

**WESTGOLD RESOURCES NL**

**ABN 60 009 260 306**

**HALF-YEAR FINANCIAL REPORT**

**31 December 2005**

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**CORPORATE DIRECTORY**

**DIRECTORS**

Michael Atkins (Chairman)  
Andrew Drummond (Director)  
Stephen Spiers (Director)

**SECRETARIES**

Andrew Chapman  
Christopher Mews

**REGISTERED OFFICE**

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37 St Georges Terrace  
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**SHARE REGISTRY**

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Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, WA, 6000  
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**SOLICITORS**

Blakiston & Crabb  
1202 Hay Street  
West Perth, WA, 6005

**BANKERS**

Commonwealth Bank of Australia Limited  
150 St Georges Terrace  
Perth, WA, 6000

**AUDITORS**

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth, WA 6000

**STOCK EXCHANGE LISTING**

The Australian Stock Exchange Limited

*Australian Stock Exchange Code: WGR*

**DIRECTORS' REPORT**

Your directors present their report for the half-year ended 31 December 2005.

**DIRECTORS**

The names of the directors of Westgold Resources NL ("Westgold" or "the Company") during the half-year and until the date of this report are as below. The directors were in office for this entire period unless otherwise stated.

M Atkins	(Chairman re elected 25 November 2005)
A Drummond	(Director)
S Spiers	(Director)

**REVIEW AND RESULTS OF OPERATIONS**

During the half year the company made a loss of \$210,225 (2004: loss of \$148,408).

**INVESTMENT IN NAVARRE RESOURCES**

Navarre Resources is an unlisted public company with large gold exploration portfolios in the Yandal Belt of Western Australia and the Rover Field southwest of Tennant Creek in the Northern Territory. Westgold will subscribe for up to 40% equity in Navarre for \$1.8 million in staged payments. Westgold can increase its equity in Navarre to 51% for a further \$1 million or it can exercise an option to acquire the remaining equity in Navarre for \$3 million of shares at \$0.19 per share.

Navarre commenced drilling in the Yandal Belt in December with an aircore programme on the Mission and Lake Darlot North Prospects. Significant results from the drilling at Mission include 3m at 14g/t Au in hole NRAC008, 1m at 28g/t and 1m at 10g/t Au in NRAC009, 8m at 9.0g/t Au in NRAC010, 4m at 8.6g/t Au at the end of hole in NRAC015 and 8m at 1.8g/t Au at the end of hole in NRAC016.

Navarre will resume aircore drilling in the Yandal Belt in March, including further work on the Mission prospect. The company also plans to begin diamond drilling in the Rover Field in March.

**DJIBOUTI GOLD PROJECT**

Djibouti is at the triple junction where the Red Sea Rift, the Gulf of Aden and the Great African Rift meet. A mantle hot spot underlies this area and the area is tectonically and hydrothermally active. Epithermal gold deposits have been mined profitably in similar settings around the world including the McLaughlin mine in California, Acupan and Antarnok in the Philippines and Lihir and Porgera in Papua New Guinea.

While Djibouti has considerable promise as an epithermal gold province, Westgold has elected to concentrate on new opportunities in Australia. The Company will not contribute to further JV expenditure and is seeking to farmout its interest.

**SBM/WOSS LITIGATION**

In September 2000 the Company commenced proceedings against St. Barbara Mines Limited (SBM) and Mr Ron Woss, a former director of St. Barbara, for an amount of approximately \$7.6 million dollars. The Company lodged an amended statement of claim on 2 February 2001 and subsequently both SBM and Woss filed their respective defences to their claim.

The discovery and statement taking process has been the main focus and has been completed to the point that Westgold can prepare for trial. The Company will continue to review its options to ensure this matter can be heard as early as possible.

**DIRECTORS' REPORT****OTHER**

Westgold retains a 3% interest in Marion Energy (previously Carpenter Pacific Resources NL) which has acquired a 30% interest in the Jefferson-McLeod Oil and Gas Project in Texas, USA and has entered into another US-based oil and gas transaction. These transactions have led to an increased value in Westgold's holding in Carpenter.

**CORPORATE**

On 30 December 2005 the Board announced the appointment of Mr David Archibald as Westgold's Chief Executive Officer. Mr Archibald has a Bachelor of Science degree from the University of Queensland. Following experience with CSR in coal oil shale exploration and with Esso in oil exploration, he joined the securities industry as an analyst specialising in resources. His role will entail overseeing the company's existing projects and looking for new opportunities in the resources industry.

**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditors Ernst & Young.

The Auditors Independence Declaration on page 18 forms part of the Directors' Report for the half-year ended 31 December 2005.

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



**Michael Atkins**  
Chairman

15 March 2006

**CONDENSED INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Note	Consolidated	
		2005 \$	2004 \$
Revenue	2(a)	254,054	349,113
Other income	2(b)	43,393	9,711
Legal and professional fees		(144,903)	(115,330)
Administration expenses		(228,401)	(169,257)
Management fees		-	(77,459)
Salaries and employee benefits expenses		(72,515)	(148,513)
Other expenses	2(c)	(61,853)	(8,446)
Share of net profit/(losses) of associates		-	11,773
<b>Loss before finance and tax costs</b>		<b>(210,225)</b>	<b>(148,408)</b>
Finance costs		-	-
<b>Loss before income tax</b>		<b>(210,225)</b>	<b>(148,408)</b>
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(210,225)</b>	<b>(148,408)</b>
<b>Net loss attributable to the members of Westgold Resources NL</b>		<b>(210,225)</b>	<b>(148,408)</b>
		<b>2005 cents</b>	<b>2004 cents</b>
<b>Basic loss per share for the period (cents per share)</b>		<b>(0.28)</b>	<b>(0.2)</b>
<b>Diluted loss per share for the period (cents per share)</b>		<b>(0.28)</b>	<b>(0.2)</b>

**CONDENSED BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	Consolidated	
	As at 31 December 2005 \$	As at 30 June 2005 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	8,278,487	9,318,733
Trade and Other Receivables	136,145	35,004
Other Financial Assets	-	140,625
Held for Trading Financial Assets	259,064	-
Prepayments	775,528	6,627
<b>TOTAL CURRENT ASSETS</b>	<b>9,449,224</b>	<b>9,500,989</b>
<b>NON-CURRENT ASSETS</b>		
Receivables	10,003	139,358
Other Financial Assets	-	420,553
Available-for-Sale Financial Assets	1,479,283	-
Plant & Equipment	19,294	26,734
Deferred Exploration and Evaluation Expenditure	551,503	499,120
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,060,083</b>	<b>1,085,765</b>
<b>TOTAL ASSETS</b>	<b>11,509,307</b>	<b>10,586,754</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and Other Payables	114,240	149,565
<b>TOTAL CURRENT LIABILITIES</b>	<b>114,240</b>	<b>149,565</b>
<b>TOTAL LIABILITIES</b>	<b>114,240</b>	<b>149,565</b>
<b>NET ASSETS</b>	<b>11,395,067</b>	<b>10,437,189</b>
<b>EQUITY</b>		
Issued Capital	6 74,185,312	74,185,312
Reserves	2,419,439	1,360,711
Accumulated Losses	(65,209,684)	(65,108,834)
<b>TOTAL EQUITY</b>	<b>11,395,067</b>	<b>10,437,189</b>

**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Consolidated	
Note	2005	2004
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	-	86,659
Payments to suppliers and employees	(381,787)	(318,437)
Interest received	229,801	154,904
Other	3,733	-
<b>NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES</b>	<b>(148,253)</b>	<b>(76,874)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Exploration expenditure	(120,801)	(124,169)
Prepayment for investment	(775,328)	-
Advances to associated entity	-	(607,492)
Purchase of plant and equipment	(1,012)	-
Purchase of held for trading financial assets	(228,816)	-
Proceeds from return of capital	-	2,928,268
Proceeds from sale of trading assets	233,973	-
Proceeds from sale of investments	-	714,000
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>(891,984)</b>	<b>2,910,607</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS HELD</b>		
	<b>(1,040,237)</b>	<b>2,833,733</b>
Add opening cash and cash equivalents brought forward	9,318,733	4,201,556
Net effect of exchange rate changes as cash	(9)	(240)
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>8,278,487</b>	<b>7,035,049</b>

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

		31 December 2005					31 December 2004				
CONSOLIDATED	Issued Capital	Accumulated Losses	General Reserves	Available- for-Sale Financial Assets Reserve	Total		Issued Capital	Accumulated Losses	General Reserves	Available- for-Sale Financial Assets Reserve	Total
1/7/05 Opening balance	74,185,312	(65,108,834)	1,360,711	-	10,437,189	1/7/04 Opening balance	74,185,312	(65,073,080)	1,360,711	-	10,472,943
Fair value revaluation of held for trading financial assets upon adoption of AASB 132 and AASB 139 at 1 July 2005 (refer note 1(f))	-	109,375	-	-	109,375		-	-	-	-	-
Fair value revaluation of available -for-sale financial assets upon adoption of AASB 132 and AASB 139 at 1 July 2005 (refer note 1(f))	-	-	-	338,822	-		-	-	-	-	-
Adjusted Opening Balance 1 July 2005	74,185,312	(64,999,459)	1,360,711	338,822	10,885,386		-	-	-	-	-
Net gains on available -for- sale assets	-	-	-	719,906	719,906	Net gains on available for sale assets	-	-	-	-	-
Profits/(loss) for the period	-	(210,225)	-	-	(210,225)	Profits/(loss) for the period	-	(148,808)	-	-	(148,808)
Total income/expense for the period	-	(210,225)	-	719,906	509,681	Total income/expense for the period	-	(148,808)	-	-	(148,808)
31/12/05 Closing balance	74,185,312	(65,209,684)	1,360,711	1,058,728	11,395,067	31/12/04 Closing balance	74,185,312	(65,221,888)	1,360,711	-	10,324,135

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**1 BASIS OF PREPARATION**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Westgold Resources NL as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by Westgold Resources NL and its controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of accounting**

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention except for available-for-sale financial assets that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Statement of compliance**

The half year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with IAS 34 "Interim Financial Reporting".

This is the first half year financial report prepared based on AIFRS and comparatives for the half year ended 31 December 2004 and full year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Group under AIFRS are disclosed in Note 1 (c) below.

Explanations of:

- AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005; and
- AIFRS profit for the half-year 31 December 2004 and full year 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full year financial report prepared under AGAAP are detailed in Note 1(e) below.

**(c) Summary of significant accounting policies**

**(i) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Westgold Resources NL and its subsidiaries ('the Group').

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions have been eliminated in full.

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

**(ii) Investment in jointly controlled asset**

The Group has an interest in a joint venture that is a jointly controlled asset. It is accounted for by recognising the Group's assets and liabilities from the joint venture, as well as expenses incurred by the Group and the Group's share of income earned from the joint venture, in the consolidated financial statements.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**(iii) Foreign currency translation**

Both the functional and presentation currency of Westgold Resources NL and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction

All exchange differences in the consolidated financial report are taken to the income statement.

**(iv) Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses .

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 5 to 15 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

An impairment exists when the carrying value of an asset or cash generating unit exceeds its estimated recoverable amount. The assets or cash-generating units are then written down to their recoverable amount.

*Derecognition and disposal*

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**(v) Impairment of assets**

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Recoverable amount is the higher of its fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The assets or cash generating unit is considered impaired and is written down to its recoverable amount.

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

*Financial assets in the scope of AASB 139 Financial Instruments*

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

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

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

*Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*Loans and receivables*

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

*Available-for-sale investments*

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

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

**(vii) Impairment of financial assets**

*Available-for-sale assets*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**(viii) Deferred exploration and evaluation costs**

Exploration and evaluation expenditure is stated at cost and is accumulated in respect of each identifiable area of interest. Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
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operations are continuing.

Accumulated costs in relation to an abandoned area are written off to the income statement in the period in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

*Impairment*

The carrying values of exploration and evaluation costs are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount of exploration and evaluation costs is the greater of fair value less costs to sell and value in use. In assessing the 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 fair value of money and the risks specific to the asset.

Accumulated costs in relation to an abandoned area are written off in full against the income statement in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Each area of interest is limited to the size related to known or probable mineral resources capable of supporting mining operation.

**(ix) Trade and other receivables**

Trade receivables are non interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. The amount of the allowance/impairment is measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtor. No allowance has been recognised in the current period for doubtful debts.

Bad debts are written off when identified.

**(x) Cash and cash equivalents**

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

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

**(xi) Trade and other payables**

Trade and other payables are non interest bearing and amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company. Trade accounts payable are normally settled within 30 days.

**(xii) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reasonable estimate is made of the amount of the obligation.

The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money 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.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(xiii) Revenue recognition**

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

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
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*Management fee income*

Management fee income comprises revenue earned from the provision of services to entities outside the consolidated entity. Management fee income is recognised when the services are provided.

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the shareholders' right to receive the payment is established.

**(xiv) 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.

**(xv) Earnings Per Share**

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

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

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(xvi) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating Leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognized as an expense on a straight line basis.

There were no leases classified as finance leases during the financial period.

**(xvii) Income tax**

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

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
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joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

**(xviii) Other taxes**

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**(d) AASB 1 Transitional exemptions**

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

*Share-based payment transactions*

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

*Business combinations*

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (ie business combinations that occurred before the date of transition to AIFRS).

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

The Group has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information. For details of accounting policies applied in prior years refer to the June 2005 Annual Financial Statements.

**(e) Impact of adoption of AIFRS**

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

**(i) Explanation of total equity as presented under AGAAP to that under AIFRS**

There were no material adjustments to equity on transition to AIFRS as at 1 July 2004, 31 December 2004 and 30 June 2005

**(ii) Explanation of loss after tax under AGAAP to that under AIFRS**

There were no material adjustments to loss on transition to AIFRS for the half-year ended 31 December 2004 and the full-year ended 30 June 2005.

**(iii) Explanation of material adjustments to the cash flow statements**

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

**(f) Adoption of AASB 132 and AASB 139**

Assets held as available-for-sale and held for trading financial assets have been revalued under IFRS at 1 July 2005 to reflect their opening balance at the start of the half-year as illustrated below.

	<b>30 June 2005</b>	<b>1 July 2005</b>
Available-for-sale financial assets	420,553	759,374
Held for trading financial assets	140,625	250,000

On adoption of AASB 132 and AASB 139 at 1 July 2005 available-for-sale financial assets were measured at fair value with movements taken to reserves and held for trading financial assets were measured at fair value with movements taken to opening accumulated losses. The impact of this was to increase reserves by \$338,822 and reduce accumulated losses by \$109,375.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**2 REVENUES AND EXPENSES**

	Consolidated	
	2005	2004
	\$	\$
<b>Specific Items</b>		
Profit/(loss) from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(a) Revenue</b>		
Revenue from provision of management services	-	77,460
Interest received	254,054	271,653
	254,054	349,113
<b>(b) Other income</b>		
Rental income	13,145	9,711
Revaluation of held for trading financial assets	30,248	-
	43,393	9,711
<b>(c) Expenses and Losses</b>		
Depreciation	8,386	8,446
Other	37,395	-
Loss on sale of held for trading financial assets	16,072	-
	61,853	8,446

**3 EVENTS SUBSEQUENT TO BALANCE DATE**

There were no events in the period between the end of the half year and the date of this report of a material nature which are, in the opinion of the directors, likely to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the company in future financial years.

**4 SEGMENT INFORMATION**

The consolidated entity operated in one geographical area being Australia and one industry being mining for the half year ending 31 December 2005.

**5 CONTINGENT ASSETS AND LIABILITIES**

In September 2000, the Company issued proceedings against St Barbara Mines Limited ("SBM") and Mr Ron Woss, a former Director of St. Barbara, for an amount of approximately \$7.6 million. The Company lodged an amended Statement of Claim on 2 February 2001 and subsequently both SBM and Woss filed their respective defences to their claim.

The discovery and statement taking process has been completed. The matter has been entered for trial and the Company is seeking a trial date as early as possible.

**NOTES TO THE HALF YEAR FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

**6 ISSUED CAPITAL**

	31 December 2005		30 June 2005	
	Number of shares	\$	Number of shares	\$
<b>Ordinary shares</b>				
Issued and fully paid	75,244,113	74,185,312	75,244,113	74,185,312
<b>Movements in ordinary shares</b>				
At 1 July 2005	75,244,113	74,185,312	75,244,113	74,185,312
Issued during the half year	-	-	-	-
	<b>75,244,113</b>	<b>74,185,312</b>	<b>75,244,113</b>	<b>74,185,312</b>

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Westgold Resources NL, in the opinion of the directors, I state that:

- (a) The financial statements and notes of the consolidated entity comply with the Corporations Regulations 2001, and Accounting Standard AASB 134 "Interim Financial Reporting" and give a true and fair view of the financial position as at 31 December 2005 and the performance for the half year ended on that date for the consolidated entity; 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.

For and on behalf of the Board

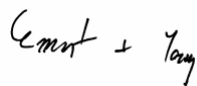


**Michael Atkins**  
Chairman

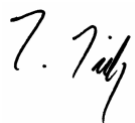
15 March 2006

## **Auditor's Independence Declaration to the Directors of Westgold Resources NL**

In relation to our review of the financial report of Westgold Resources NL for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy  
Partner  
Perth  
15 March 2006

## Independent review report to members of Westgold Resources NL

### Scope

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

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Westgold Resources NL (the company) and the entities it controlled during the half-year, and the directors' declaration for the company, for the period ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", 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.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

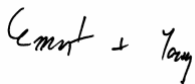
### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

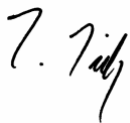
### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Westgold Resources NL and the entities it controlled during the half year is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



V W Tidy  
Partner  
Perth  
15 March 2006