangements for the Directors, Chief Executive Officer and key management personnel. The Board adopted a Nomination and Remuneration Policy, a copy of which has been published on the Company's website.

The Nomination and Remuneration Policy requires that a majority of Non Executive Directors must approve changes to the remuneration or contract terms of Directors, the design of new remuneration packages, equity-based remuneration packages, performance-based remuneration, any cash-based incentive plans and termination payments to Directors.

It is the objective of Gold Aura Limited to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration policy are:

• retention and motivation of key executives;

• attraction of quality management to the Company; and

• performance incentives which allow executives to share the rewards of the success of the Company.

Executive Directors are remunerated by means of a fixed base remuneration. The Company does not at this time provide equity-based renumeration to directors or executives. As Non Executive Directors Mr J. Collins-Taylor is entitled to Director's fees. Non Executive Directors are not entitled to any retiring allowance payable upon their retirement as a Director of the Company.   The details of the Directors' and Senior Executives' remuneration are set out in the Directors' Report and and the Financial Report in note 24.

Principle 10 - Recognise the legitimate interests of stakeholders
The Company recognises its legal and other obligations including its responsibility to act in good faith and with integrity whilst dealing with Company affairs. These responsibilities relate to all stakeholders including clients, customers, suppliers, government, financial institutions, shareholders and to the community as a whole.

The Company is firmly committed to ethical business practices, a safe workplace and compliance with the law. These include trade practices and fair dealing laws, consumer protection, privacy, employment, occupational health and safety, equal employment opportunity, superannuation and environment laws.

As indicated under Principle 3, the Company has established a Code of Conduct to guide compliance with legal and other obligations to the legitimate stakeholders of the Company. The Code of Conduct is contained in the Corporate Governance Policy, a copy of which appears on the Company's website.

Contents

Gold Aura Limited
Income statements
For the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Revenue from continuing operations	4	**54,259**	43,927	**54,259**	43,927
Expenses, excluding finance costs	5	**(546,906)**	(564,910)	**(546,243)**	(564,324)
Finance costs	5	**(1,440)**	(1,818)	**(1,666)**	(1,818)
Profit /(Loss) before income tax		**(494,087)**	(522,801)	**(493,650)**	(522,215)
Income tax expense	7	**-**	-	**-**	-
Profit /(Loss) from continuing operations		**(494,087)**	(522,801)	**(493,650)**	(522,215)
Profit/(Loss) attributable to minority interest		**-**	-	**-**	-
Profit/(Loss) attributable to members of Gold Aura Limited		**(494,087)**	(522,801)	**(493,650)**	(522,215)
		Cents	Cents		
Profit/(Loss) per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings/ (loss) per share	8	**(1.08)**	(1.96)		
Diluted earnings/ (loss) per share	8	**(1.08)**	(1.96)		
Profit/(Loss) per share for profit/(loss) attributable to the ordinary equity holders of the company:					
Basic earnings/ (loss) per share	8	**(1.08)**	(1.96)		
Diluted earnings/ (loss) per share	8	**(1.08)**	(1.96)		

The above income statements should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
ASSETS					
Current assets					
Cash and cash equivalents	10	**2,482,095**	156,774	**2,351,822**	154,917
Trade and other receivables	11	**32,429**	25,445	**32,429**	25,445
		2,514,524	182,219	**2,384,251**	180,362
Total current assets		**2,514,524**	182,219	**2,384,251**	180,362
Non-current assets					
Receivables	12	**209**	-	**1,538,864**	826,988
Other financial assets	13	**418,266**	165,766	**2,053,834**	1,800,500
Property, plant and equipment	14	**97,823**	55,952	**50,445**	55,721
Evaluation and exploration expenditure	15	**5,083,090**	4,138,178	**2,104,226**	1,697,054
Total non-current assets		**5,599,388**	4,359,896	**5,747,369**	4,380,263
Total assets		**8,113,912**	4,542,115	**8,131,620**	4,560,625
LIABILITIES					
Current liabilities					
Trade and other payables	16	**213,356**	176,415	**213,492**	177,581
Provisions	17	**35,064**	21,193	**35,064**	21,193
		248,420	197,608	**248,556**	198,774
Total current liabilities		**248,420**	197,608	**248,556**	198,774
Non-current liabilities					
Payables		**-**	-	**-**	-
Provisions	18	**34,487**	10,118	**34,487**	10,118
Total non-current liabilities		**34,487**	10,118	**34,487**	10,118
Total liabilities		**282,907**	207,726	**283,043**	208,892
Net assets		**7,831,005**	4,334,389	**7,848,577**	4,351,733
EQUITY					
Contributed equity	19	**8,808,087**	4,817,593	**8,808,087**	4,817,593
Reserves	20(a)	**1,021,998**	1,021,998	**1,021,998**	1,021,998
Accumulated losses	20(b)	**(1,999,289)**	(1,505,202)	**(1,981,508)**	(1,487,858)
Minority interest	21	**209**	-	**-**	-
Total equity		**7,831,005**	4,334,389	**7,848,577**	4,351,733

The above balance sheets should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Total equity at the beginning of the financial year		**4,334,389**	4,237,944	**4,351,733**	4,254,702
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Profit for the year		**(494,087)**	(522,801)	**(493,650)**	(522,215)
Total recognised income and expense for the year		**(494,087)**	(522,801)	**(493,650)**	(522,215)
Contributions of equity, net of transaction costs	19	**3,990,494**	619,246	**3,990,494**	619,246
Total changes in minority interest	21	**209**	-	**-**	-
		3,990,703	619,246	**3,990,494**	619,246
Total equity at the end of the financial year		**7,831,005**	4,334,389	**7,848,577**	4,351,733

The above statements of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated		Parent	
		2006	2005	**2006**	2005
		$	$	**$**	$
Cash flows from operating activities					
Deposits received		**-**	11,000	**-**	11,000
Interest received		**52,501**	22,927	**52,501**	22,927
Interest and other financial costs paid		**(1,440)**	(1,818)	**(1,666)**	(1,818)
Payments to suppliers and employees (inclusive of goods and services tax)		**(382,947)**	(397,414)	**(383,871)**	(380,801)
		(331,886)	(365,305)	**(333,036)**	(348,692)
Security Deposits Paid		**(252,500)**	-	**(252,500)**	-
Net cash (outflow) inflow from operating activities	28	**(584,386)**	(365,305)	**(585,536)**	(348,692)
Cash flows from investing activities					
Payments for equity investments		**-**	-	**(834)**	-
Payments for property, plant and equipment		**(78,102)**	(3,363)	**(30,048)**	(3,363)
Purchase of exploration, evaluation and development assets		**(1,002,459)**	(452,995)	**(464,328)**	(277,921)
Proceeds from refund of deposit		**-**	361	**-**	-
Loans repaid (granted) to subsidiary and investee companies		**-**	20,353	**(712,843)**	(166,579)
Net cash (outflow) inflow from investing activities		**(1,080,561)**	(435,644)	**(1,208,053)**	(447,863)
Cash flows from financing activities					
Proceeds from issue of ordinary shares and options		**4,133,294**	631,964	**4,133,294**	631,964
Other - Share issue costs		**(142,800)**	(12,718)	**(142,800)**	(12,718)
Net cash inflow (outflow) from financing activities		**3,990,494**	619,246	**3,990,494**	619,246
Net increase (decrease) in cash and cash equivalents		**2,325,547**	(181,703)	**2,196,905**	(177,309)
Cash and cash equivalents at the beginning of the financial year		**156,774**	338,477	**154,917**	332,226
Effects of exchange rate changes on cash and cash equivalents		**(226)**	-	**-**	-
Cash and cash equivalents at end of year	10	**2,482,095**	156,774	**2,351,822**	154,917

The above cash flow statements should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Gold Aura Limited as an individual entity and the consolidated entity consisting of Gold Aura Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

The financial statements have been prepared in accordance with the historical cost convention, except for certain assets, which as noted, are at valuation.

In preparing the financial statements the Directors note that the ability of the Gold Aura Limited group of companies to continue as a going concern is uncertain in that it is dependent upon:

1. the continued ability of Gold Aura to raise equity capital;

2. the improved profitability of the economic entity's technology investments;

3. the containment of operating expenses at a level that is commensurate with Gold Aura's revenue generating potential; and

4. Gold Aura continuing to enhance the value of the retained assets including the possibility of developing there assets through joint venture arrangements; or

5. the disposal of assets at a fair value that generates adequate cash flow to Gold Aura.

Statement of Compliance
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Gold Aura Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 *Financial Instruments: Presentation and Disclosure* and *AASB 124 Related Party Disclosures.*

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards
These financial statements are the first Gold Aura Limited financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Gold Aura Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Gold Aura Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 29.

Early adoption of standard
The Group has elected to apply AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 July 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.*

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gold Aura Limited ("company" or "parent entity") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Gold Aura Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Gold Aura Limited's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

As Gold Aura Limited has a Papua New Guinea subsidiary, it has not needed to implement the tax consolidation legislation.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases (note 14). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

1 Summary of significant accounting policies (continued)

(h) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issues or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Where equity instruments are issued in acquisition, the value of the instruments is their market price as at acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition for land development and resale debtors, and no more than 30 days for other debtors.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(l) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

1 Summary of significant accounting policies (continued)

(l) Non-current assets (or disposal groups) held for sale (continued)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(m) Investments and other financial assets

From 1 July 2004 to 30 June 2005
The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005
The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

For further information concerning the adjustments on transition date reference should be made to the following notes:

- Available-for-sale financial assets
- Other financial assets - note 13
- Reserves and retained profits - note 20
- Explanation of transition to AIFRSs - note 29

From 1 July 2005
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables
Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 11 and 12).

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

(iv) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm’s length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

1 Summary of significant accounting policies (continued)

(o) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit and loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Provisions

Provisions for legal claims and service warranties are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(r) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Gold Aura Employee Option Plan and an employee share scheme.

Shares options granted after 7 November 2002 and vested after 1 January 2005
The fair value of options granted under the Gold Aura Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Financial instrument transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts. At the date of transition to AASB 132 and AASB 139 the adjustment to carrying amounts for the Group was immaterial.

1 Summary of significant accounting policies (continued)

(v) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) Recoverable amount of non-current assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write-down to a recoverable amount. The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and cash outflows arising from continued use and subsequent disposal. Where the carrying amount of a non-current asset is greater than its receivable amount, the asset is written down to its recoverable amount.

(x) Exploration, evaluation and development expenditure

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

The ultimate recoupment of capitalised costs is dependent on the successful development and commercial exploitation, or sale, of the respective areas of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Where costs are capitalised on exploration, evaluation and development, they are amortised over the life of the area of interest to which they relate once production has commenced. Amortisation charges are determined on a production output basis, unless a time basis is more appropriate under specific circumstances.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

2 Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including foreign currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out under policies set by the Managing Director and approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas.

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US Dollar, Papua New Guinea Kina, Kazakhstan Tenge and Chinese Yuan.

As the Group is still in the exploration and evaluation stage it has not needed to use forward contracts to manage foreign exchange risk. The Board will continue to monitor the Group's foreign currency exposures.

(ii) Price risk
The Group is exposed to commodity price risk. As an exploration and evaluation company, the Group's capacity to raise additional funds is dependent upon commodity prices.

(iii) Fair value interest rate risk
Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability of the Group to raise funds on the capital markets. The Managing Director and the Board continue to monitor the Group's financial position to ensure that it has available funds to meet its ongoing commitments.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

The Group does not have an interest-rate risk arising from long-term borrowings.

3 Critical accounting estimates and judgements

The Group does not have an interest-rate risk arising from long-term borrowings.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Exploration, evaluation and development expenditure
The exploration, evaluation and development expenditure is reviewed regularly to ensure that the capitalised expenditure is only carried forward to the extent that its is expected to be recouped through the successful development of the areas of interest or when activities in the areas of interest have not yet reached a stage which permit reasonable assessment of the existence of economically recoverable reserves. The policy is outlined in note 1.

3 Critical accounting estimates and judgements (continued)

(ii) Income taxes
The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes and for planning purposes when entering into contracts. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group currently has available tax losses. Once the Group is subject to company tax liabilities it will record any tax differences in the the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies

Revenue recognition
There were no critical judgments made in applying the Group's accounting policies.

4 Revenue

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
From continuing operations				
Other revenue				
Interest - unrelated parties	**54,259**	22,927	**54,259**	22,927
Other revenue	**-**	21,000	**-**	21,000
	54,259	43,927	**54,259**	43,927

5 Expenses

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Expenses, excluding finance costs, included in the income statement classified by nature				
Audit fees	**17,400**	13,000	**17,400**	13,000
Consulting fees	**83,486**	91,890	**83,486**	91,890
Directors' expenses	**11,378**	57,226	**11,378**	57,226
Depreciation and amortisation expense	**35,652**	32,427	**35,096**	32,310
Employee benefits expense	**164,334**	80,975	**164,334**	80,975
Insurance	**6,958**	4,253	**6,958**	4,253
Marketing and promotion expenses	**6,271**	6,367	**6,271**	6,367
Occupancy expenses	**25,792**	28,126	**25,792**	28,126
Share registry / meeting costs	**38,747**	50,153	**38,747**	50,153
Telephone	**13,574**	12,152	**13,574**	12,152
Travel	**17,948**	7,876	**17,948**	7,876
Diminution of asset values	**42,022**	139,120	**42,022**	139,120
General administration expenses	**83,344**	41,345	**83,237**	40,876
	546,906	564,910	**546,243**	564,324
Profit before income tax includes the following specific expenses:				
Depreciation				
Plant and equipment	**35,652**	32,427	**35,096**	32,310

5 Expenses (continued)

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Finance costs				
Interest and finance charges paid/payable	**1,666**	1,818	**1,666**	1,818
Exchange losses on foreign currency borrowings	**(226)**	-	**-**	-
	1,440	1,818	**1,666**	1,818

6 Dividends paid or provided for on ordinary shares

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Dividends proposed and recognised as a liability				
Franked dividends	**-**	-	**-**	-
(b) Specific items				
Franked dividends	**-**	-	**-**	-

7 Income tax expense

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Income tax expense				
Current tax	**-**	-	**-**	-
(b) The prima facie tax on profit/(loss) differs from the income tax provided in the financial statements as follows:				
Total profit/(loss) before income tax	**(494,087)**	(522,801)	**(493,650)**	(522,215)
Total profit/ (loss) from discontinued operations	**-**	-	**-**	-
	(494,087)	(522,801)	**(493,650)**	(522,215)
At the statutory income tax rate of 30% (2005: 30%)	**(148,226)**	(156,840)	**(148,095)**	(156,665)
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised	**148,226**	156,840	**148,095**	156,665
Income Tax Expense	**-**	-	**-**	-
Unrecognised net deferred tax assets:				
Unused tax losses for which no deferred tax asset has been recognised:	**3,205,550**	2,247,381	**3,204,527**	2,246,795
Temporary differences for which no deferred tax asset/ (liability) has been recognised:	**-**	-	**-**	-
Property, plant and equipment	**26,491**	26,491	**26,491**	26,491
Accruals	**29,623**	26,564	**29,623**	26,564
Employment entitlements	**69,551**	31,311	**69,551**	31,311
Capital raising costs	**213,868**	166,890	**213,868**	166,890
Exploration expenditure (including asset revaluation)	**(2,104,226)**	(1,697,054)	**(2,104,226)**	(1,697,054)
Interest receivable	**(1,758)**	-	**(1,758)**	-
Unrealised foreign exchange losses	**-**	630	**-**	630
	1,439,099	802,213	**1,438,076**	801,627
Potential tax effect at 30%	**431,730**	240,664	**431,423**	240,488

7 Income tax expense (continued)

Unused tax losses, which have not been recognised as an asset, will only be obtained if:

(i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;

(ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the economic entity in realising the losses.

8 Earnings/(Loss) per share

	Consolidated	
	2006	2005
	$	$
(a) Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**1.08**	1.96
(b) Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the company	**1.08**	1.96

(c) Reconciliations of earnings used in calculating earnings per share

	Consolidated	
	2006	2005
	$	$
Basic loss per share		
Loss from continuing operations	**(494,087)**	(522,801)
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**(494,087)**	(522,801)

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2006	2005
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**45,863,291**	26,736,348
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**45,863,291**	26,736,348

(i) Options
At year-end, the economic entity had 24,438,308 options on issue representing 24,438,308 options with an exercise price of 13 cents per share. It is unlikely that the options will be converted into shares, as the share price at the end of the year was 7.8 cents per share, which is well below the exercise price for the options. The options have not been included in the calculation of diluted loss per share because the Directors believe that the options are not likely to be exercised and therefore not potentially dilutive to the ordinary shares.

9 Segment information

(a) Description of segments

Business segments
The economic entity's operating entities are organised and managed according to the nature of the products and services they provide. The economic entity operates solely with the mining and exploration industry.

Geographical segments
Geographically, the group operates evaluation and exploration activities within four predominant segments being Australia, Central Asia, South America and Papua New Guinea.

Australia
The home country of the parent entity which is also the main operating entity.

(b) Primary reporting format - business segments

2006	Australia $	Papua New Guinea $	Corporate $	Central Asia $	South America $	Consolidatec $
Other revenue	-	-	54,259	-	-	54,259
Total segment revenue/income	-	-	54,259	-	-	54,259
Segment result	(35,096)	(1,170)	(416,145)	(41,448)	(228)	(494,087
Profit before income tax						(494,087
Profit for the year						(494,087
Segment assets	1,912,043	2,917,439	2,384,291	635,226	264,913	8,113,912
Total assets						8,113,912
Segment liabilities	10,430	50,239	212,913	9,325	-	282,907
Total liabilities						282,907
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	112,957	224,603	-	469,675	257,712	1,064,947
Depreciation, discount on monetary values and diminution in asset values	34,742	523	-	159	228	35,652
Amortisation	538	-	-	41,483	-	42,021

2005	Australia $	Papua New Guinea $	Corporate $	Other Overseas $	South America $	Consolidatec $
Other revenue	21,000	-	22,927	-	-	43,927
Total segment revenue/income	21,000	-	22,927	-	-	43,927
Segment result	(96,366)	(588)	(343,819)	(82,028)	-	(522,801
Profit before income tax						(522,801
Profit for the year						(522,801
Segment assets	1,747,510	2,453,742	292,135	48,728	-	4,542,115
Total assets						4,542,115
Segment liabilities	-	6,216	201,510	-	-	207,726
Total liabilities						207,726
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	167,956	167,798	3,363	159,387	-	498,504
Depreciation and Amortisation	96,366	118	-	82,028	-	178,512

10 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Cash at bank and in hand	**482,095**	156,774	**351,822**	154,917
Deposits at call	**2,000,000**	-	**2,000,000**	-
	2,482,095	156,774	**2,351,822**	154,917

(a) Cash at bank and on hand

For the purpose of the Statements of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of bank overdrafts. Cash at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Statement of Financial position above.

The parent entity earns interest from most of its cash at bank. The average of the floating interest rate at year end was 5.25% per annum (June 2005: 4.9% to 5.2% per annum).

(b) Deposits at call

The deposits at call are bearing floating interest rates of between 5.63% and 5.67% .

(c) Fair value

The carrying amount for cash and cash equivalents equals the fair value.

11 Current assets - Trade and other receivables

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Other receivables	**13,030**	9,718	**13,030**	9,718
	13,030	9,718	**13,030**	9,718
Prepayments	**17,641**	15,727	**17,641**	15,727
	17,641	15,727	**17,641**	15,727
Interest Recievable	**1,758**	-	**1,758**	-
	1,758	-	**1,758**	-
	32,429	25,445	**32,429**	25,445

* Refer to note 12 for the non-current portions of these receivables.

(a) Effective interest rates risk

Information concerning the effective interest rate risk of both current and non-current receivables is set out in the non-current receivables (note 12).

12 Non-current assets - Receivables

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans to controlled entities (unsecured)	**-**	-	**1,538,864**	826,988
Net receivables from other parties				
Receivable from related parties	**209**	-	**-**	-
	209	-	**1,538,864**	826,988

* Refer to note 11 for the current portions of these receivables.

Further information relating to loans to related parties and key management personnel is set out in notes 26 and 24 respectively.

(a) Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

		Fixed interest maturing in:							
2006	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
	$	$	$	$	$	$	$	$	$
Other receivables	-	-	-	-	-	-	-	13,030	13,030
Prepayments	-	-	-	-	-	-	-	17,641	17,641
Interest receivable	-	-	-	-	-	-	-	1,758	1,758
	-	-	-	-	-	-	-	32,429	32,429
Weighted average interest rate	- %	- %	- %	- %	- %	- %	- %	- %	

		Fixed interest maturing in:							
2005	Floating interest rate	1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Non-interest bearing	Total
	$	$	$	$	$	$	$	$	$
Other receivables	-	-	-	-	-	-	-	9,718	9,718
Prepayments	-	-	-	-	-	-	-	15,727	15,727
	-	-	-	-	-	-	-	25,445	25,445
Weighted average interest rate	- %	- %	- %	- %	- %	- %	- %	- %	

13 Non-current assets - Other financial assets

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Security deposits	**5,266**	5,266	**-**	-
Bank guarantees	**163,000**	160,500	**163,000**	160,500
PNG drilling deposit	**250,000**	-	**250,000**	-
	418,266	165,766	**413,000**	160,500
Shares in subsidiaries (note 27)	**-**	-	**1,640,834**	1,640,000
	-	-	**1,640,834**	1,640,000
	418,266	165,766	**2,053,834**	1,800,500

These financial assets are carried at cost.

The maximum exposure of the economic entity which relate to the security bonds lodged is $418,266 (June 2005: $165,766) includes:

(a) Bank guarantees

On November 26, 2002 the parent entity lodged a bank guarantee for $160,500 with the Queensland Department of Mines and Energy to be held as security to indemnify the Queensland State Government for compliance with the Mineral Resources Act (1989) and Environmental Protection Act (1994). The total bank guarantees lodged are not recoverable and will remain in force until the payment of $160,500 or restorations are made. The Queensland Department of Mines will notify the bank in writing at the time when the guarantees are no longer required. The balance guarantee deposit earned an interest rate of 5.4% (2005: 4.9% and 5.2%).

On February 6, 2006 the parent entity paid a security deposit of $2,500 with the Queensland Department of Mines and Energy for financial assurance on EPM13775.

(b) Security deposits

A security bond is held by Papua New Guinea Department of Mining and Petroleum for Papua New Guinea Kina 12,500 converted to Australian $5,266 (June 2005: $5,266)

On June 27, 2006 the parent entity paid a security deposit of $250,000 to Pacific Drilling PNG for deposit on drilling equipment. A total of 30% of the invoice price is to be deducted from each drilling invoice from Pacific Drilling PNG until the deposit is fully recouped.

14 Non-current assets - Property, plant and equipment

Consolidated	**Plant and equipment $**
Year ended 30 June 2005	
Opening net book amount	85,018
Additions	3,361
Depreciation charge	(32,427)
Closing net book amount	55,952
At 30 June 2005	
- Cost	1,837,470
Accumulated depreciation	(1,781,518)
Net book amount	55,952

Consolidated	**Plant and equipment $**
Year ended 30 June 2006	
Opening net book amount	55,952
Additions	78,102
Depreciation charge	(36,231)
Differences in opening and closing balances	-
Closing net book amount	97,823
At 30 June 2006	
- Cost	1,915,571
Accumulated depreciation	(1,817,748)
Net book amount	97,823

Parent	**Plant and equipment $**
Year ended 30 June 2005	
Opening net book amount	84,668
Additions	3,363
Depreciation charge	(32,310)
Closing net book amount	55,721
At 30 June 2005	
- Cost	137,265
Accumulated depreciation	(81,544)
Net book amount	55,721

14 Non-current assets - Property, plant and equipment (continued)

Parent	**Plant and equipment** **$**
Year ended 30 June 2006	
Opening net book amount	55,721
Additions	30,048
Depreciation charge	(35,325)
Closing net book amount	50,445
At 30 June 2006	
- Cost	167,312
Accumulated depreciation	(116,867)
Net book amount	50,445

15 Non-current assets - Evaluation and exploration expenditure

(a) Exploration and evaluation

	Consolidated		**Parent**	
	2006 **$**	2005 $	**2006** **$**	2005 $
Cost: In exploration and/or evaluation stage				
Opening balance	**4,138,178**	3,789,121	**1,697,054**	1,515,795
Additions	**986,934**	495,141	**449,194**	327,343
Provision for diminuation/amortisation	**(42,022)**	(146,084)	**(42,022)**	(146,084)
Closing balance	**5,083,090**	4,138,178	**2,104,226**	1,697,054

The ultimate recovery of the carrying value of the capitalised exploration, evaluation and development expenditures is primarily dependent upon the successful development and commercial exploitation, or alternatively, the sale of the relevant areas of interest at amounts in excess of their book values. Exploration and evaluation expenditure is capitalised in accordance with the accounting policy outlined in note 1.

16 Current liabilities - Trade and other payables

	Consolidated		**Parent**	
	2006 **$**	2005 $	**2006** **$**	2005 $
Trade payables	**168,690**	111,468	**168,825**	111,603
Accrued expenses	**44,666**	53,248	**44,667**	53,249
Other payables	**-**	11,699	**-**	12,729
	213,356	176,415	**213,492**	177,581

17 Current liabilities - Provisions

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Employee entitlements	**35,064**	21,193	**35,064**	21,193
	35,064	21,193	**35,064**	21,193

The average number of employees during the year was 3.

The consolidated entity contributes 9% of the employees' wages and salaries to various accumulated superannuation funds.

18 Non-current liabilities - Provisions

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Employee entitlements	**34,487**	10,118	**34,487**	10,118
	34,487	10,118	**34,487**	10,118

Amounts for long service leave that are expected to be settled more than 12 months from the reporting date.

19 Contributed equity

	Parent		Parent	
	2006	2005	**2006**	2005
	Shares	Shares	**$**	$
(a) Share capital				
Ordinary shares				
Fully paid	**77,563,271**	28,957,728	**8,808,087**	4,817,593

19 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$
1 July 2004	Opening balance	23,640,454	4,198,347
	Share Purchase Plan shares at 13 cents	2,311,274	300,464
	Placement of shares at 10 cents	2,000,000	200,000
	Placement of shares at 13 cents	1,000,000	130,000
	Options converted at 25 cents	6,000	1,500
	Issue costs	-	(12,718)
30 June 2005	Balance	28,957,728	4,817,593
1 July 2005	Opening balance	28,957,728	4,817,593
29 August 2005	Placement of shares at 8.5 cents	7,255,882	616,750
14 October 2005	Share Purchase Plan shares at 8.5 cents	10,863,851	923,429
24 May 2006	Rights Issue at 8.5 cents	23,421,951	1,990,868
24 May 2006	Placement of shares at 8.5 cents	7,023,445	596,993
21 June 2006	Exercise of options at 13 cents	40,414	5,254
			8,950,887
	Less: Transaction costs arising on share issue		(142,800)
30 June 2006	Balance	77,563,271	8,808,087

The purpose of the rights issue was to provide working capital for exploration and development of tenements in the Company's existing portfolio.

During the year the company incurred share issue costs totalling $142,800.

(c) Options to acquire issued share capital

Each option entitles the holder to purchase one share. The names of all persons who currently hold share options, granted at any time, are entered in the register kept by the Company, pursuant to Section 168 of the Corporations Act 2001, which may be inspected free of charge. Persons entitled to exercise these options have no right, by virtue of the options, to participate in any share issue by the parent entity or any other body corporate.

Date	Details	Exercise price	Number of options
30 June 2005	Opening balance		**2,000,000**
	Issued during the year	$0.13	**22,478,722**
	Exercised during the year	$0.13	**(40,414)**
30 June 2006	On issue at the end of the period		**24,438,308**

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

20 Reserves and accumulated losses

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Reserves				
Asset revaluation reserve	**1,021,998**	1,021,998	**1,021,998**	1,021,998

(b) Accumulated losses

Movements in retained profits were as follows:

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Opening retained earnings	**(1,505,202)**	(982,401)	**(1,487,858)**	(965,643)
Net profit/(loss) attributable to members of Gold Aura Limited	**(494,087)**	(522,801)	**(493,650)**	(522,215)
Balance 30 June	**(1,999,289)**	(1,505,202)	**(1,981,508)**	(1,487,858)

21 Minority interest

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Interest in:				
Share capital	**209**	-	**-**	-
	209	-	**-**	-

22 Commitments

(a) Operating leases

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**25,050**	28,249	**25,050**	28,249
Later than one year but not later than five years	**45,924**	70,974	**45,924**	70,974
Later than five years	**-**	-	**-**	-
Commitments not recognised in the financial statements	**70,974**	99,223	**70,974**	99,223

Operating leases are entered into to enable access to utilise office space and equipment. Rental payments are fixed over the term of the lease.

22 Commitments (continued)

(b) Exploration Expenditure

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Commitments in relation to mining tenement costs are payable as follows:				
Within one year	**228,243**	37,464	**211,877**	37,464
Later than one year and not later than five years	**144,185**	178,784	**107,587**	178,784
Later than five years	**-**	-	**-**	-
	372,428	216,248	**319,464**	216,248

An amount of $133,000 has been included in the commitments within one year for the parent and consolidated entity which represents the balance of an amount due under a loan agreement entered into on 1 August 2005 between Gold Aura Limited and Gold Aura Kazakhstan LLP. A futher loan agreement was signed on 22 September 2006 which provides for Gold Aura Limited to advance to GAK a further loan of US $299,000 (A$398,600) which has not been treated as a commitment at 30 June 2006.

It is anticipated that Gold Aura Limited and GAK will enter into further agreements to be negotiated in which Gold Aura Limited will advance to GAK further sums to be used by GAK for exploration and evaluation and for working capital.

(c) Remuneration commitments

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	**196,200**	-	**196,200**	-
Later than one year and not later than five years	**260,167**	-	**260,167**	-
Later than five years	**-**	-	**-**	-
	456,367	-	**456,367**	-

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Directors and key management personnel referred to in section C of the remuneration report on pages 8.9 that are not recognised as liabilities and are not included in the Directors and key management personnel compensation.

23 Contingencies

Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:

Bank Guarantee and Security Bonds
The maximum liability of the economic entity for security bonds lodged and bank guarantees issued is $418,266 (June 2005: $165,766) which is detailed in note 13.

24 Directors and executive disclosures

(a) Directors

The following persons were directors of Gold Aura Limited during the financial year:

(i) Chairman - Non Executive
Mr R B Murdoch

(ii) Executive director
Mr K G Chapple

(iii) Non-executive director
Mr J D Collins-Taylor

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*	*Employer*
Mr J Lemon	Company Secretary	Gold Aura Limited
Mr C Estwick	Chief Financial Officer	Gold Aura Limited
Mr M Ilett	Former CFO and Company Secretary	Gold Aura Limited
Mr J Stephenson	Project Manager PNG	Gold Aura Limited

All the above persons were key management personnel for part of the year ended 30 June 2006. J Lemon commenced with the Group on 13 February 2006; C Estwick commenced with the group on 13 January 2006; M Ilett resigned on 13 February 2006; and J Stephenson commenced with the group on 20th April 2006.

(c) Directors and executives compensation

The following table compares the Directors and Executives remuneration for the year ended 30 June 2005 compared to the year ended 30 June 2006. Income paid or payable or otherwise made available to Directors by entities in the consolidated entity and related parties in connection with the management of the affairs of the parent entity or its controlled entity. The Directors and Executives remuneration have been determined on the basis of the cost to the entity which includes specific benefits and GST.

	Consolidated		**Parent**	
	2006	2005	**2006**	2005
	$	$	**$**	$
Directors and Executives remuneration	**285,539**	350,815	**285,539**	350,815
Post-employment benefits	**17,129**	12,600	**17,129**	12,600
Share-based payments	**-**	-	**-**	-
	302,668	363,415	**302,668**	363,415

The Group has taken advantage of the relief provided by the Corporations Amendment Regulations 2006 (No.4) which has made amendments to the Regulation 2M.3.03 and Schedule 5B of the Corporations Regulations and the Group has elected to transfer the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in section A-C of the remuneration report on pages 7 to 9.

24 Directors and executive disclosures (continued)

(d) Equity instrument disclosures relating to Directors and Executives

Equity provided as remuneration

Details of ordinary shares in the company provided as remuneration to the Directors of the company are set out below.

(i) Option holdings
The numbers of options over ordinary shares in the company held during the financial year by each director of Gold Aura Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2006 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Gold Aura Limited						
K G Chapple	-	-	-	166,864	166,864	-
R B Murdoch	-	-	-	662,343	662,343	-
J Collins-Taylor	-	-	-	42,901	42,901	-
Other key management personnel of the Group						
J Lemon	-	-	-	-	-	-
C Estwick	-	-	-	-	-	-
M Ilett	-	-	-	61,706	61,706	-

No options are vested and exercisable at the end of the year.

There were no options granted during the year ended 30 June 2005.

(ii) Share holdings
The numbers of shares in the company held during the financial year by each director of Gold Aura Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2006 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gold Aura Limited **Ordinary shares**				
R B Murdoch	1,877,937	-	2,530,297	4,408,234
K G Chapple	375,097	-	584,903	960,000
J Collins-Taylor	-	-	257,402	257,402
Other key management personnel of the Group **Ordinary shares**				
J Lemon	-	-	-	-
C Estwick	-	-	-	-
M Ilett	-	-	1,094	1,094

2005 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Gold Aura Limited **Ordinary shares**				
R B Murdoch	1,014,296	-	863,641	1,877,937
K G Chapple	325,097	-	50,000	375,097
A T Prowse	-	-	-	-

25 Remuneration of auditors

During the year the following fees(inclusive of GST) were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Audit Services				
Pitcher Partners audit or review of financial reports of the entity or any entity in the consolidated entity	**19,140**	14,300	**19,140**	14,300
Total remuneration for audit services	**19,140**	14,300	**19,140**	14,300
(b) Taxation and other services				
Pitcher Partners Tax compliance services, including review of company income tax returns	**11,308**	1,479	**11,308**	1,479
Total remuneration for taxation and other services	**11,308**	1,479	**11,308**	1,479
	30,448	15,779	**30,448**	15,779

26 Related party transactions

(a) Ultimate controlling entity

Gold Aura Limited is the ultimate controlling entity for the group.

(b) Directors

The following persons have held the position of Director of Gold Aura Limited during the past two years, unless otherwise stated:

R B Murdoch

K G Chapple

J D Collins-Taylor - Director since October 2005

A T Prowse - Resigned July 2005

N C White - Resigned July 2005

T Roeggla - Resigned February 2005

(c) Subsidiaries

Interests in subsidiaries are set out in note 27.

(d) Remuneration of Directors

Information on remuneration of Directors is disclosed in note 24.

(e) Other Director transactions

During the year Murdoch Geosciences Pty Ltd, a company associated with Mr Robert Murdoch, charged at cost $35,225 to the economic entity for provision of his labour and related party transactions.

During the year, a company associated with Mr James Collins-Taylor, charged at cost $13,000 to the economic entity for the provision of his labour.

26 Related party transactions (continued)

(f) Key management personnel

Disclosures relating to key management personnel are set out in note 24.

(g) Loans to/from related parties

During the year the parent entity advanced funds to its controlled entities. The amounts due from the controlled entities at year end are shown in note 12. These amounts are non-interest bearing and have no set repayment date.

	Consolidated		**Parent**	
	2006	2005	**2006**	2005
	$	$	**$**	$
Loans to subsidiaries				
Beginning of the year	**-**	-	**826,988**	660,409
Loans advanced	**-**	-	**711,876**	166,579
Loan repayments received	**-**	-	**-**	-
End of year	**-**	-	**1,538,864**	826,988
Loans from other related parties				
Beginning of the year	**-**	-	**-**	-
Loans from related parties	**(209)**	-	**-**	-
End of year	**(209)**	-	**-**	-

27 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	**Country of incorporation**	**Class of shares**	**Percentage ownership**	
			2006	2005
			%	%
Controlled entities (a)				
Union Mining (PNG) Limited	PNG	Ordinary	**100.00**	100.00
Gold Aura Kazakhstan LLP (b)	Kazakhstan	Participating Interest	**80.00**	-

(a) The financial year of Union Mining (PNG) Limited is the same as that of the parent.

(b) Gold Aura Kazakhstan LLP ("GAK"), a Kazakhstan-registered limited liability partnership, and Gold Aura Limited ("GOA") entered into a Loan Agreement dated 1 August 2005 under which GOA advanced a loan of US$55,000 (A$73,300) to GAK. Subsequently the Loan Agreement was amended by agreement dated 3 April 2006 to provide for the total loan under the Loan Agreement to be increased from US$55,000 (A$73,300) to US$299,000 (A$398,600). As at 30 June 2006 GOA had advanced US$199,000 (A$265,600) to GAK under the loan Agreement. On 13 June 2006 GOA acquired an 80% participating interest in GAK by purchasing 80% of the equity of GAK from all existing GAK participants.

28 Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Net profit/(loss)	**(494,087)**	(522,801)	**(493,650)**	(522,215)
Adjustments for non-cash income and expense items:				
Depreciation and amortisation	**35,652**	32,428	**35,096**	32,310
Diminution of value of investments	**43,748**	148,084	**43,748**	148,084
Change in operating assets and liabilities:				
Decrease/(Increase) in prepayments and other assets	**(6,984)**	(3,795)	**(6,984)**	(3,795)
Decrease/(increase) in other assets	**(252,500)**	2,649	**(252,500)**	2,649
(Decrease)/increase in trade creditors and accruals	**51,545**	(20,376)	**50,514**	(4,231)
(Decrease)/increase in employee entitlements	**38,240**	(1,494)	**38,240**	(1,494)
Net cash (outflow) inflow from operating activities	**(584,386)**	(365,305)	**(585,536)**	(348,692)

29 Explanation of transition to Australian equivalents to IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

(a) Reconciliation of equity and profit / (loss) as reported under previous AGAAP to that under IFRS. The previous adoption of AIFRS has not resulted in any material adjustments to the balance sheet presented under AGAAP.

	Consolidated			Parent		
	30 June 2005 $	31 December 2004 $	1 July 2004 $	30 June 2005 $	31 December 2004 $	1 July 2004 $
Total equity under previous AGAAP	4,334,389	4,307,536	4,234,944	4,351,733	4,324,633	4,254,702
Changes from AGAAP to IFRSs	-	-	-	-	-	-
Total equity under AIFRS	4,334,389	4,307,536	4,234,944	4,351,733	4,324,633	4,254,702

(b) Reconciliation of profit under previous AGAAP to that under IFRSs (AIFRS). The adoption of AIFRS has not resulted in any material adjustments of income statement presented under AGAAP.

	Consolidated			Parent		
	30 June 2005 $	31 December 2004 $	1 July 2004 $	30 June 2005 $	31 December 2004 $	1 July 2004 $
Loss under previous AGAAP	(522,801)	(350,152)	(627,675)	(522,215)	(349,813)	(626,585)
Changes from AGAAP to IFRSs	-	-	-	-	-	-
Loss under AIFRS	(522,801)	(350,152)	(627,675)	(522,215)	(349,813)	(626,585)

(2) Explanation of material adjustments to the cash flow statement

There is no material difference of cash flow statements presented under AIFRS and those presented under AGAAP.

(3) Notes to the reconciliations

(a) Impairment

Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of its net selling price and value in use which is determined using discounted cash flows. Impairment is assessed at an asset level or where an asset does not generate separately identifiable cash flows impairment is assessed on a cash generating unit basis, being the smallest group of assets that generates independent cash flows. Under AGAAP, future cash flows are not discounted and assets are grouped together under an area of interest concept, which include all of the exploration and evaluation assets within a geological area.

(b) Income tax

Under AASB 112 "Income Taxes", the consolidated entity will be required to use a balance sheet liability method, rather than the income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. A deferred tax asset is recognised to the extent that it is probable that there will be a taxable profit against which a deductible temporary difference can be used.

29 Explanation of transition to Australian equivalents to IFRSs (continued)

Even though the test for the adoption of deferred tax assets and tax affect accounting has moved from virtually certain to probable, the Company maintains it is not probable that future tax profit will be available to offset losses and the existence of unused tax and recent tax losses is evidence that future taxable profits are not available for recognition of deferred tax losses.

30 Events occurring after the balance sheet date

On 22 September 2006 Gold Aura Limited entered into a new loan agreement with Gold Aura Kazakhstan LLP ("GAK") which provided for Gold Aura Limited to advance to GAK a further loan of US$299,000 (A $398,600).

The financial effect of these events have not been recognised in the Group's 30 June 2006 financial statements. These events have no material effect on the financial statements as at 30 June 2006.

In the directors' opinion:

(a) the financial statements and notes set out on pages 17 to 51 are in accordance with the *Corporations Act 2001,* including:
 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; 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; and

(c) the audited remuneration disclosures set out on pages 7 to 9 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

R B Murdoch
Director

Brisbane, 29 September 2006

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

Level 21
300 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 35
Brisbane Qld 4001
Australia

Tel: 07 3228 4000
Fax: 07 3221 6420

www.pitcher.com.au
info@pitcherqld.com.au

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GOLD AURA LIMITED

Scope

The financial report, remuneration disclosures and directors' responsibilities

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for both Gold Aura Limited (the company) and Gold Aura Limited group (the consolidated entity), for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 7 to 9 of the directors' report and not in the financial report.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124. 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, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

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

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

Independence

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

Audit opinion

In our opinion:

(1) the financial report of Gold Aura Limited is in accordance with:

(a) the Corporations Act 2001, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

(2) the remuneration disclosures that are contained in pages 7 to 9 of the directors' report comply with Accounting Standard AASB 124.

Inherent uncertainty regarding capitalised mineral exploration costs

Without qualification to the statement expressed above, attention is drawn to the capitalised exploration and development costs (note 15) totalling $5,083,090 (2005: $4,138,178) that have been included in the consolidated entity's Balance Sheet as non-current assets.

The ultimate recovery of the carrying values of these assets is dependent upon their successful development and commercial exploitation or, alternatively, the sale of the relevant assets at amounts in excess of their book values.

PITCHER PARTNERS

R J St Clair

R J ST CLAIR
Partner

Brisbane, 29 September 2006

The shareholder information set out below was applicable as at 22 September 2006.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Class of equity security	
		Ordinary shares	
		Shares	Options
1 -	1000	687,303	56,852
1,001 -	5,000	985,655	498,076
5,001 -	10,000	1,579,830	1,315,689
10,001 -	100,000	19,591,706	4,241,479
100,001	and over	54,718,777	18,326,212
		77,563,271	24,438,308

The number of security investors holding less than a marketable parcel of 8,065 securities is 3,414 and they hold 2,301,792 securities.

B. Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Percentage of issued shares %
ANZ Nominees Limited <Cash Income A/c>	15,772,204	20.33
Westpac Custodian Nominees Limited	9,446,175	12.18
Bow Lane Nominees Pty Ltd	6,269,886	8.08
Austex Mining NL	3,893,912	5.02
Toltec Holdings Pty Ltd	1,632,773	2.11
Mr Kenneth Graeme Chapple	900,000	1.16
Mr Paul Noble Bennett	888,888	1.15
Royal Sunset Pty Ltd	757,693	0.98
Tromso Pty Limited	593,291	0.76
Sancoast Pty Ltd	586,298	0.76
Mrs Barbara Steigner	570,000	0.73
Jindabyne Pty Ltd <H W Daly Family A/c>	546,480	0.70
Union Resources Limited	521,771	0.67
Vinciullo Pty Ltd <Nunzio Vinciullo Fam A/c>	500,000	0.64
Rosewarne Superannuation Pty Ltd <The Rosewarne S/F A/c>	462,829	0.60
Mr John Keith Lemon & Mrs Patricia Anne Lemon <The Keith Lemon Family A/c>	450,000	0.58
Mr Robert Murdoch <Murdoch Geophysics Super A/c>	442,411	0.57
Societe Generale Australia Branch	430,769	0.56
Fitzpatrick WA Pty Ltd	350,000	0.45
Mr Owen John Coote & Mrs Minique Renee Coote <Coote Family A/c>	335,350	0.43
	45,350,730	58.46

C. Top 20 option holders

Name	Options Number held	Options Percentage
Westpac Custodian Nominees Limited	4,494,118	18.39 %
Bow Lane Nominees Pty Ltd	2,144,981	8.78 %
ANZ Nominees Limited <Cash Income A/c>	1,739,300	7.12 %
Westpac Custodian Nominees Limited	1,573,530	6.44 %
Toro De Plata Pty Ltd	800,000	3.27 %
Dog Meat Pty Ltd <DM A/c>	700,000	2.86 %
Toltec Holdings Pty Ltd	687,629	2.81 %
Austex Mining NL	662,343	2.71 %
ANZ Nominees Limited <Cash Income A/c>	600,000	2.46 %
Bow Lane Nominees Pty Ltd	600,000	2.46 %
Lawrence Crowe Consulting Pty Ltd <LCC Super Fund A/c>	500,000	2.05 %
Goffacan Pty Ltd	495,378	2.03 %
Mrs Jayni Francis Manners	400,000	1.64 %
Mr Kenton Nathanial Maloney	365,280	1.49 %
Geckco Resources Pty Ltd	305,882	1.25 %
Jindabyne Pty Ltd <H W Daly Family A/c>	265,879	1.09 %
Mr Owen John Coote + Mrs Monique Renee Coote <Platonic Super Fund A/c>	256,916	1.05 %
Persal & Co Investments P/L	250,000	1.02 %
Paticoa Nominees Pty Ltd	218,815	0.89 %
Royal Sunset Pty Ltd	209,616	0.86 %
Total for top 20	17,269,037	70.66 %

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.