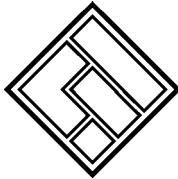


lodging party or agent name Atlantic Gold NL
 office, level, building name or PO Box no. Suite 701
 street number & name 220 Pacific Highway
 suburb/city Crows Nest state/territory NSW postcode 2065
 telephone (02) 9929 6633
 facsimile (02) 9929 9366
 DX number _____ suburb/city _____

	ASS. <input type="checkbox"/>	REQ-A <input type="checkbox"/>
	CASH. <input type="checkbox"/>	REQ-P <input type="checkbox"/>
	PROC. <input type="checkbox"/>	



Australian Securities & Investments Commission

copy of financial statements and reports

form **388**

Corporations Law
 294, 295, 298-300, 307, 308, 319, 321, 322

Name ATLANTIC GOLD NL
 ACN / ARBN / ARSN/PIN 062 091 909

Reason for lodgement of statements and reports

- tick the appropriate box A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking (A)
 A registered scheme* (B)
 Amendment of financial statements or directors' report (company) (C)
 Amendment of financial statements or directors' report (registered scheme)* (D)
 A large proprietary company that is not a disclosing entity (H)
 A small proprietary company that is controlled by a foreign company for all or part of the period and where the company's profit or loss for the period is not covered by the statements lodged with ASIC by a registered foreign company, company, registered scheme, or disclosing entity (I)
 A small proprietary company that is requested by ASIC to prepare and lodge statements and reports (J)
 A prescribed interest undertaking that is a disclosing entity (K)

Financial year ended (d/m/y) 31 / 12 / 2006 Date of Annual General Meeting (if applicable) 25/ 05 /2007

Details of large proprietary company

If the company is a large proprietary company that is not a disclosing entity, please complete the following information as at the end of the financial year for which the financial statements relate:

- A What is the consolidated gross operating revenue of the large proprietary company and the entities that it controls?
- B What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?
- C How many employees are employed by the large proprietary company and the entities that it controls?
- D How many members does the large proprietary company have?.....

Details of current auditor*

name (family & given names) _____
 Auditor Registration no: _____
 or
 if a firm, name of firm KPMG
 office level _____ building name The KPMG Centre
 street number & name 10 Shelley Street
 suburb / city Sydney state / territory NSW postcode 2000
 Business Registration number (if applicable) R2862638 State / Territory registered in NSW
 date of appointment (d/m/y) 15/ 12 / 1993

* NOTE: Where a new auditor has been appointed to a Registered Scheme, **Form 5137 - Appointment of Scheme Auditor** must be lodged

Auditor report

Were the financial statements audited? Yes No

If yes: Does the auditor's report (section 308) for the financial year contain a statement of:

* reasons for the auditor not being satisfied as to the matters referred to in section 307? Yes No

* details of the deficiency, failure or shortcoming concerning any matter referred to in section 307? Yes No

If no: Is there a class order exemption current for audit relief? Yes No

Statements and reports to be attached to this form

Financial statements for the year (as per ss295(2))

profit and loss statement for the year

balance sheet as at the end of the year

statement of cash flows for the year

if required by accounting standards - consolidated profit & loss statement, balance sheet and statement of cash flows

Notes to financial statements (as per ss295(3))

disclosures required by the regulations

notes required by the accounting standards

any other information necessary to give a true and fair view (see s297)

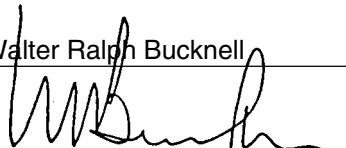
The directors' declaration about the statements and notes (as per ss 295(4))

The directors' report for the year (as per s 298 to 300)

Auditor's report required under sections 308 and 314

Certification

I certify that the attached documents marked (**A**) are a true copy of the annual reports required under Section 319.

print name	Walter Ralph Bucknell	capacity	Director
sign here		date	28 March 2007

Small Business (less than 20 employees), please provide an estimate of the time taken to complete this form

Include

- The time actually spent reading the instructions, working on the question and obtaining the information
- The time spent by all employees in collecting and providing this information

hrs mins



Consolidated Financial Statements 31 December 2006

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This is the annexure marked A of 27 pages referred to in
form 388 *Copy of financial statements and reports*

A handwritten signature in black ink, appearing to read "Walter R Bucknell".

Walter R Bucknell, Director, 28 March 2007

Directors' report

The Directors present their report together with the financial report of Atlantic Gold NL ("the Company") and the Consolidated Entity, being the Company and its Controlled Entities, for the year ended 31 December 2006, and the Auditors' Report thereon.

Directors

The names of Directors in office at any time during or since the end of the financial year are shown below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.



Mr Ronald J Hawkes

BSc, FAusIMM, FGAC
Non-executive chairman

Qualifications and experience

Board member since 18 January 1999
Mr Hawkes has 42 years' experience in the mining industry and was formerly the Managing Director of Plutonic Resources Limited.
He is a member of the Audit Committee and the Remuneration Committee.



Mr Wally R Bucknell

BSc (Hons), FAusIMM, FGAC, MSEG
Executive director

Qualifications and experience

Board member since 18 January 1999
Mr Bucknell has 38 years' experience in the mining industry and was formerly the General Manager – Exploration of Plutonic Resources Limited.
He is a member of the Audit Committee and the Remuneration Committee.



Mr Robert H N Symons

BA LLB (Hons)
Non-executive director

Qualifications and experience

Board member since 31 December 2005
Mr Symons is a senior partner of the law firm Deacons. He has extensive experience in many aspects of corporate and commercial legal practice with particular expertise in resources, energy and infrastructure.
He is a member of the Audit Committee and the Remuneration Committee.

Company Secretaries

Grahame Clegg BCom CA

Mr Clegg was appointed to the position of company secretary on 18 January 1999.

Julie Fidler

Ms Fidler was appointed to the position of company secretary on 10 December 2003.

There are no officers of the Company during the financial year who were previously partners of the current audit firm, KPMG, at a time when KPMG undertook an audit of the Company.

Directors' report

Directors' meetings held

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Directors meetings held		4
Directors meetings attended:	R J Hawkes	4
	W R Bucknell	4
	R H N Symons	4

All matters relating to Audit and Remuneration Committees were discussed at main board meetings and as a result no separate Audit and Remuneration Committee meetings were held.

Principal activities

The principal activities of the Consolidated Entity during the financial year were precious minerals exploration, primarily for gold and diamonds. There were no changes in the nature of the Consolidated Entity's principal activities during the financial year.

Operating results

The consolidated loss of the Consolidated Entity after income tax amounted to \$273,870 (2005 loss \$911,895). A comprehensive review of operations which forms part of this report is set out on pages 2 to 13.

Dividends paid or recommended

No dividends have been paid or declared during the year. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2006.

State of affairs

The Company made the following issue of shares during the year to provide additional working capital:

- Issue of 23,615,931 ordinary shares at 10 cents per share pursuant to the exercise of ATVOA options expiring 30 June 2006, raising \$2,361,593.
- Issue of 10,000 ordinary shares on payment of outstanding capital on 10,000 ATVCC partly paid shares, raising \$2000.

A call of 2 cents on partly paid shares (20 cent ordinary shares currently partly paid to 7 cents) raised \$615,117. In addition the company issued 16,474,297 bonus share options exercisable at 12 cents on or before 1 November 2007. If all options are exercised \$1,976,916 will be raised.

Share Performance and Shareholder Wealth

The Company's share price at the beginning of the period was 13 cents and 11 cents at the end of the period. During the period the share price ranged from a low of 9 cents to a high of 20 cents. There was no return of capital to shareholders.

Non-audit Services

During the year KPMG provided taxation services to the Consolidated Entity. The Directors are satisfied that provision of taxation services does not compromise audit independence.

Events subsequent to balance date

There were no major events subsequent to balance date.

Likely developments

The Consolidated Entity will continue to focus on the further advancement of the Touquoy Gold Project and gold exploration.

Environmental regulation

The Consolidated Entity's operations are subject to significant environmental regulation under the laws of both Australia and Canada. The Directors are not aware of any breaches of the legislation during the financial year which are material in nature.

Remuneration report

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced directors and executives.

No part of the remuneration of Directors or senior executives is performance related with the exception of 2.8 million options issued to Mr Peter Carter which are progressively vested on achieving milestones in respect of the successful development of the Touquoy Gold Project.

	SHORT TERM		POST EMPLOYMENT	EQUITY		TOTAL AUD
	SALARY	DIRECTORS' FEES	SUPERANNUATION	VALUE OF	% OF TOTAL	
	AUD	AUD	AUD	SHARE OPTIONS	REMUNERATION	
				AUD	%	
2006						
Directors						
R J Hawkes	–	60,000	5,400	6,295	8.8	71,695
W R Bucknell	192,000	–	17,280	12,589	5.7	221,869
R H N Symons	–	22,500	10,200	1,259	3.7	33,959
Executives						
<i>Australia</i>						
B H Bolton	147,000	–	13,230	6,295	3.8	166,525
	CAD	CAD	CAD	CAD	%	CAD
<i>Canada</i>						
P Carter (commenced 15 Oct 2006)	46,667	–	2,969	8,480	14.6	58,116
	AUD	AUD	AUD	AUD	%	AUD
2005						
Directors						
R J Hawkes	–	60,000	5,400	–	–	65,400
W R Bucknell	140,000	–	15,300	–	–	155,300
D L Cooper (resigned 31 Dec 2005)	–	30,000	2,700	–	–	32,700
R H N Symons (appointed 31 Dec 2005)	–	–	–	–	–	–
Executives						
<i>Australia</i>						
B H Bolton	120,000	–	10,800	–	–	130,800

Directors' report

Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to directors and specified executives of the Company are set out below. When exercisable, each option is convertible into one ordinary share of Atlantic Gold NL.

During the year shareholders approved the Company's Employee Share Option Plan and the issue of options under this plan to Directors at an exercise price of the greater of 15 cents or the weighted average share price for the 5 days prior to the grant date plus 20%. The options were issued for nil consideration and have progressive vesting: 20% of the grant is vested on issue, with 30% vested one year later and the balance of 50% vested after 2 years. Unless exercised the options expire 4 years from date of issue. The options cannot be transferred and will not be listed on the Australian Securities Exchange (ASX). The assessed fair value of the 15 cent options is 1.59 cents except for Mr Carter where the assessed fair value is 1.74 cents. The amount included in the above table for 'Value of Share Options' is the unamortised value of options vesting during the period plus a pro rata value of unvested options.

The amounts below disclosed for remuneration purposes relating to options is the assessed fair value at issue date. Fair value is determined using a binominal option pricing model which takes into account the share price (10.6 cents) and expected volatility of the underlying share (40%), the exercise price (15 cents) and term of the option (4 years), the risk free interest rate (6%) and expected dividends, adjusted to reflect the prohibition on sale or transfer of options and vesting conditions.

Options granted as remuneration

	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE	NO. OF OPTIONS AT 31 DEC 2006	NO. OF OPTIONS VESTED AT 31 DEC 2006
	\$				
Directors					
R J Hawkes	0.20	21 Nov 2004	31 Dec 2008	1,000,000	1,000,000
	0.15	23 Aug 2006	22 Aug 2010	1,000,000	200,000
W R Bucknell	0.20	21 Nov 2004	31 Dec 2008	1,000,000	1,000,000
	0.15	23 Aug 2006	22 Aug 2010	2,000,000	400,000
R H N Symons	0.15	23 Aug 2006	22 Aug 2010	160,000	– ¹
Note 1: Mr Symons exercised all vested options (40,000) during the reporting period.					
Executives					
B H Bolton	0.15	23 Aug 2006	22 Aug 2010	1,000,000	200,000
P Carter	0.15	15 Oct 2006	14 Oct 2010	3,000,000	200,000

Options acquired as part of an issue to all shareholders

Directors					
R J Hawkes	0.12	31 Oct 2006	1 Nov 2007	2,412,961	2,412,961
W R Bucknell	0.12	31 Oct 2006	1 Nov 2007	532,916	532,916
Executives					
B H Bolton	0.12	31 Oct 2006	1 Nov 2007	308,448	303,448

Ordinary shares held by directors and executives

	BALANCE AT 1 JAN 2006	GRANTED AS COMPENSATION	EXERCISE OF OPTIONS	BALANCE AT 31 DEC 2006
Fully paid ordinary shares				
Directors				
R J Hawkes	20,055,555	–	2,061,540	22,117,095
W R Bucknell	4,191,880	–	774,360	4,966,240
R H N Symons	–	–	40,000	40,000
Executives				
B H Bolton	1,940,000	–	830,000	2,770,000
P Carter	–	–	–	–
Partly paid ordinary shares				
Directors				
R J Hawkes	5,750,000	–	–	5,750,000
W R Bucknell	1,036,860	–	–	1,036,860
R H N Symons	–	–	–	–
Executives				
B H Bolton	755,600	–	–	755,600
P Carter	–	–	–	–

Directors' interests

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

	FULLY PAID SHARES	PARTLY PAID SHARES	OPTIONS
Mr R J Hawkes	22,117,095	5,750,000	4,412,961
Mr W R Bucknell	4,966,240	1,036,860	3,532,916
Mr R H N Symons	40,000	–	160,000

Indemnification and Insurance of Officers

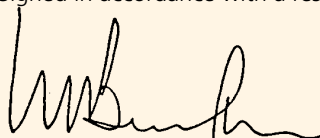
The Company has entered into an agreement to indemnify the following current Directors of the Company, Mr Ronald J Hawkes, Mr Walter R Bucknell and Mr Robert H N Symons, and the Company Secretaries, Mr Grahame Clegg and Ms Julie Fidler against any liability, including costs and expenses incurred in defending such actions, incurred by that person that may arise from their position as Directors or officers of the Company and its Controlled Entities, except where the liability arises out of conduct involving a lack of good faith.

During the year to 31 December 2006 the Company has paid insurance premiums in respect of the Directors and officers liability and legal expenses insurance contracts for current Directors and officers of the Company and its Controlled Entities. The insurance policy prohibits disclosure of the amount of the premium and of the nature of the liabilities covered.

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 22 and forms part of the Directors' Report for the year ended 31 December 2006.

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



W R Bucknell, Director
Sydney, 27 March 2007

Lead auditor's independence declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Atlantic Gold NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2006 there have been:

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



KPMG



Anthony Jones
Partner

Sydney
27 March 2007

Income statements

For the year ended 31 December 2006

	NOTE	CONSOLIDATED		THE COMPANY	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue		–	–	374,876	283,451
Gain on sale of assets		558,254	–	–	–
Foreign exchange gain		–	–	(377,248)	217,560
Net financial income	3	49,813	61,967	48,301	60,801
Exploration expenditure written off		(242,832)	(409,632)	–	–
Impairment of loan to Controlled Entity		–	–	137,828	(506,621)
General and administrative expenses	2	(639,105)	(564,230)	(923,054)	(763,343)
Loss before tax	2	(273,870)	(911,895)	(739,297)	(708,152)
Income tax expense relating to ordinary activities	4	–	–	–	–
Loss for the year		(273,870)	(911,895)	(739,297)	(708,152)
Basic earnings per share (cents per share)	7	(0.15)	(0.58)		
Diluted earnings per share (cents per share)	7	(0.15)	(0.58)		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 27 to 40.

Balance sheets

As at 31 December 2006

	NOTE	CONSOLIDATED		THE COMPANY	
		2006 \$	2005 \$	2006 \$	2005 \$
Current assets					
Cash and cash equivalents	8	2,412,795	675,501	2,212,220	566,310
Trade and other receivables	9	151,145	120,280	3,799	1,401
Other	10	222,754	16,319	221,483	15,037
Total current assets		2,786,694	812,100	2,437,502	582,748
Non-current assets					
Receivables	11	–	–	7,549,950	5,125,113
Other financial assets	12	584,100	–	103	103
Property, plant and equipment	13	138,812	105,113	–	–
Exploration and evaluation expenditure	14	6,831,577	4,956,308	–	–
Total non-current assets		7,554,489	5,061,421	7,550,053	5,125,216
Total assets		10,341,183	5,873,521	9,987,555	5,707,964
Current liabilities					
Trade and other payables	15	404,605	195,593	50,977	30,036
Loan and borrowings	16	1,984,008	–	1,984,008	–
Employee benefits	17	38,100	16,400	38,100	16,400
Total current liabilities		2,426,713	211,993	2,073,085	46,436
Non-current liabilities					
Employee benefits	18	29,400	16,550	29,400	16,550
Deferred tax liability	4	–	–	–	–
Total non-current liabilities		29,400	16,550	29,400	16,550
Total liabilities		2,456,113	228,543	2,102,485	62,986
NET ASSETS		7,885,070	5,644,978	7,885,070	5,644,978
Equity					
Issued capital	19	24,509,545	21,573,672	24,509,545	21,573,672
Reserves	21	(261,684)	203,743	–	–
Accumulated losses	22	(16,362,791)	(16,132,437)	(16,624,475)	(15,928,694)
TOTAL EQUITY		7,885,070	5,644,978	7,885,070	5,644,978

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 27 to 40.

Statements of changes in equity

For the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006 \$	2005 \$	2006 \$	2005 \$
Total equity at the beginning of the year	5,644,978	3,275,711	5,644,978	3,275,711
Foreign exchange translation differences recognised directly in equity	(342,027)	203,743	–	–
Investment adjustments recognised directly in equity	(123,400)	–	–	–
Loss for the year	(273,870)	(911,895)	(739,297)	(708,152)
Total recognised income and expense for the year	(739,297)	(708,152)	(739,297)	(708,152)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs	2,935,873	3,077,419	2,935,873	3,077,419
Directors' and employees' option costs	43,516	–	43,516	–
	2,979,389	3,077,419	2,979,389	3,077,419
Total equity at the end of the year	7,885,070	5,644,978	7,885,070	5,644,978
Attributable to equity holders of the parent	7,885,070	5,644,978	7,885,070	5,644,978

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 27 to 40.

Statements of cash flows

For the year ended 31 December 2006

	NOTE	CONSOLIDATED		THE COMPANY	
		2006 \$	2005 \$	2006 \$	2005 \$
Cash flows from operating activities					
Payments to suppliers and employees		(577,843)	(490,212)	(468,151)	(250,098)
Interest received		58,562	62,008	57,035	60,835
Financial expenses		(8,451)	(41)	(8,436)	(34)
Net cash used in operating activities	30(b)	(527,732)	(428,245)	(419,552)	(189,297)
Cash flows from investing activities					
Purchase of plant and equipment		(49,275)	(90,550)	–	–
Payments for exploration expenditure		(1,114,121)	(2,361,410)	–	–
Payments for development expenditure		(1,655,994)	–	–	–
Loan to controlled entity		–	–	(2,664,257)	(2,793,570)
Net cash used in investing activities		(2,819,390)	(2,451,960)	(2,664,257)	(2,793,570)
Cash flows from financing activities					
Proceeds from issues of shares		2,986,345	3,151,967	2,986,345	3,151,967
Share issue costs		(50,472)	(74,548)	(50,472)	(74,548)
Proceeds from borrowings		2,000,000	–	2,000,000	–
Prepayment of interest		(206,154)	–	(206,154)	–
Proceeds from sale of assets		359,566	–	–	–
Net cash provided by financing activities		5,089,285	3,077,419	4,729,719	3,077,419
Net increase (decrease) in cash held					
Cash and cash equivalents at 1 January 2006		1,742,163	197,214	1,645,910	94,552
Foreign exchange gain on opening cash held in foreign currency		675,501	478,287	566,310	471,758
		(4,869)	–	–	–
Cash and cash equivalents at 31 December 2006	30(a)	2,412,795	675,501	2,212,220	566,310

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 27 to 40.

Notes to the financial statements

For the year ended 31 December 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Atlantic Gold NL ('Company') is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the 'Consolidated Entity') and the Consolidated Entity's interest in associates and jointly controlled entities.

a. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. International Financial Reporting Standards ('IFRSs') form the basis of Australian Accounting Standards adopted by the Australian Accounting Standards Board, being Australian equivalents to IFRS ('AIFRS'). The financial reports of the Consolidated Entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

b. Basis of preparation

The financial report is prepared on the historical cost basis and is presented in Australian dollars. The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the

judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the Consolidated Entity.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

c. Basis of consolidation

Controlled Entities

The financial statements of Controlled Entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Joint ventures

A joint venture is either an entity or operation that is jointly controlled by the Consolidated Entity.

Jointly controlled entities

In the consolidated financial statements, investments in joint venture entities, including partnerships, are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The Consolidated Entity's share of the joint venture entity's net profit or

loss is recognised in the consolidated income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly on consolidated reserves.

Jointly controlled operations and assets

The Consolidated Entity's interest in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs and its share of income it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Unrealised gains and losses and intragroup balances resulting from transactions with or between Controlled Entities are eliminated in full on consolidation. Unrealised gains resulting from transactions with jointly controlled entities are eliminated to the extent of the Consolidated Entity's interest. Unrealised gains relating to jointly controlled entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

d. Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes to the financial statements

For the year ended 31 December 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

e. Depreciation

Depreciation is charged to the income statement. All assets have limited useful lives and are depreciated using the straight line method over their useful lives. Depreciation methods and useful lives, as well as residual values, are reassessed annually. Assets are depreciated from the date of acquisition.

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

CLASS OF FIXED ASSET	DEPRECIATION
	RATE
Plant and equipment	20–40%
Leasehold improvements	10%

f. Derivative financial instruments

The Consolidated Entity does not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes.

g. Earnings per share

Basic Earnings per share

Basic earnings per share is calculated by dividing net profit/(loss) after income tax attributable to members 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.

The partly paid shares are classified as 'ordinary shares' for the purpose of calculating earnings per share.

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, by the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

h. Employee benefits

Wages, salaries, annual leave and sick leave

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

Superannuation

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated Entity's obligation.

i. Exploration and evaluation expenditure

Pre-licence costs are recognised in the income statement as incurred.

Exploration, evaluation and development expenditure, including the costs of acquiring licences, are capitalised on a project by project basis. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Expenditure deemed to be unsuccessful is recognised in the income statement immediately.

Exploration, evaluation and development assets are assessed for impairment if facts and circumstances suggest that carrying amount exceeds the recoverable amount (refer note 1)).

j. Foreign Currency Translation Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current on that date. Resulting exchange differences are recognised in determining the profit and loss for the year.

Hedging

The Consolidated Entity has not entered into any specific, general or speculative hedging arrangements.

Foreign controlled entities

As the foreign controlled entities are integrated, their assets and liabilities are translated into Australian currency at rates of exchange current at reporting date, while its revenues and expenses are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are recognised directly in equity.

k. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

l. Impairment

The carrying amounts of the Consolidated Entity's assets, other than deferred tax assets (refer note 1m), are reviewed at each balance sheet date to determine whether there is any

indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer note 1(i)).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. No temporary differences are recognised on the initial recognition of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements

For the year ended 31 December 2006

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued:

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2003.

The current and deferred tax amounts for the tax-consolidated group are allocated among the entities in the group using a separate taxpayer within group approach whereby each entity in the tax-consolidated group measures its current and deferred taxes as if it continued to be a separately taxable entity in its own right. Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

n. Investments

Controlled Entities

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

o. Leased assets

Lease payments made under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are recognised in the income statement on a straight line basis over the term of the lease.

p. Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on redeemable preference shares, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (refer note 1f).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

q. Trade and other payables

Trade and other payables are stated at amortised cost.

r. Property, plant and equipment

All assets acquired including property, plant and equipment and intangibles other than goodwill are stated at cost or deemed cost of acquisition at the date of acquisition less accumulated depreciation (refer note 1e) and any impairment losses (refer note 1l).

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

s. Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

t. Disposal of assets

The profit or loss on disposal is brought to account at the date an unconditional contract of sale is signed.

u. Segment reporting

A segment is a distinguishable component of the Consolidated Entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The business segments reported are precious mineral exploration in Australia and Canada.

v. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (refer note 1l).

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 2: LOSS BEFORE TAX				
<i>Loss from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:</i>				
Impairment of loan to Controlled Entity	–	–	(137,828)	506,621
Exploration expenditure written off	242,832	409,632	–	–
Consulting fees	–	–	(374,876)	(283,451)
Profit of disposal of exploration property	(558,254)	–	–	–
<i>General and administrative expenses</i>				
Administrative costs	140,102	127,068	93,395	92,374
Amounts set aside to/(written back from) provision for employee benefits	34,678	17,850	34,678	17,850
Corporate costs	53,002	37,245	53,002	37,245
Depreciation and amortisation expense	9,587	5,605	–	–
Employee and Director benefits expense	293,726	257,864	673,877	540,559
Occupancy expense	35,878	35,983	–	–
Other expenses from ordinary activities	72,132	82,615	68,102	75,315
	639,105	564,230	923,054	763,343
NOTE 3: FINANCIAL INCOME AND EXPENSES				
Interest income	58,562	62,008	57,035	60,835
Financial expenses	(8,749)	(41)	(8,734)	(34)
Net financial income and expenses	49,813	61,967	48,301	60,801
NOTE 4: INCOME TAX EXPENSE				
<i>Numerical reconciliation between tax benefit and pre-tax net loss</i>				
Loss before tax	(273,870)	(911,895)	(739,297)	(708,152)
Total income tax benefit calculated at 30% (2005: 30%)	(82,161)	(273,569)	(221,789)	(212,446)
Increase in income tax expense due to:				
Impairment of loan to Controlled Entity	–	–	(41,348)	151,986
Other non-allowable items	14,925	721	13,272	167
	(67,236)	(272,848)	(249,865)	(60,293)
Deferred tax asset not brought to account	67,236	272,848	249,865	60,293
Income tax expense on pre-tax loss	–	–	–	–
<i>Recognised tax assets and liabilities</i>				
Deferred tax assets and liabilities are attributable to the following:				
Exploration and evaluation expenditure	2,049,473	1,486,892	–	–
Provisions	(20,250)	(9,885)	–	–
Other	(6,058)	(16,297)	–	–
Tax loss carry-forwards	(2,023,165)	(1,460,710)	–	–
Net deferred tax liability	–	–	–	–

Notes to the financial statements

For the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 4: INCOME TAX EXPENSES continued:				
<i>Deferred tax asset not taken to account</i>				
Tax losses carried forward:				
Tax losses	4,789,820	4,722,584	1,328,405	1,099,493
Deductible temporary differences	–	–	26,308	5,355
	4,789,820	4,722,584	1,354,713	1,104,848

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Consolidated Entity can utilise the benefits therefrom.

NOTE 5: AUDITORS' REMUNERATION

Audit services – KPMG	34,000	30,000	34,000	30,000
Taxation services – KPMG	11,258	–	2,000	–
	45,258	30,000	36,000	30,000

NOTE 6: KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration of specified directors and specified executives by the Consolidated Entity

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting and retaining appropriately qualified and experienced executives.

The emolument of each Director and Executive Officer are detailed in the Remuneration Report contained in the Directors' Report.

NOTE 7: EARNINGS/(LOSS) PER SHARE

Classification of securities as ordinary shares

Ordinary fully paid shares and partly paid shares have been included in basic and dilutive ordinary earnings per share.

Earnings per share reconciliation

Net loss, basic and diluted earnings	(273,870)	(911,895)
	NO.	NO.

Weighted average number of shares

Issued ordinary shares at 1 January	168,287,621	133,265,760
Effect of shares issued in first quarter	257,124	10,671,766
Effect of shares issued in second quarter	4,327,210	12,054,232
Effect of shares issued in third quarter	7,877,927	–
Effect of shares issued in fourth quarter	6,150	–
	180,756,032	155,991,758

Basic and dilutive ordinary earnings per share	(0.15 cents)	(0.58 cents)
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NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank	221,897	116,514	113,016	7,323
Bank short term deposits	2,190,898	558,987	2,099,204	558,987
	2,412,795	675,501	2,212,220	566,310

NOTE 9: TRADE AND OTHER RECEIVABLES

Other receivables	119,407	90,181	3,799	1,401
Security deposits	31,738	30,099	–	–
	151,145	120,280	3,799	1,401

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 10: OTHER CURRENT ASSETS				
Prepayments – Insurance	16,600	16,319	15,329	15,037
Prepayments – Interest	206,154	–	206,154	–
	222,754	16,319	221,483	15,037
NOTE 11: NON-CURRENT RECEIVABLES				
Loans to Controlled Entity	–	–	12,425,997	10,138,988
Provision for diminution	–	–	(4,876,047)	(5,013,875)
	–	–	7,549,950	5,125,113
NOTE 12: OTHER FINANCIAL ASSETS				
Investment in listed entity at fair value	584,100	–	–	–
Investments in Controlled Entities:				
Unlisted shares at cost	–	–	1,577,105	1,577,105
Provision for diminution	–	–	(1,577,002)	(1,577,002)
	584,100	–	103	103
NOTE 13: PROPERTY, PLANT AND EQUIPMENT				
Property				
At cost	114,587	74,067	–	–
Plant and equipment				
At cost	76,456	74,107	–	–
Accumulated depreciation	(53,830)	(45,339)	–	–
	22,626	28,768	–	–
Leasehold improvements				
At cost	6,784	6,784	–	–
Accumulated amortisation	(5,185)	(4,506)	–	–
Total leasehold improvements	1,599	2,278	–	–
Total property, plant and equipment	138,812	105,113	–	–
Reconciliations				
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:				
Property				
Carrying amount at beginning of year	74,067	–	–	–
Foreign exchange variance	(5,641)	–	–	–
Additions	46,161	74,067	–	–
Carrying amount at end of year	114,587	74,067	–	–
Plant and equipment				
Carrying amount at beginning of year	28,768	10,150	–	–
Foreign exchange variance	(348)	–	–	–
Additions	3,114	23,545	–	–
Depreciation	(8,908)	(4,927)	–	–
Carrying amount at end of year	22,626	28,768	–	–
Leasehold improvements				
Carrying amount at beginning of year	2,278	2,956	–	–
Amortisation	(679)	(678)	–	–
Carrying amount at end of year	1,599	2,278	–	–

Notes to the financial statements

For the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 14: EXPLORATION AND EVALUATION EXPENDITURE				
Costs carried forward in respect of areas of interest in:				
Exploration	3,361,703	3,234,576	–	–
Evaluation Touquoy Gold Project	3,469,874	1,721,732	–	–
	6,831,577	4,956,308	–	–
Reconciliations				
Carrying amount at the beginning of year	4,956,308	2,770,798	–	–
Foreign exchange variation	(330,056)	–	–	–
Expenditure incurred during current year	2,957,098	2,595,142	–	–
Disposals	(508,941)	–	–	–
Less write offs	(242,832)	(409,632)	–	–
Carrying amount at the end of year	6,831,577	4,956,308	–	–
NOTE 15: TRADE AND OTHER PAYABLES				
Trade payables	362,771	175,788	9,143	10,231
Other payables	41,834	19,805	41,834	19,805
	404,605	195,593	50,977	30,036
NOTE 16: LOANS AND BORROWINGS				
Unsecured loan	2,000,000	–	2,000,000	–
Unamortised option costs	(15,992)	–	(15,992)	–
	1,984,008	–	1,984,008	–
<p>The loan may be repaid at any time without penalty. At the end of 2 years any loan amount outstanding will be repaid at the Company's election either in cash or by issue of Company's shares. The lender was granted 5 million options each exercisable into one fully paid share of the Company at a strike price of 15 cents expiring on repayment of the loan.</p>				
NOTE 17: EMPLOYEE BENEFITS – CURRENT				
Employee benefits	38,100	16,400	16,400	38,100
NOTE 18: EMPLOYEE BENEFITS – NON-CURRENT				
Employee benefits	29,400	16,550	29,400	16,550

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 19: CONTRIBUTED EQUITY				
161,716,670 (2005: 137,991,279) fully paid ordinary shares	22,385,411	20,058,845	22,385,411	20,058,845
30,286,342 (2005: 30,296,342) partly paid ordinary shares	2,124,134	1,514,827	2,124,134	1,514,827
	24,509,545	21,573,672	24,509,545	21,573,672
Movements in ordinary share capital				
Balance at beginning of year	21,573,672	18,496,253	21,573,672	18,496,253
Shares issued:				
– 23,615,931 shares at 10 cents per share on exercise of options	2,361,593	–	2,361,593	–
– 10,000 fully paid ordinary shares on payment of unpaid capital of 13 cents per share on partly paid shares	1,300	–	1,300	–
– 40,000 shares at 15 cents per share on exercise of options	6,000	–	6,000	–
– 19,460 shares at 12 cents per share on exercise of options	2,335	–	2,335	–
– call of 2 cents per share in respect of 30,066,592 shares at 20 cents per share now partly paid to 7 cents per share	601,332	–	601,332	–
– proceeds of auction of 229,750 forfeited partly paid shares	13,785	–	13,785	–
– 32,045,889 shares at 9 cents per share pursuant to placements	–	2,884,130	–	2,884,130
– 2,975,972 shares at 9 cents per share pursuant to Share Purchase Plan	–	267,837	–	267,837
Less:				
– cost of issues	(45,363)	(74,548)	(45,363)	(74,548)
– refund proceeds of auction of forfeited partly paid shares	(5,109)	–	(5,109)	–
	24,509,545	21,573,672	24,509,545	21,573,672

Holders of ordinary shares are entitled to receive dividends as declared from time to time irrespective of the amounts paid or credited as paid on the shares. Holders of fully paid ordinary shares are entitled on a show of hands to one vote for each fully paid share held. Holders of partly paid ordinary shares are entitled on a show of hands to one vote, and on a poll to such number of votes as results from applying the ratio of the amount of the issue price of shares paid to the total issue price, to the number of those partly paid shares held.

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

NOTE 20: OPTIONS

EXPIRY DATE	EXERCISE PRICE	OUTSTANDING AT 31 DEC 2005	ISSUED DURING YEAR	EXERCISED DURING YEAR	LAPSED DURING YEAR	OUTSTANDING AT 31 DEC 2006
Listed						
30 June 2006	\$0.10	23,615,931	–	(23,615,931)	–	–
1 November 2007	\$0.12	–	16,474,297	(19,460)	–	16,454,837
Unlisted						
31 December 2008	\$0.20	2,200,000	–	–	–	2,200,000
22 August 2010	\$0.15	–	5,450,000	(40,000)	–	5,410,000
14 October 2010	\$0.15	–	3,000,000	–	–	3,000,000
		25,815,931	24,924,297	(23,675,391)	–	27,064,837

Notes to the financial statements

For the year ended 31 December 2006

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 21: RESERVES				
Foreign currency translation reserve				
Balance at beginning of the year	203,743	–	–	–
Current year foreign exchange translation differences	(342,027)	203,743	–	–
Balance at end of the year	(138,284)	203,743	–	–
Fair value reserve (investments in listed entities)				
Balance at beginning of the year	–	–	–	–
Current year foreign exchange translation differences	(123,400)	–	–	–
Balance at end of the year	(123,400)	–	–	–
Total reserves	(261,684)	203,743	–	–
NOTE 22: ACCUMULATED LOSSES				
Accumulated losses at beginning of the year	16,132,437	15,220,542	15,928,694	15,220,542
Directors and employees option costs	(43,516)	–	(43,516)	–
Net loss	273,870	911,895	739,297	708,152
Accumulated losses at end of the year	16,362,791	16,132,437	16,624,475	15,928,694

NOTE 23: COMMITMENTS

Operating Lease Commitments

The Consolidated Entity leases property and equipment. Leases generally provide the Consolidated Entity with a right of renewal at which time all terms are re-negotiated.

Future operating lease commitments not provided for in the financial statements and payable:

within 1 year	2,480	2,480	–	–
later than 1 year but not later than 5 years	–	–	–	–
	2,480	2,480	–	–

Exploration Tenement Commitments

In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to outlay in the year ending 31 December 2007 an amount of approximately \$65,865 (2006 \$26,640) in respect of exploration expenditure.

NOTE 24: CONTINGENT LIABILITIES

Native title

The value of the mining tenements is dependent on the discovery of commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The Consolidated Entity's exploration properties may at some future time be subject to claims under native title or contain sacred sites or sites of significance to Aboriginal people. In the event of any such claim being made and the National Native Title Tribunal ratifying such claim, the Consolidated Entity's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensation.

NOTE 25: SEGMENT INFORMATION

During the year the Consolidated Entity operated predominantly in one business segment being precious mineral exploration in two geographical segments being Australia and Canada.

	AUSTRALIA		CANADA		ELIMINATIONS		CONSOLIDATED	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
Segment Revenue	–	–	–	–	–	–	–	–
Segment Result	457,318	(181,536)	(141,897)	(228,096)			315,421	(409,632)
Unallocated expenses							(639,104)	(564,230)
Net financing income							49,813	61,967
Loss before tax							(273,870)	(911,895)
Income Tax							–	–
Net Loss	457,318	(181,536)	(141,897)	(228,096)	–	–	(273,870)	(911,895)
Depreciation	6,675	3,726	2,912	1,879	–	–	9,587	5,605
Exploration expenditure written off	80,515	181,536	162,317	228,096	–	–	242,832	409,632
Segment Assets	10,483,898	8,266,225	4,227,536	2,732,409	(4,370,251)	(5,125,113)	10,341,182	5,873,521
Segment Liabilities	2,170,206	2,353,021	4,656,158	3,000,635	(4,370,251)	(5,125,113)	2,456,113	228,543
Cash flows from operating activities	(482,144)	(407,750)	(45,588)	(20,495)	–	–	(527,732)	(428,245)
Cash flows from investing activities	(2,057,030)	(2,569,656)	(2,819,390)	(1,651,700)	2,057,030	1,769,396	(2,819,390)	(2,451,960)
Cash flows from financing activities	5,089,285	3,077,419	2,057,030	1,769,396	(2,057,030)	(1,769,396)	5,089,285	3,077,419
Capital expenditure	–	3,004	49,274	94,608	–	–	49,274	97,612

NOTE 26: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PERCENTAGE OWNED	
		2006	2005
		%	%
Particulars in relation to Controlled Entities			
Parent Entity			
Atlantic Gold NL	Australia		
Controlled Entities			
Atlantic Gold Exploration Pty Ltd	Australia	100	100
DDV Gold Limited	Canada	100	100

Notes to the financial statements

For the year ended 31 December 2006

NOTE 27: INTEREST IN JOINT VENTURE OPERATIONS

As at 31 December 2006 Controlled Entities had interests in the following exploration joint ventures :

	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	%	%	%	%
Kookynie Development Area	50	50	–	–
Touquoy – Moose River	60	60	–	–
	(earning up to	(earning up to		
	75%)	75%)		
Caribou	50	50	–	–

Included in the assets and liabilities of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets and liabilities employed in the joint ventures:

	\$	\$	\$	\$
Non-Current Assets				
Exploration and evaluation expenditure	6,161,491	3,770,847	–	–

NOTE 28: RELATED PARTIES

Directors

The names of each person holding the position of Director of Atlantic Gold NL during the financial year are:

Ronald J Hawkes
Walter R Bucknell
Robert H N Symons

Details of Directors' remuneration are set out in Note 6.

Robert H N Symons is a partner of Deacons. During the financial year Deacons provided legal services to the Consolidated Entity on normal commercial terms.

Apart from the details disclosed in this Note, no Director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end.

Directors' and Executive Officer's holdings of shares and share options

The aggregate interests of Directors and the Executive Officer of the reporting entity and their Director-related entities in shares and share options of entities within the Consolidated Entity at year end are set out below.

	HELD AT	ACQUISITIONS	DISPOSAL/	HELD AT
	1 JAN 2006		EXERCISE	31 DEC 2006
Fully paid ordinary shares				
Directors				
R J Hawkes	20,055,555	2,061,540	–	22,117,095
W R Bucknell	4,191,880	774,360	–	4,966,240
R H N Symons	–	40,000	–	40,000
Executives				
B H Bolton	1,940,000	830,000	–	2,770,000
P Carter	–	–	–	–

	HELD AT 1 JAN 2006	ACQUISITIONS	DISPOSAL/ EXERCISE	HELD AT 31 DEC 2006
Partly paid ordinary shares				
Directors				
R J Hawkes	5,750,000	–	–	5,750,000
W R Bucknell	1,036,860	–	–	1,036,860
R H N Symons	–	–	–	–
Executives				
B H Bolton	755,600	–	–	755,600
P Carter	–	–	–	–
Options				
Directors				
R J Hawkes	7,061,540	3,412,961	(6,061,540)	4,412,961
W R Bucknell	2,824,360	2,532,916	(1,824,360)	3,532,916
R H N Symons	–	200,000	(40,000)	160,000
Executives				
B H Bolton	830,000	1,303,448	(830,000)	1,303,448
P Carter	–	3,000,000	–	3,000,000

Non-Director related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	COMPANY	
	2006	2005
	\$	\$
Controlled Entities		
The Parent Company provided management and related services to Controlled Entities	374,876	283,451
Balance of loans to Controlled Entities outstanding at year end	7,549,950	5,125,113
Impairment of loans during the year	(137,828)	506,621

All loans to Controlled Entities are unsecured and repayable on demand.

NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE

There were no major events subsequent to balance date.

No matters have arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

Notes to the financial statements

For the year ended 31 December 2006

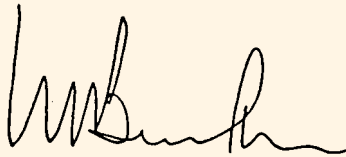
	CONSOLIDATED		THE COMPANY	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 30: NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of Cash				
Cash at the end of the financial year as shown in the statements of cash flows is reconciled to items in the balance sheets as follows:				
Cash at bank	221,897	116,514	113,016	7,323
Bank short term deposits	2,190,898	558,987	2,099,204	558,987
	2,412,795	675,501	2,212,220	566,310
(b) Reconciliation of loss after income tax to net cash used in operating activities				
Loss from ordinary activities after income tax	(273,870)	(911,895)	(739,297)	(708,152)
Add/(less) non-cash items:				
Amortisation	679	678	–	–
Depreciation	8,908	4,927	–	–
Amounts set aside to provisions	34,678	17,850	34,678	17,850
Write-off of exploration expenditure	242,832	409,632	–	–
Impairment of loan to Controlled Entity	–	–	(137,828)	506,621
Value of employee and executive options granted	43,516	–	43,516	–
Gain on sale of non-current assets	(558,254)	–	–	–
Unrealised foreign exchange	–	–	377,248	–
Changes in assets and liabilities, net of the effects of purchase and disposal of Controlled Entities during the financial year:				
(Increase)/decrease in receivables	(30,865)	(35,126)	(2,398)	748
(Increase)/decrease in prepayments	(281)	(1,512)	(293)	(1,456)
Increase/(decrease) in payables	4,925	87,201	4,822	(4,908)
Net cash used in operating activities	(527,732)	(428,245)	(419,552)	(189,297)

Directors' declaration

In the opinion of the Directors of Atlantic Gold NL:

- (a) the financial statements and notes set out on pages 23 to 40 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 31 December 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Walter R Bucknell
Director

Sydney, 27 March 2007

Independent audit report to the members of Atlantic Gold NL

Scope

The financial report and directors' responsibility

We have audited the financial report of Atlantic Gold NL ('the Company') for the financial year ended 31 December 2006, consisting of the income statements, statements of changes in equity balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 23 to 41. The financial report includes the consolidated financial statements of the group, comprising the Company and the subsidiaries it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

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

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the group's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

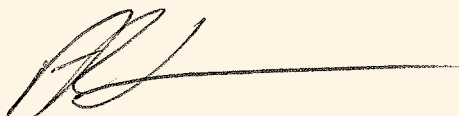
Audit opinion

In our opinion:

- 1 The financial report of Atlantic Gold NL is in accordance with:
 - a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - b) other mandatory financial reporting requirements in Australia.
- 2 The remuneration disclosures that are contained in the Remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.



KPMG



Anthony Jones, Partner

Sydney, 27 March 2007