ASHBURTON MINERALS LTD
ABN 99 008 894 442

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2005

Directors

RW Crabb Chairman
TP Dukovcic Director
RJ Dunn Director

Company Secretary

RJ Dunn

Principal & Registered Office

Level 2, 35 Havelock St
West Perth WA 6005

Telephone: +61 (08) 9266 0300
Facsimile: +61 (08) 9266 0301
E-mail: info@ashburton-minerals.com.au
Website: www.ashburton-minerals.com.au

Postal Address

PO Box 517
West Perth WA 6872

Stock Exchange Listing

Australian Stock Exchange
ASX Code: ATN, ATNO

Solicitors

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Auditors

Moore Stephens
Level 3, 12 St George's Terrace
Perth WA 6000

Bankers

ANZ Banking Group Limited
Hay & Outram Streets
West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Dear Shareholder,

The past year has been one of evolution which has seen Ashburton Minerals Ltd focusing its efforts on the opportunities present in the gold industry in Brazil. Your Company has established projects in two historical mining centres, 1,000 km apart at Pocone and Crixas, marked by extensive and long-lived mining activity and both based around currently producing gold operations. Your Board sees good potential for Ashburton to make the step to production and to secure a long term prosperous future in gold mining through its activities in Brazil.

In conjunction with the focus on Brazil, the Board made the decision to sell the Company's Queensland subsidiary Wirralie Mines Pty Ltd, the owner of the Drummond Basin project, including the old Wirralie gold mine and CIP/CIL treatment plant. The Company purchased Wirralie Mines in 2003 with the intent of recommencing mining operations at Wirralie based on the remaining low grade oxide resources and using the cash flow to develop the underlying sulphide resource, which though highly refractory was open at depth and along strike. Over the two years hence, the Company spent in excess of $2.3 million in Queensland, mainly on exploration and evaluation of the Wirralie deposit. Oxide resources at Wirralie were increased to 150,000 ounces and the sulphide resource was increased to almost 400,000 ounces. However, a scoping study based on a gold price of A$580/oz, showed that the oxide grades were too low to support the refurbishment and operating costs of the treatment plant, while the heap leach alternative did not generate enough profit to justify a decision to move to a full feasibility study. The marginal economics of the deposit were further exacerbated by ever increasing industry costs resulting from the compound effects of a shortage of skilled labour and contractors and record high fuel prices. As the Wirralie project failed to meet the Company's corporate objectives, a decision was made to sell Wirralie Mines Pty Ltd.

Ashburton currently has a market capitalisation of around $7 million. We are truly a junior company and, as such, it was not possible for the Company to develop two advanced projects. On balance, the Brazilian projects were considered more likely to result in a profitable and longer term, mining operation. The sale of Wirralie Mines provided the Company with $2.82 million in cash, which will enable it to accelerate work in Brazil.

The Company's involvement in Brazil occurs at three levels. The first is via its subsidiary Trans Pacific Gold Pty Ltd, which holds 75% of a Tailings Joint Venture in which a subsidiary of Cougar Metals NL has a 25% carried interest. The joint venture operates in a 60 km exclusion zone around the town of Pocone in the state of Mato Grosso and a 20 km exclusion zone around the town of Crixas in the state of Goias. All tailings sands secured within these zones are for the benefit of the joint venture.

The second is a 'hard rock' (i.e., primary or bedrock) project within the above exclusion zone, with all non-tailings resources secured within the exclusion zones being solely for the benefit of Trans Pacific Gold Pty Ltd.

At the third level, the Company is seeking to develop opportunities in Brazil outside the exclusion zones, either in it own right or though strategic alliances with other companies.

In moving towards development of the tailings project, the Company imported an aircore drilling rig into Brazil. Drill testing of the Pocone tailings has begun at the Ourinhos prospect from which we hope to have a JORC-compliant resource by the end of the 2005 calendar year. The rig will move to Crixas early in 2006 to drill the Mina Inglesa tailings. We are hopeful that both locations will contain sufficiently economic resources to warrant the establishment of processing operations at each centre.

One can always be criticised for being too optimistic, especially in this industry. However, based on our current knowledge of the Brazil projects, we believe this optimism is well placed.

Your Board looks forward to realising these promising opportunities in the year ahead.

R W Crabb
Chairman

The primary activities of the Company during the year were dominated by an increase in activity in Brazil related to the evaluation of artisinal gold tailings sands at Pocone and the acquisition of the historic Mina Inglesa gold mine at Crixas. Further work was completed on the evaluation of the Wirralie gold deposit in Queensland before a decision was made to divest that project. The increased focus on advanced projects in Brazil led to a rationalisation of grass roots exploration projects in Australia, with only the core tenements of the Ashburton project retained.

BRAZIL

The Company undertakes its Brazilian activities through its wholly owned subsidiary Trans Pacific Gold Pty Ltd ("TPG") and that company's Brazilian registered subsidiary Trans Pacific Gold Mineraçao Limitada ("TPGM"). TPG is mainly active in two areas in Brazil, namely Pocone in the state of Mato Grosso, and Crixas in the state of Goias.

Specifically, the Company's involvement in Brazil occurs at three levels. The first is through the Tailings Joint Venture in which TPG holds a 75% interest and a subsidiary of Cougar Metals NL has a 25% carried interest. The joint venture operates in a 60 km exclusion zone around the town of Pocone and a 20 km exclusion zone around the town of Crixas. All tailings sands secured within these zones are for the benefit of the joint venture. The joint venture is evaluating opportunities present at both centres to reprocess large volumes of artisinal gold tailings sands by the application of modern cyanide processing technology.

The second is a 'hard rock' (i.e., primary or bedrock) project within the above exclusion zone, with all non-tailings resources secured within the exclusion zones being solely for the benefit of TPG.

At the third level, the Company is seeking to develop opportunities elsewhere in Brazil outside the exclusion zones, either in its own right or through strategic alliances with other parties.

Brazil Project Location

Tailings Joint Venture

TPG's initial involvement in the Brazil tailings project was in joint venture with a private syndicate of Australian and Brazilian nationals on a 75:25 basis. Under the terms of a Letter Agreement dated 16 April 2004, TPG is to sole fund all activities with expenditure to be refunded from production. A 15% royalty on gold produced is payable to local interests. The syndicate's interest was held through private company Areias Douradas Pty Ltd ("Areias"). In January 2005 the syndicate sold its interest in the tailings joint venture, by selling its shares in Areias, to a subsidiary of Cougar Metals NL.

The Pocone area is marked by widespread mining activity in a gold district that dates back to the 1700s. The main period of mining occurred in the 1980s by semi-organised private mining operations, some of which continue to operate today. All this work generated large amounts of tailings sands which, since the mid 1980s, were required by law to be contained in walled dams, or tanks. Previously, tailings sands were commonly disposed along local drainage channels or topographic depressions. All of these tailings sands were generated by rudimentary gravity processing techniques comprising coarse grinding followed by gravity concentration and amalgam extraction of the gold, a process that continues to this day. Cyanide has apparently never been used.

These tailings sands potentially represent an immense opportunity for economic exploitation by modern cyanide processing techniques. Initial auger drilling by local parties, extending into the top three metres of one of the Pocone dams, returned average gold grades of around 1.8 g/t.

Through its local agents, TPG secured seven access agreements with local private miners gaining exclusive access to tailings sands located within 25 mining leases. Some eleven major tailings dams were captured under these agreements as well as several areas of less well defined mounds of older, uncontained tailings sands. Five of these initial agreements have since been extended for a further period of 12 months. Extensions of the remaining two are currently being negotiated.

Early estimates of tailings volumes were based on information provided by the locals that ultimately proved to be overly optimistic and unreliable. This over estimation was due to a combination of poor interpretation of Landsat imagery and an imprecise knowledge of mining tenure and land property boundaries. As a result, TPG commissioned a ground survey by an experienced, qualified Brazilian surveyor to provide a reliable estimate of the volume of tailings secured by the existing agreements. Again, the nature of the old dams is such that these survey results were not sufficiently clear. The eleven dams yielded a total volume of 6.3 million cubic metres which, at a bulk density of 1.7 equates to 10.7 million tonnes. However, the dispersed uncontained sands were not surveyed and are additional to this amount. Obversely, a portion of this volume is attributed to the dam walls and this figure is currently being verified.

As a consequence, the precise amount of tailings secured by the joint venture thus far is still uncertain, but is nevertheless expected to be a substantial quantity of tailings which, subject to drilling results, could represent a significant commercial asset, with work ongoing to secure substantially more tailings sands in the Pocone area.

In order to properly quantify the gold grades and the distribution of gold through the tailings dams to JORC-compliant standards, TPG reached agreement with TransDrill Pty Ltd, an Australian drilling contractor, to import an aircore rig into Brazil. Due to administrative issues stemming from the need to register subsidiary companies in the states where the rig is to work, this process took several months longer than expected. The rig was unable to commence customs clearance until this issue was resolved thus delaying the evaluation programme. The drilling rig is now on site at Pocone and work has commenced.

The Company expects to drill out the tailings under current contract and be able to report a JORC-compliant resource for at least part of this promising project before the end of the 2005 calendar year. Subsequent work will involve bulk sampling and metallurgical studies to determine the economic parameters of a reprocessing operation.

Pocone Town Leases

In an adjunct agreement to the tailings joint venture, TPG commissioned a local agent to lodge 62 mining lease applications in the Pocone area on behalf of TPG. All these applications were over small, 50 ha in size, expired tenements scattered over the main centres of garimpeiro mining activity, including within the Pocone town boundary.

Twenty of the applications were allocated to TPG's agent, while the remaining 42 were allocated to a local garimpeiro cooperative of active private miners. All of the TPG applications fall within the Pocone town boundary, with some requiring municipal council consent, additional to that of the mines department, the DNPM, prior to grant.

TPG subsequently ceded the rights to two Pocone applications adjacent to a small garimpeiro mine to the operator to reinforce good working relations with the garimpeiro community.

All tailings sands located within any granted tenements will be to the benefit of the tailings joint venture. However, rights below natural surface will be solely to the benefit of TPG, save for a 2.5% royalty payable to the original syndicate.
At this point in time, six of these applications have been granted to TPG's agent and the remaining ones are pending due process. Application has been made to transfer the granted tenements to TPG's subsidiary, TPGM.

Mina Inglesa gold mine, Crixas

TPG's Brazilian subsidiary, Trans Pacific Gold Mineracao Ltda (TPGM) recently completed the purchase of the Mina Inglesa tenement (DNPM No. 860.998/2004) near Crixas in the state of Goias in central Brazil.

The 3.3 sq km tenement is situated in the Crixas Archaean greenstone belt and contains an open pit mine encompassing the historic Mina Inglesa workings together with an unquantified amount of artisinal tailings sands. The tenement is surrounded by tenements owned by Mineracao Serra Grande, a 50:50 joint venture between AngloGold and Kinross centred on the 200,000 oz per annum Serra Grande operation located 5 km south of Crixas.

As the tenement lies within the 20 km exclusion zone around Crixas, the tailings are to the benefit of the tailings joint venture in which Areias has a 25% carried interest.

TPGM paid a total of R$290,000 (290,000 Brazilian reais), being about A$150,000, to the vendor, with the vendor retaining a 5% royalty on gold produced from reprocessing of tailings sands and a 3% royalty on gold produced from all other sources within the tenement.

Mina Inglesa is one of the oldest gold mines in the Crixas greenstone belt. It was discovered in the 1730s by Portuguese pioneers and has been worked almost continuously to the present day, mainly by private artisinal miners, ie, garimpeiros. Today, some 275 years after discovery, there still remain 20 to 50 garimpeiros working the area.

The tailings sands generated from these activities have been deposited as a valley fill of a local creek and actual thickness and volume is unknown. Accurate gold grades of the tailings are also unknown, although 26 near surface auger samples collected by a vendor-related party range from 0.2 g/t to 2.4 g/t.

TPGM intends to drill these tailings with the TransDrill aircore rig on completion of the drilling program at Pocone, expected to be early in 2006, before conducting an exploration drilling program across the remainder of the tenement.

The acquisition of the Mina Inglesa tenement is regarded as a significant step in the establishment of an operational presence in Brazil in the near term.

Legal dispute with Areias Douradas Pty Ltd

On 12 July 2005 Areias issued a writ against the Company and TPG alleging a lack of progress and failure to keep Areias fully informed. The Company and TPG reject the allegations. The Company considers that Areias is misguided as to the relative rights and obligations of the parties in the joint venture. As the Company itself is not a party to the joint venture it has applied to have the writ as against it struck out, while TPG will strenuously defend the action.

Expansion of Brazilian interests

Ashburton has a long term goal of building a substantial tailings reprocessing operation in Brazil if investigations reveal that such an undertaking is economically viable. The Company will continue its activities in this respect undaunted by peripheral distractions and is hopeful of re-establishing a cooperative relationship with its junior joint venture partner.

TPG will continue to work to secure additional tailings in the Pocone and Crixas areas for the benefit of the tailings joint venture. Additionally, it will begin to investigate joint venture opportunities over bedrock targets in its own right, through developing strategic relationships with other companies, and by introducing new investors into Brazil.

WIRRALIE, QLD

In August 2003 the Company purchased Wirralie Mines Pty Ltd from Delta Exploration (1995) Pty Ltd, a subsidiary of Placer Dome Asia Pacific Limited, for $100,000 in cash and the assumption of $2.6 million in environmental bonds. Wirralie Mines owns the Wirralie gold mine and CIP treatment plant and a series of mining tenements in the Drummond Basin in Queensland. The mine ceased production in early 2002 and the plant has been on care and maintenance since then. The Company hoped to be able to recommence gold mining operations initially based on the remaining low grade oxide resource to generate cash flow before moving on to the underlying sulphide resource.

Due to the combined effects of the low grade (sub 1 g/t for the oxide, and sub 2.5 g/t for the refractory sulphide) of the Wirralie deposit and the increase in operating costs across the mining industry, estimated by some analysts at over 25% in the past 12 months, recommencement of mining of the oxide resource proved not to be economically feasible. This meant that the mine would not generate the cash flow from the oxide resource that was necessary to advance the project to its main intended phase, namely the drilling and development of the Wirralie sulphide resource, or to fund near mine and regional exploration to augment the resource inventory. As the project could not meet its objectives it became unviable from the Company's perspective and a decision was made to sell Wirralie Mines.

During the two years since acquisition of Wirralie Mines, the Company spent around $2.28 million on exploration, resource drilling and evaluation, metallurgy, engineering studies, environmental issues, other feasibility studies, care and maintenance of the plant and tenement maintenance.

The successful sale of Wirralie Mines, including the Yandan tenements has freed up $1.5 million in cash that was on deposit with Macquarie Bank as part cash backing of the environmental bonds. The Company received $1.3 million cash as part of the sale consideration. Importantly, the exposure to a significant liability in relation to environmental rehabilitation has been removed while, at the same time, allowing for the removal of the charge held over the Company's assets by Macquarie Bank. Additionally, as a result of the sale, the Company is sufficiently cashed up to advance its Brazilian projects without having to resort to an equity fundraising.

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2005.

Directors

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

Mr Rick W Crabb

Mr Tom P Dukovcic

Mr R J Dunn

Mr J Kenny (alternate for Mr R W Crabb)
(Appointed 3.08.04)
(Resigned 20.01.05)

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

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr T Melanko – Bachelor of Business, Certified Practicing Accountant. Mr Melanko is a Certified Practising Accountant with over 12 year's commercial accounting experience. He has over 5 years experience as a Company Secretary for public listed companies in both mineral exploration and information technology. Mr Melanko was appointed company secretary on 2 March 2004 and resigned his position on 27 September 2005. Mr RJ Dunn was appointed Company Secretary on 27 September 2005.

Principal Activities

The principal activity of the consolidated entity during the financial year was mineral exploration. There were no significant changes in the nature of the principal activities during the financial year.

Operating Results

The consolidated net operating loss of the consolidated entity after providing for income tax and eliminating outside equity interests amounted to $2,078,062 (2004: $432,055).

Dividends

Since the end of the previous financial year, no dividend has been paid or declared by the Company.

Review of Operations

The primary activities of the Company during the year included the continued evaluation of the Wirralie gold deposit in Queensland and an increase in activity related to the evaluation of artisinal gold tailings sands in Brazil.

In August 2003 the Company purchased Wirralie Mines Pty Ltd from Delta Exploration (1995) Pty Ltd, a subsidiary of Placer Dome Asia Pacific Limited, for $100,000 in cash and the assumption of $2.6 million in environmental bonds. Wirralie Mines owns the Wirralie gold mine and CIP treatment plant and a series of mining tenements in the Drummond Basin in Queensland. The mine ceased production in early 2002 and the plant has been on care and maintenance since then. The Company hoped to be able to recommence gold mining operations initially based on the remaining low grade oxide resource to generate cash flow before moving on to the underlying sulphide resource.

Due to the combined effects of the low grade (sub 1 g/t for the oxide, and sub 2.5 g/t for the refractory sulphide) of the Wirralie deposit and the increase in operating costs across the mining industry, estimated by some analysts at 25% in the past 12 months, recommencement of mining of the oxide resource was not economically feasible. This meant that the mine would not generate the expected cash flow necessary to advance the project to the next long term phase, namely development drilling of the Wirralie sulphide resource and near mine and regional exploration to augment the resource inventory. The project therefore could not meet its objectives and became unviable from the Company's perspective and a decision was made to sell Wirralie Mines.

During the two years since acquisition of Wirralie Mines, the Company spent approximately $2.28 million on exploration, resource drilling and evaluation, metallurgy, engineering studies, environmental issues, other feasibility studies, care and maintenance of the plant and tenement maintenance.

Sale of Wirralie Mines will free up $1.5 million in cash that is currently on deposit with Macquarie Bank as part cash backing of the environmental bonds. Together with the expected cash component of the sale consideration the Company will see a return of its investment. Importantly, the exposure to the environmental bonds will be removed and the charge held over the Company's assets by Macquarie Bank will be lifted. Additionally, the Company will be sufficiently cashed up to advance its Brazilian projects without having to resort to an equity fundraising.
The Company undertakes its Brazilian activities through its wholly owned subsidiary Trans Pacific Gold Pty Ltd ("TPG") and that company's Brazilian registered subsidiary Trans Pacific Gold Mineracao Limitada ("TPGM"). The Company is active in two areas in Brazil, namely Pocone in the state of Mato Grosso, and Crixas in the state of Goias. In both instances the main focus is on the opportunity to reprocess large volumes of artisinal gold tailings sands by the application of modern cyanide processing technology. In order to properly quantify the gold grades and the distribution of gold through the tailings dams TPG reached agreement with an Australian drilling contractor to import an aircore rig into Brazil. Due to administrative issues stemming from the need to register subsidiary companies in the states where the rig is to work, this process took longer than expected. The rig was unable to commence customs clearance until this was resolved and the evaluation programme was delayed by several months. The drilling rig is now on site and work has commenced.

TPG's initial involvement in the Brazil tailings project was in joint venture with a private syndicate of Australian and Brazilian nationals on a 75:25 basis. TPG is to sole fund all activities with expenditure to be refunded from production. TPG did not have a pre-emptive right to the syndicate's interest. In January 2005 the syndicate sold its interest in the tailings joint venture to Cougar Metals NL. In an unusual and surprising move, Cougar Metals issued a writ against the Company and TPG alleging a lack of progress and failure to keep Cougar Metals fully informed. The Company and TPG reject the allegations. As the Company is not a party to the joint venture it has applied to have the writ as against it struck out, while TPG will vigorously defend the writ.

The initial stages of involvement in Brazil have highlighted the often great differences in the social, bureaucratic and general way things are done in Australia and Brazil. This learning process has resulted in some early confusion and uncertainty in relation to the amount of tailings sands that were thought to have been secured by the joint venture in Pocone. In Crixas, these cultural differences resulted in quite protracted negotiations before final agreement was reached on the Mina Inglesa tenement.

The information provided by the locals on which the early estimates of tailings volumes that were secured by the joint venture proved to be unreliable. The initial figure of 50 -- 60 million tonnes has proved to be greatly overstated. This was due to a combination of poor interpretation of Landsat imagery and an imprecise knowledge of mining and land property boundaries. A subsequent ground survey commissioned by TPG suggests that a more accurate figure lies somewhere between 15 and 20 million tonnes. Uncertainty still remains as this figure includes some tailings that were not secured at the time of the survey, but which are being currently negotiated, and it excludes large areas of low relief tailings mounds that were too difficult to survey. Although significantly less than initially thought, the amount of tailings secured by the joint venture is nevertheless substantial.

With the rig on site, the Company expects to be able to report a JORC compliant resource for this promising project before the end of the 2005 calendar year.

Full details on all activities undertaken and developments arising during the year are presented in the front of the Annual Report in the Chairman's Letter and in the Managing Director's Report.

Financial Position

The net assets of the economic entity have decreased by $961,195 from $7,275,319 at 30 June 2004 to $6,314,124 at 30 June 2005.This decrease has largely resulted from the write off of $1,416,793 in capitalised exploration expenditure.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

- On 6 August 2004, the company announced that its wholly owned subsidiary Trans Pacific Gold Pty Ltd had signed an agreement over the Meia Pataca property near Crixas in the state of Goias in Brazil as part of its broader strategy to assess opportunities that would allow the company to enter into near term gold production in that country. The appraisal of Brazilian opportunities was being made in association with a Syndicate of Australian and Brazilian nationals both around Crixas and in other parts of Brazil.

- On 13 August 2004 the company issued 100,000 ordinary shares as consideration for the acquisition of mining tenements in the East Kimberley region of Western Australia.

- On 7 September 2004 the company issued 5,000,000 free unlisted options to members of the Syndicate pursuant to an agreement with the Syndicate over joint activities in gold ventures in Brazil. The options have an exercise price of 25 cents each and expire on 6 September 2007.

- On 17 January 2005 the company raised $218,602 from the issue of 1,093,008 ordinary shares to shareholders as part of a Share Purchase Plan.

- On 1 February 2005 the company raised $966,000 from the issue of 6,900,000 ordinary shares and 3,450,000 options to clients of Euroz Securities Limited.

- On 16 May 2005 the company, through a wholly owned subsidiary, Trans Pacific Gold Pty Ltd and its Brazilian registered subsidiary Trans Pacific Gold Mineracao Ltda, acquired the Mina Inglesa gold mine in Brazil.

Changes in controlled entities:

- On 1 July 2004 the company acquired AKD Brazil Ltda and changed its name to Trans Pacific Gold Mineracao Ltda.

After Balance Date Events

On 15 July 2005 the Company and Trans Pacific Gold Pty Ltd were served with a writ dated 12 July 2005 by Areias Douradas Pty Ltd, a subsidiary of Cougar Metals NL, seeking specific performance of Ashburton's and TPG's obligations under the Brazil tailings joint venture, or alternatively damages. Ashburton believes that Cougar Metals and Areias Douradas are misguided as to the relative rights and obligations of the parties in the joint venture. Ashburton has applied to have the writ as against it struck out, while TPG will strenuously defend the action.

On 19 July 2005, the Company announced that it had signed an agreement under which it was to sell both of the shares in its wholly owned subsidiary Wirralie Mines Pty Ltd to a consortium of private investors. The consideration was $1.25 million in cash, a 2 % royalty on the Wirralie sulphide deposit, assumption by the purchaser of existing royalties, and the replacement of $2.6 million in environmental bonds. The sale was conditional on settlement being completed by 12 August 2005.

On 28 July 2005 the aircore drilling imported in to Brazil from Australia successfully cleared customs. It arrived on site in Pocone a week later and was assembled and trialled before being ready to drill by late August 2005.

On 4 August 2005 the Company announced that it had completed the acquisition of the Mina Inglesa tenement (No. 860.998/2004) near Crixas in Brazil by making a final payment of R$150,000 (A$80,000) to the vendor. The tenement is situated in the Crixas Archaean greenstone belt and contains an open pit mine encompassing the historic Mina Inglesa workings together with an unquantified amount of artisinal tailings sands.

On 8 August 2005 the Company held a general meeting at which the previous issue of shares via a placement to clients of Euroz Stockbroking was ratified, thus reinstating the Company's ability to issue up to 15 % of its issued capital without shareholder approval.

On 15 August 2005 the Company announced it had terminated the sale agreement for Wirralie Mines as the purchaser had failed to fulfil its obligations under the agreement. Negotiations with the purchaser and new parties continued.

On 8 August 2005 the Company gave a Sales Notice to Straits Resources Limited, the manager of the Yandan Joint Venture in which it is earning a 70% interest from Wirralie Mines by spending $2 million over a four year period, notifying it that Wirralie Mines was being sold and that this triggered their pre-emptive right to the two tenements of the joint venture.

On 10 August 2005 Straits Resources announced excellent drilling results under the old East Hill open pit. Drill hole YAN05 intercepted 176.6 m @ 2.4 g/t from 211 m, including internal higher grade zones of 27.5 m @ 8.1 g/t from 301 m and 8.5 m @ 10.1 g/t from 347 m.

On 10 August 2005 the Company writes to Straits Resources by email requesting detailed information on the recent drilling programme, including date of drilling, logging, cutting and assaying together with full geological logs and assay reports.

On 11 August 2005 Straits Resources gave to the Company a Notice of Acceptance under which it agreed to purchase the Yandan JV tenements.

On 15 August 2005 the Company announced it had terminated the sale agreement for Wirralie Mines as the purchaser had failed to fulfil its obligations under the agreement. The purchaser is notified in writing.

On 15 August 2005 the Company writes to Straits Resources that it is of the opinion that as the sale of Wirralie Mines has fallen through, Straits' pre-emptive right no longer exists. The Company repeats its request for drilling information.

On 26 August 2005 Straits Resources announces that it intends to pursue its legal rights against Ashburton and Wirralie Mines to obtain transfer of the Yandan JV tenements, based on legal advice that the Sale Notice was valid and that its Notice of Acceptance created a binding obligation in relation to the sale of the tenements to Straits.

On 30 August 2005 the Company responds by announcing that it is awaiting legal advice on the matter. Meanwhile, it is continuing negotiations with potential purchasers of Wirralie Mines, which may lead to a formal triggering of Straits' pre-emptive rights.

On 6 September 2005 Cougar Metals issues an announcesment that its questions the facts surrounding and is dissatisfied with the performance of the tailings joint venture, raising questions about the amount of tailings secured by agreements, the use of publicity photographs and the security of the agreements with local owners. estimate of the quantity of tailings sands secured by the Brazil tailings joint venture is far less than the 60 million tonnes initially reported by the Company. Cougar estimates that 5.9 million tonnes of tailings sands have been secured. Cougar also questions the use of certain photographs of tailings dams in the Company's presentations on the tailings project, claiming that they believed all the dams depicted were part of the joint venture. Finally, Cougar expresses concern with the agreements that the joint venture has secured in that certain milestones may not be met before the agreements expire.

On 7 September 2005 the Company released preliminary results of a survey of the tailings dams conducted by Brazilian surveyors. The results had not been fully evaluated or confirmed and contained some uncertainties. The surveyor surveyed 12 dams that were represented to him by the local owners as being under agreement with the joint venture. These 12 dams had a combined volume (assuming a bulk density of 1.7 t/m3) of 21.4 million tonnes. However, it transpired that one of the dams surveyed was not under agreement, although the owner does have a nearby dam under agreement with the joint venture. Further, large areas of dispersed tailings mounds were not surveyed due to time constraints. Finally, a proportion of the total volume was attributed to the dam walls which, although potentially mineralised, are not technically tailings. For these reasons the Company did not think this information was ready for dissemination to the market, but it was released in light of Cougar's announcement of the previous day. The Company also announced that it was negotiating access to additional dams in the area and was also negotiating time extensions to the access agreements.

Future Developments, Prospects and Business Strategies

To further improve the economic entity's profit and maximise shareholder wealth, the following developments are intended to be implemented in the near future:

- The propose disposal of Wirralie Mines Pty Ltd which will have the effect of releasing bonds of approximately $1.5m in cash back to the economic entity plus sale proceeds from the disposal of Wirralie Mines.
- Expansion of Brazilian operations by:

1) securing access to additional tailings sands in the Pocone area
2) entering into joint ventures over bedrock targets
3) developing strategic relationships with other companies, and
4) introducing investment partners into Brazil.

These developments, together with the current strategy of continuous improvement are expected to assist in the achievement of the economic entity's long-term goals and development of new business opportunities.

Environmental Issues

The economic entity's operations are subject to significant environmental regulation under the law of the Commonwealth and State regulatory bodies.

While environmental regulations in Brazil are not as sophisticated as in Australia, the Company intends applying world's best practice to all of its activities in that country, especially in regard to environmental issues.

Directors, Officers and Auditors Indemnification

The Company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate;

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as a director, officer or auditor, including costs and expenses in successfully defending legal proceedings; or

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director, officer or auditor for the costs or expenses to defend legal proceedings.

Future Developments, Prospects and Business Strategies

- Expansion of Brazilian operations by:
  1) securing access to additional tailings sands in the Pocone area
  2) entering into joint ventures over bedrock targets
  3) developing strategic relationships with other companies, and
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The company has not, during or since the financial year, in respect of any person who is or has been a director, officer or auditor of the company or a related body corporate;

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as a director, officer or auditor, including costs and expenses in successfully defending legal proceedings; or

- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as a director, officer or auditor for the costs or expenses to defend legal proceedings.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of these proceedings. The Company was not a party to any such proceedings during the year.

Information on Directors

Rick W Crabb: Chairman (Non-executive) Appointed 1.9.99

Qualifications

Bachelor of Jurisprudence (Honours), Bachelor of LawLB, Master of Business Administration from the University of Western Australia.

Experience
During the past three years Mr Crabb's directorships in other listed entitles are as a current director of Alcaston Mining NL from 22 August 2001, Ashburton Minerals Ltd from 1 September 1999, Paladin Resources Ltd from 8 February 1994, Port Bouvard Ltd from 2 December 1996, Thundelarra Exploration Ltd from 8 September 2003 and former director of ST Synergy Ltd from 28 September 2001 to 6 May 2005 and Deep Yellow Ltd from 11 April 2003 to 20 August 2004.Mr Crabb has practiced as a solicitor from 1980 to 2004 specialising in mining, corporate and commercial law. Mr Crabb now focuses on his public company directorships and investments.

Interest in
107,168 ordinary shares in Ashburton Minerals Ltd and options to acquire a further 1,691,446 ordinary shares.

Directorships in other listed entities
Port Bouvard Ltd, Alcaston Mining NL, Thundelarra Exploration Ltd, Ottoman Energy Ltd and Paladin Resources Limited.

Former directorships in other listed entities in last 3 years
ST Synergy Ltd, Deep Yellow Ltd and Aldershot Resources Ltd.

Tom P Dukovcic: Managing Director (Executive) Appointed 22.4.99

Qualifications
Bachelor of Science (Honours) in Geology from the University of Melbourne.

Experience
Mr Dukovcic is a geologist with over 18 years experience in exploration and development. He has worked in a variety of regions, which include Yalgoo, Southern Cross, Murchison, Leonora, Eastern Goldfields and the Kimberley and for a number of companies, such as Sons of Gwalia Limited, Mawson Pacific Limited and Johnson's Well Mining NL. As Senior Geologist with Finders Gold NL he was responsible for managing all aspects of exploration, including the investigation of gold opportunities in southeast Asia. Tom has been directly involved with the management of gold discoveries at various locations in Western Australia, including Transvaal, Cuddingwarra, Leonora and Mulgabbie. Tom is a director of several private mineral exploration companies and brings valuable exploration, geological and management expertise to the Board.

Interest in
596,126 ordinary shares in Ashburton Minerals Ltd and options to acquire a further 5,316,861 ordinary shares.

Rod J Dunn: Director (Executive) Appointed 22.4.99

Experience
Mr Dunn has been actively involved in the mining industry for approximately 24 years. Mr Dunn (together with Mr Crabb) was a founding director of the successful Gasgoyne Gold Mines NL. He is also a director of a number of private companies involved in mineral exploration. Mr Dunn brings valuable corporate and contract management experience to the Board.

Interest in
3,404,178 ordinary shares in Ashburton Minerals Ltd and options to acquire a further 2,905,699 ordinary shares.

Remuneration Report
Remuneration Policies

The remuneration policy of Ashburton Minerals Ltd has been designed to align director and executive objectives with shareholder and business objectives of the economic entity. The board of Ashburton Minerals Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the full board of directors. The board considers that the small size of the company does not justify the additional expense of a remuneration committee. All executive directors receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Managing Director is also provided a company motor vehicle. There is no separate profit-share plan. The Company Secretary receives a base service fee through the provision of consulting services. The board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other similar sized listed companies. Where necessary, independent advice on the appropriateness of remuneration packages is obtained.

The Company does not have any schemes for retirement benefits, other than statutory superannuation, for directors.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Employment Contracts

There are currently no employment contracts in place between the Company and executive directors.

There is no employment contract in place with the Company Secretary. Services are provided as required and are based on standard commercial rates. The Company can terminate services at any time without reason.

Directors' and Senior Executives' Remuneration

The remuneration for each director and specified executive officer of the consolidated entity receiving the highest remuneration during the year was as follows:

Details of Remuneration for Year Ended 30 June 2005

2005	Salary, Fees & Commissions	Superannuation Contribution	Options	Other	Total
Directors	$	$	$	$	$
Mr R W Crabb	36,000	3,240	-	-	39,240
Mr T P Dukovcic	173,269	15,595	-	8,096	196,960
Mr R J Dunn	127,504	11,475	-	-	138,979
Total	336,773	30,310	-	8,096	375,179

2005	Salary, Fees & Commissions	Superannuation Contribution	Options	Other	Total
Specified Executive	$	$	$	$	$
Mr T Melanko	58,672	-	-	-	58,672

Details of Remuneration for Year Ended 30 June 2004

2004	Salary, Fees & Commissions	Superannuation Contribution	Options	Other	Total
Directors	$	$	$	$	$
Mr R W Crabb	36,000	3,240	150		39,390
Mr T P Dukovcic	133,809	11,475	500		145,784
Mr R J Dunn	103,750	9,338	200	-	113,288
Total	273,559	24,053	850	-	298,462

2004	Salary, Fees & Commissions	Superannuation Contribution	Options	Other	Total
Specified Executives	$	$	$	$	$
Mr T Melanko	14,608	-	-	-	14,608
Mr G Ledger	9,625	-	-	-	9,625
Total	24,233	-	-	-	24,233

Meetings of Directors

During the financial year 13 meetings of directors (including committees of directors) were held.

Attendance by each director during the year was as follows;

	DIRECTORS' MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Crabb	13	9	2	2
Mr Dukovcic	13	13	2	2
Mr Dunn	13	13	2	2
Mr Kenny	3	1	-	-

Options

At the date of this report, the unissued ordinary shares of Ashburton Minerals Limited under option are as follows:

Grant Date	Expiry Date	Exercise Price	Number under Option
26 August 2003	31 December 2005	$0.288	466,668
26 August 2003	31 December 2005	$1.50	466,668
3 December 2003	30 June 2006	$0.12	3,729,825
23 April 2004	31 March 2007	$0.32	12,132,363
10 September 2004	30 June 2006	$0.28	8,500,000
17 September 2004	6 September 2007	$0.25	5,000,000
10 September 2004	30 June 2006	$0.28	8,500,000
3 February 2005	31 January 2006	$0.20	3,450,000

The Options do not entitle the holder to participate in any share issue of the Company or any other body corporate. During the financial year the Company issued 8,093,010 ordinary shares. Capital raised was $1,174,885 (after transaction costs). No ordinary shares were issued on the exercise of options during the financial year.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

During the financial year ended 30 June 2005, $4,546 was paid for taxation services to the external auditors.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 386.
Signed in accordance with a resolution of the Board of Directors:

Tom Dukovcic

Tom P Dukovcic
Managing Director

Dated this 28th day of September 2005

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

INTRODUCTION
This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors
The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital, exploration and operating expenditure, setting remuneration, appointing and removing directors and senior employees, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to the Executive Directors and senior employees.

Identification of independent Directors
The independent director of the Company is Mr Rick Crabb. Mr Crabb was a principal of the firm Blakiston & Crabb. Blakiston & Crabb have been one of the providers of legal services to the Company. Mr Crabb ceased as a principal of Blakiston & Crabb on 30 June 2004 and now focuses on his public company directorships and investments.

Board Processes
Due to the small size of the board all matters that would be addressed by committees (eg. Nomination committee, audit committee) are dealt with by the full board of directors.

The board has established a framework for the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the chairman, Executive Directors and Company Secretary. Board reports are circulated in advance.

Independent professional advice and access to Company information
If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Composition of the board
The names and profile of each director of the Company at the date of this report are set out in the Director's report.
The composition of the board is determined using the following principles:

- The board should comprise at least three directors. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified,

- The board should not comprise a majority of executive directors. Due to the small size of the board it is not considered necessary to that the majority of the board should be independent directors,

- The Board should comprise directors with a broad range of expertise, with a majority of directors having extensive knowledge of the Company's industry,

- Directors appointed by the Board are subject to election by shareholders at the following annual general meeting and thereafter directors are subject to re-election at least every three years.

The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, a panel of candidates is selected with the appropriate expertise and experience. External advisers may be used to assist in such a process. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Director Evaluation

During the Reporting Period an evaluation of the Board and its members was facilitated by the Chairman and carried out by the full Board in the absence of the relevant Board member.

Directors' fees

There is no provision for directors' fees and no director fees were paid during or since the end of the financial year.Policies in respect of remuneration of directors are set out in the Remuneration Report on page 8 of the Directors' Report.

Options granted to Directors and Officers

During or since the end of the financial year, no options were granted by the Company to directors and officers.

Unissued shares under option

As at the date of this report, there were 33,745,524 unissued ordinary shares under option. Further information in respect of these options is set out in Directors' Report.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

Share Issued upon Exercise of Options

No options were exercised during or since the end of the financial year.

Audit Committee Meetings

During the Reporting Period, the full Board considered those matters that would otherwise be considered by an audit committee on the following dates:

- 22 September 2004
- 21 February 2005

Risk Management

Oversight of the Risk Management System

The board overseas the establishment, implementation, and annual review of the Company's Risk Management System. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the consolidated entity. Financial reporting risk management and associated compliance and controls have been assessed and found to be operating adequately. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the financial report for all material operations in the consolidated entity.

Risk Profile

The Executive Directors report to the board regularly on the status of risks, ensuring that they are identified, assessed and appropriately managed.
Major risks arise from such matters as political risk, exploration risk, security to tenure, environment, government policy changes, commodity prices, occupational health and Safety and financial reporting.
Comprehensive practices have been established to ensure:

- The political situation in Brazil is closely monitored,
- Exploration expenditure is incurred in accordance with an approved budget,
- Occupational health and safety standards are monitored and reviewed to achieve high standards of performance,
- Joint ventures and project acquisitions are properly authorised and executed,
- The quality and integrity of personnel,
- Financial reporting accuracy and compliance with the financial reporting regulatory framework,
- Environmental regulation compliance.

Quality and Integrity of Personnel

Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of co-operation and constructive dialogue with employees.

Financial Reporting

The Executive Directors have declared in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Environmental Regulation

The consolidated entity holds exploration interests in Brazil and Australia. The consolidated entity's operations are subject to environmental regulations in Brazil and Australia in relation to its exploration activities.

The consolidated entity is committed to achieving a high standard of environmental performance. The Executive Directors are responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. As part of this process they are responsible for:

- Implementing environmental management plans in operating areas which may have a significant environmental impact,
- Identifying where remedial actions are required and implementing action plans.

The board is advised of any significant environmental issues as they occur. Based upon the work completed, the board is not aware of any significant breaches of environmental requirements during the period covered by this report.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees of the consolidated entity. A fundamental theme of the consolidated entity's code of ethics is that all business affairs are conducted legally, ethically and with the strict of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity.
All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the consolidated entity are set out in note 21.

Trading in General Company Securities by Directors and Employees

The Policy on trading in Company securities by directors and employees is that directors and employees are prohibited from dealing in company shares or exercising options whilst in possession of price sensitive information not yet released to the market.

Communication with Shareholders

The board provides shareholders with information using a comprehensive continuous disclosure policy which includes identifying matters that may have amaterial effect on the price of the Company's securities, notifying them to ASX, posting them on the Company's website and issuing media releases.

In summary, the continuous disclosure policy operates as follows:

- The Executive Directors and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the board. The Managing Director and the Company Secretary are ris responsible for all communications with the ASX,
- The full annual financial report is distributed to all shareholders,
- The half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it,
- Quarterly reports contain summarised financial information and a review of the operations of the consolidated entity during the period. The quarterly reports are lodged with the ASX, and sent to any shareholder who requests it,
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders,
- All announcements made to the market are placed on the Company's website after they are released to the ASX,
- The full texts of notices of meetings and associated explanatory material are placed on the Company's website,
- The external auditor requested to attend the Annual General Meeting to answer any questions concerning the audit and the content of the auditor's report.

All the above information is made available on the Company's website within three days of public release and is emailed to all shareholders who lodge their email contact details with the Company. Information on lodging email addresses with the Company are available on the Company's website.

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

A copy of the Constitution is available to any shareholder who requests it.

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Company	
		2005	2004	2005	2004
	Note	$	$	$	$
Revenue from ordinary activities		-	-	-	-
Other revenues from ordinary activities	3	196,049	156,035	120,682	151,460
Total Revenue		196,049	156,035	120,682	151,460
Expenses from ordinary activities:					
Accounting fees		(66,408)	(41,381)	(47,926)	(41,381)
Bank charges		(3,138)	(14,800)	(2,388)	(14,800)
Corporate costs		(22,989)	(53,174)	(22,402)	(53,174)
Consultants fees		(15,932)	(8,685)	(15,932)	(8,685)
Depreciation expenses	4	(22,539)	(16,472)	(22,539)	(16,243)
Employee expenses (Salaries, wages & directors' fees)		(171,905)	(135,289)	(171,905)	(135,289)
Exploration expenditure written off		(1,416,793)	(51,597)	(1,416,793)	(51,597)
Loan to controlled entity forgiven		-	-	(2,255,101)	-
Legal fees		(49,866)	(45,289)	(24,737)	(45,289)
Occupancy costs		(59,776)	(33,655)	(59,776)	(33,655)
Office expenses		(36,222)	(42,832)	(36,222)	(42,832)
Public relations		(76,299)	(67,226)	(75,744)	(63,181)
Other expenses from ordinary activities		(332,244)	(77,690)	(310,329)	(75,639)
Loss from ordinary activities before related income tax expense		(2,078,062)	(432,055)	(4,341,112)	(430,305)
Income tax (expense)/benefit relating to ordinary activities	5	-	-	-	-
Loss from ordinary activities after related income tax expense		(2,078,062)	(432,055)	(4,341,112)	(430,305)
Profit/(loss) from extraordinary item after related income tax expense		-	-	-	-
Net Loss attributable to members of parent entity	16	(2,078,062)	(432,055)	(4,341,112)	(430,305)
Non-Owner transaction changes in equity:					
Increase in asset revaluation reserve	15	-	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		-	-	-	-
Total changes in equity from non-owner related transactions attributable to members of the parent entity.		(2,078,062)	(432,055)	(4.341,112)	(430,305)
Basic earnings per share (cents per share)	17	(2.68)	(0.78)		

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 19 to 34.

FOR THE YEAR ENDED 30 JUNE 2005

		Consolidated		Company	
		2005	2004	2005	2004
	Note	$	$	$	$
Current Assets					
Cash	18	1,908,062	3,200,066	1,873,802	3,099,112
Receivables	6	92,209	185,861	81,227	85,809
Other financial assets	8	3,200	1,800	3,200	1,800
Total Current Assets		2,003,471	3,387,727	1,958,229	3,186,721
Non-Current Assets					
Receivables	6	77,337	30,200	714,817	1,715,404
Investments accounted for using the equity method	7	1	1	3	3
Other financial assets	8	1	1	969,410	878,501
Property, plant and equipment	9	747,144	943,927	75,444	71,692
Exploration Tenements	10	6,288,869	5,672,634	511,639	1,594,039
Total Non-Current Assets		(7,113,352)	6,646,763	2,271,313	4,259,639
Total Assets		9,116,823	10,034,490	4,229,542	7,446,360
Current Liabilities					
Payables	11	114,592	106,104	38,320	64,196
Provisions	12	88,107	53,067	74,121	40,818
Total Current Liabilities		202,699	159,171	112,441	105,014
Non-Current Liabilities					
Provisions	13	2,600,000	2,600,000	-	-
Total Non-Current Liabilities		2,600,000	2,600,000	-	-
Total Liabilities		2,802,699	2,759,171	112,441	105,014
Net Assets		6,314,124	7,275,319	4,117,101	7,341,346
Equity	14	21,676,049	20,559,182	21,676,049	20,559,182
Contributed equity	15	408,109	408,109	408,109	408,109
Accumulated losses	16	(15,770,034)	(13,691,972)	(17,967,057)	(13,625,945)
Total Equity		6,314,124	7,275,319	4,117,101	7,341,346

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 189 to 342.

STATEMENT OF CASH FLOWS

		Consolidated		Company	
		2005	2004	2005	2004
	Note	$	$	$	$
Cash flows from operating activities					
Receipts from customers		3,881	3,300	-	-
Payments to suppliers and employees		(938,455)	(447,031)	(600,981)	(521,357)
Interest received		120,682	142,679	121,252	142,151
Interest paid		(18,516)	(13,319)	(18,516)	(13,319)
Net Operating Cash flows	18(b)	(832,408)	(314,371)	(498,245)	(392,525)
Cash flows from investing activities					
Payments for equity investments		-	-	-	-
Payments for property, plant & equipment		(26,290)	(47,466)	(26,290)	(30,657)
Proceeds from sale of share investment		-	-	-	-
Payments for exploration expenditure	11	(1,620,207)	(2,235,972)	(634,162)	(625,327)
Net investing cash flows		(1,646,497)	(2,283,438)	(660,452)	(655,984)
Cash flows from financing activities					
Proceeds from issue of shares		1,186,901	5,797,335	1,186,901	5,797,335
Loan to related partycontrolled entities		-	-	(1,253,514)	(1,650,254)
Loan from related party		-	-	-	-
Loan repaid to related party		-	(100,000)	-	(100,000)
Net financing cash flows		1,186,901	5,697,335	1,186,901	4,047,081
Net increase/(decrease) in cash held		(1,292,004)	3,099,526	(1,225,310)	2,998,572
Adjustment re-acquisition		-	-	-	-
Cash at beginning of financial year		3,200,066	100,540	3,099,112	100,540
Cash at end of financial year	18(a)	1,908,062	3,200,066	1,873,802	3,099,112

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 19 18 to 3432.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

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

Principles of Consolidation

The consolidated financial statements comprise the accounts of Ashburton Minerals Ltd and all of its controlled entities, referred to collectively as the "Consolidated Entity".

On acquisition of a controlled entity, the difference between the fair value of the purchase consideration plus incidental expenses and the fair values of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Discount on acquisition is then eliminated by reducing proportionately the fair value of the non-monetary assets acquired. Purchased goodwill is amortised over the period during which the benefits are expected to arise but not exceeding twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

A list of controlled entities is contained in Note 25 to the accounts. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Acquisition of Assets

The cost method of accounting is used for all acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. Where goodwill arises it is brought to account on the basis described above.

Recoverable Amounts of Non-current Assets

All non-current assets are reviewed at least annually to determine whether their carrying values require write down to a recoverable amount. Recoverable amount is determined using net cash flows discounted to present values.

Property, Plant and Equipment

Property, plant and equipment are brought to account at cost and depreciated over their expected useful lives using the straight-line method.

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

Office furniture and equipment	20.0 - 40.0%
Motor vehicles	22.5%

The gain or loss on disposal of fixed assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal and is included in operating profit before income tax of the consolidated entity in the year of disposal. ASHBURTON MINERALS LTD

Investments

Controlled entities

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

Associates

In the Company's financial statements and the consolidated financial statements, investments in associates are accounted for using equity accounting principles.

Other entities

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.
Investments in marketable securities held for the purpose of trading are measured at fair value.

Mineral Exploration Expenditure

Ongoing costs of acquisition, exploration, evaluation and development will continue to be capitalised in relation to each separate area of interest and in respect of which:

(i) such costs are expected to be recouped through successful development and exploration of the area or alternatively by their sale; or
(ii) exploration and evaluation activities in the area have not yet reached the stage which permits a reasonable assessment of the existence of economically recoverable reserves and active and significant operations are continuing.

The directors review the carrying value of each area of interest at balance date and exploration expenditure which no longer satisfies the above criteria is written off or a provision for non-recovery is made against the carrying value.

Once an area of interest reaches production the deferred exploration and development costs are amortised over the life of the area of interest.

Costs of an indirect or administrative nature are charged to the profit and loss account.

Financial Instruments

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of shareholders.

Loans and other debt instruments are recognised at the amount of the net proceeds received with interest (where applicable) recognised as an expense on an effective yield basis.

Trade debtors are recorded at the amount invoiced or contracted and a provision for doubtful debts is raised to the extent that any recovery of the book value may be in jeopardy or is considered doubtful.

The premium or discount on forward currency exchange contracts and options are amortised over the period of the contracts, unless the contracts are a hedge for future transactions whereby the premium or discount is recorded against the hedged transaction.

Other financial securities are carried at cost with interest revenue recognised on an effective yield basis and dividend income recognised on a declaration basis.

Other investments are brought to account at the lower of cost or net recoverable amount.

Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense or benefit shown in the profit and loss statement is based on the operation profit or loss before income tax adjusted for any permanent differences.

Consistent with exploration activities, substantial tax losses are available to the consolidated entity. Future income tax benefit in relation to tax losses and other timing differences are not brought to account because recoupment does not pass the test of virtual certainty in relation to realisation of the benefit.

Foreign Currency Transactions

Transactions in foreign currencies are translated to Australian dollars at exchange rates in effect at the time of the transaction.

Foreign currency monetary balance at year end has been translated into Australian currency at the exchange rate ruling at balance date with exchange differences taken to account in the profit and loss account as gains or losses.

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 Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

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

NOTE 2 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The Company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that no material differences will arise in respect of the Company's restated financial statements for the year ended 30 June 2005 on conversion to AIFRS. Users of the financial statements should note, however, that this view could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes.

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
NOTE 3 REVENUE FROM ORDINARY ACTIVITIES				
Other Revenues:				
From Operating Activities				
Interest – Other Parties	192,849	142,678	120,682	141,403
From Outside Operating Activities				
Miscellaneous Income	3,200	13,357	-	10,057
Total revenue from ordinary activities	196,049	156,035	120,682	151,460

NOTE 4 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:				
Total depreciation of plant & equipment Less: depreciation	224,138	186,394	22,539	16,243
capitalised as part of Exploration Tenements	(201,599)	(169,922)	-	-
Total depreciation of plant & equipment	22,539	16,472	22,539	16,243
Operating lease rental expense	59,776	33,655	59,776	33,655
Individually significant items;				
Exploration costs written off	1,416,793	51,597	1,416,793	51,597
Loan to controlled entity forgiven	-	-	2,255,101	-

NOTE 5 INCOME TAX

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
a) Prima facie income tax benefit on operating loss at 30% (2004: 30%)	623,419	129,617	1,302,333	129,092
Increase/(decrease) in income tax benefit due to:				
Permanent differences	-	-	-	-
Timing differences	-	-	-	-
Income tax benefit not brought to account	(623,419)	(129,617)	(1,302,333)	(129,092)
Income tax attributable to operating loss	-	-	-	-
The future income tax benefit (not brought to Account) compromises the estimated future benefit at the applicable rate of 30% on the following items				
Unconfirmed un-recouped revenue losses	3,168,934	2,545,515	3,126,494	2,500,691
Exploration expenditure	1,276,169	1,276,169	1,198,185	1,198,185
	4,445,103	3,821,684	4,324,679	3,698,876

The future income tax benefit will only be realised if:
(i) The Company and the Economic Entity derive future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
(ii) The Company and Economic Entity continue to comply with the conditions for deductibility imposed by law; and
(iii) No changes on tax legislation adversely affect the Company's or the Economic Entity's ability to realise the benefit from the deductions for the losses.

		Consolidated		Company
	2005	2004	2005	2004
	$	$	$	$
NOTE 6 RECEIVABLES				
Current	40,154	147,258	29,172	48,966
Other debtors	52,055	38,603	52,055	36,843
Tenement deposits	92,209	185,861	81,227	85,809
Non Current	77,337	30,200	-	-
Other debtors	-	-	714,817	1,715,404
Loans to controlled entities	77,337	30,200	714,817	1,715,404
NOTE 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investments in associated entities at costUnlisted	-	-	2	2
Optics Storage Pte Limited – refer Note 28	2,135,021	2,135,021	2,135,021	2,135,021
Less: Provision for diminution in value	(2,135,020)	(2,135,020)	(2,135,020)	(2,135,020)
	1	1	3	3
NOTE 8 OTHER FINANCIAL ASSET				
Current				
Listed shares at cost	2,000	2,000	2,000	2,000
Provision for diminution in value	1,200	(200)	1,200	(200)
Listed shares at current market value	3,200	1,800	3,200	1,800
Non Current				
Investment in Controlled Entity at Cost (i)	-	-	502,486	502,486
Investment in Wirralie Mines Pty Ltd – at cost	-	-	90,909	-
Revaluation (refer to Note 10) at Independent	-	-	641,014	641,014
	-	-	1,234,409	1,143,500
Less: Write down of investment previously revalued	-	-	(265,000)	(265,000)
	-	-	969,409	878,500
Investments in Other Corporations at cost	270,450	270,450	270,450	270,450
Unlisted	270,450	270,450	270,450	270,450
	(270,449)	(270,449)	(270,449)	(270,449)
Provisions for diminution in value	1	1	1	1
	1	1	969,410	878,501

(i) The above investment in Ashburton Gold Mines NL, a wholly owned subsidiary, was originally acquired in August 1999 at a cost of $502,486 in consideration for 25,124,326 fully paid shares at 2 cents each in the Company.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
NOTE 9 PROPERTY, PLANT & EQUIPMENT				
Buildings- at cost	47,900	47,900	-	-
Accumulated depreciation	(2,642)	(1,205)	-	-
	45,258	46,695	-	-
Mobile equipment – at cost	46,100	46,100	-	-
Accumulated depreciation	(16,950)	(7,730)	-	-
	29,150	38,370	-	-
Motor vehicles – at cost	153,000	153,000	43,000	43,000
Accumulated depreciation	(62,027)	(27,602)	(16,528)	(6,854)
	90,973	125,398	26,472	36,146
Property, Plant & Equipment	995,935	883,321	156,779	130,489
Accumulated depreciation	(414,172)	(149,857)	(107,807)	(94,943)
	581,763	733,464	48,972	35,546
Total	747,144	943,927	75,444	71,692

Reconciliations

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

	Consolidated 2005	Consolidated 2004	Company 2005	Company 2004
Buildings				
Carrying amount at beginning of year	-	-	-	-
Additions	46,695	47,900	-	-
Deletions	-	-	-	-
Amortisation	(1,437)	(1,205)		
Carrying amount at end of year	45,258	46,695		
Mobile Equipment				
Carrying amount at beginning of year	-	-	-	-
Additions	38,370	46,100	-	-
Deletions	-	-	-	-
Amortisation	(9,220)	(7,730)		
Carrying amount at end of year	29,150	38,370		
Motor vehicle				
Carrying amount at beginning of year	125,398	17,791	36,146	17,791
Additions	-	153,000	-	43,000
Deletions	-	(17,791)	-	(17,791)
Depreciation	(34,425)	(27,602)	(9,675)	(6,854)
Carrying amount at end of year	90,973	125,398	26,471	36,146

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
NOTE 10 EXPLORATION TENEMENTS				
Capitalised Exploration Expenditure				
Exploration and/or evaluation phase at cost	5,173,814	4,557,579	511,639	1,594,039
Exploration and/or evaluation phase at valuation (less accumulated write downs of $265,000)	1,115,055	1,115,055	-	-
	6,288,869	5,672,634	511,639	1,594,039
Represented by:				
Capitalised expenditure – Exploration and/or Evaluation phase				
Opening balance	5,672,634	1,898,809	1,594,039	1,020,309
Current year exploration expenditure capitalised	2,033,028	2,265,422	334,393	625,327
Additional tenements acquired	-	1,560,000	-	-
Expenditure written off in the statement of financial performance	(1,416,793)	(51,597)	(1,416,793)	(51,597)
Closing Balance	6,288,869	5,672,634	511,639	1,594,039

Ultimate recoupment of this expenditure is dependent upon the continuance of the Company's right to tenure of the areas of interest and the discovery of commercially viable mineral reserves, their successful development and exploitation or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

The independent valuation on the Ashburton Gold Mines NL tenements was performed by Wilkinson & Associates Pty Ltd, Independent Consulting Geologists, on 24 May 1999.

NOTE 11 PAYABLES

Trade Creditors	57,346	81,313	28,320	46,192
Other creditors and accruals	57,246	24,791	10,000	18,004
	114,592	106,104	38,320	64,196

NOTE 12 PROVISIONS – CURRENT

Employee entitlements	88,107	53,067	74,121	40,818
Aggregate Employee Entitlements	88,107	53,067	74,121	40,818

NOTE 13 PROVISIONS – NON-CURRENT

Future reclamation costs	2,600,000	2,600,000	-	-
Aggregate Future Reclamation Costs	2,600,000	2,600,000	-	-

	Consolidated 2005 $	Consolidated 2004 $	Company 2005 $	Company 2004 $
NOTE 14 CONTRIBUTED EQUITY				
Issued Share Capital				
77,391,048 (2004: 69,298,038)				
Ordinary Fully Paid Shares	21,676,049	20,559,182	21,676,049	20,559,182
Movement in issued shares during the year				
Balance at the beginning of the year	20,559,182	14,761,847	20,559,182	14,761,847
Options exercised during the year				
Nil (2004: 15,606,004)	-	2,132,813	-	2,132,813
Shares issued from Prospectus				
6,900,000 (2004: 29,666,667)	966,000	3,560,000	966,000	3,560,000
Share Placements	218,602	82,000	218,602	82,000
Total movement in issued shares during the year	21,743,784	20,536,660	21,743,784	20,536,660
Movement in options during the year				
Options issued as part of a Loyalty Share Purchase Plan Nil (2004: 6,000,000)	-	60,000	-	60,000
Options issued from a Pro-Rata Non-Renounceable Rights Issue Nil (2004: 12,132,363)	-	242,648	-	242,648
Options issued from Prospectus				
3,450,000 unlisted options issued for no consideration	-	-	-	-
Total movement in options during the year	-	302,648	-	302,648
Total movement in issued capital during the year	21,743,784	20,839,308	21,743,784	20,839,308
Transaction costs of issuing shares and options	(67,735)	(280,126)	(67,735)	(280,126)
Balance in issued share capital at end of year	21,676,049	20,559,182	21,676,049	20,559,182
NOTE 15 RESERVES				
Asset Realisation Reserve				
Balance at beginning and end of year	32,095	32,095	32,095	32,095
Asset Revaluation Reserve				
Balance at the beginning of year	376,014	376,014	376,014	376,014
Balance at end of year	408,109	408,109	408,109	408,109

There was no movement in asset realisation reserve or asset revaluation reserve during the year.

Nature and Purpose of Reserves

Asset Revaluation

The asset revaluation reserve includes the net valuation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. The amount of $408,109 is not available for future asset write downs as a result of using the deemed cost election where adopting AASB 1041.

	Consolidated		Company	
	2005	2004	2005	2004
	$	$	$	$
NOTE 16 ACCUMULATED LOSSES				
Accumulated losses at beginning of year	(13,691,972)	(13,259,917)	(13,625,945)	(13,195,640)
Net loss attributable to members of parent entity	(2,078,062)	(432,055)	(4,341,112)	(430,305)
Accumulated losses at the end of the year	(15,770,034)	(13,691,972)	(17,967,059)	(13,625,945)

NOTE 17 EARNINGS PER SHARE

Basic loss per Share (cents per Share)	(2.68)	(0.78)	(2.69)	(0.78)
Weighted average number of ordinary shares issued in the calculation of basic earnings per share	77,675,718	55,410,649	77,675,718	55,410,649

Other potential ordinary shares have not been included in the calculation of diluted earnings per share as they are not considered dilutive.

NOTE 18 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes, on hand and in banks, deposits and negotiable instruments which are fully liquid net of outstanding back overdrafts.
Cash at the end of the year is shown
in the balance sheet as:

Cash	170,011	1,518,657	135,751	1,411,471
Other Negotiable instruments	1,738,051	1,681,409	1,738,051	1,687,641
	1,908,062	3,200,066	1,873,802	3,099,112

b) Reconciliation with Operating Loss

Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:

Operating Loss after income tax	(2,078,062)	(432,055)	(4,341,112)	(430,305)
Non cash flows in operating loss:				
Profit on disposal of fixed asset	-	(9,310)	-	(9,310)
Depreciation of plant & equipment	224,138	186,394	22,539	16,243
Diminution of listed investments	-	200	-	200
Exploration expenditure written-off	1,416,793	51,597	1,416,793	51,597
Loan to controlled entity forgiven	-	-	2,255,101	-
Changes in operating assets and liabilities net of the effects of purchase and disposal of controlled entities:				
(Increase)/Decrease in trade and term debtors	(47,137)	(30,200)	(1,000)	(1,650,254)
Increase/(Decrease) in trade creditors and accruals	8,488	(5,995)	(25,876)	(60,102)
Other	(356,628)	(75,002)	175,310	1,689,406
Net cash used in operating activities	(832,408)	(314,371)	(498,245)	(392,525)

c) Non-cash transactions - Nil

NOTE 19 DIRECTORS AND EXECUTIVE REMUNERATION

(a) Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors	
Mr R W Crabb	Chairman – Non-Executive
Mr T P Dukovcic	Managing Director – Executive
Mr R J Dunn	Director – Executive
Specified Executives	
Mr T Melanko	Company Secretary

Details of remuneration are set out in the Directors' Report.

(b) Number of Options held by Parent Entity Directors and Specified Executives

	Balance 1.7.04	Granted as Remuneration	Options Exercised*	Net Change Other*	Balance 30.6.05	Total Vested 30.6.05	Total Exercisable
Parent Entity Directors							
Mr R W Crabb	1,691,446	-	-	-	1,691,446	1,691,446	1,691,446
Mr T P Dukovcic	5,316,861	-	-	-	5,316,861	5,316,861	5,316,861
Mr R J Dunn	2,905,699	-	-	-	2,905,699	2,905,699	2,905,699
Total	9,914,006	-	-	-	9,914,006	9,914,006	9,914,006

The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

(c) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.05
Parent Entity Directors					
Mr R W Crabb	107,168	-	-	-	107,168
Mr T P Dukovcic	596,126	-	-	-	596,126
Mr R J Dunn	3,404,178	-	-	-	3,404,178
Total	4,107,472	-	-	-	4,107,472

* The Net Change Other also refers to shares purchased or sold during the financial year.

NOTE 20 SEGMENT INFORMATION

Geographical Segments	Australia		Total	
	2005	2004	2005	2004
	$	$	$	$
Revenue from customer	-	-	-	-
Unallocated operating revenue	196,049	156,035	196,049	156,035
Total Revenue	196,049	156,035	196,049	156,035
Segment Result	(2,078,062)	(432,055)	(2,078,062)	(432,055)
Segment Assets	9,116,823	10,034,490	9,116,823	10,034,490

Industry Segments	Mineral Exploration	
	2005	2004
Operating Revenue	-	-
Segment Results	(2,078,062)	(432,055)
Segment Assets	9,116,823	10,034,490

NOTE 21 RELATED PARTY INFORMATION

The names of each person holding the position of director of Ashburton Minerals Ltd since the beginning of the financial year are:

Mr Tom Peter Dukovcic
Mr Rodney John Dunn
Mr Rick Wayne Crabb

Apart from the directors' remuneration disclosed in the Directors' Report, no director has entered into a contract with the economic entity since the end of the previous financial year and there are no material contracts involving directors' interests subsisting at year end.

During the year legal fees of $66,205 were paid to Blakiston & Crabb, a legal firm of which Mr Crabb was a partner. The fees were based on normal commercial rates.

The relevant interest of each director of the Company in respect of securities of the Company or related corporations as at 30 June 2005 is set out below:

	Fully Paid Shares		
	Direct	Indirect	Total
Mr R W Crabb	18,834	113,334	132,168
Mr T P Dukovcic	156,681	444,445	601,126
Mr R J Dunn	40,000	3,401,678	3,441,678

	Options		
	Direct	Indirect	Total
Mr R W Crabb	123,139	1,568,307	1,691,446
Mr T P Dukovcic	2,742,787	2,574,074	5,316,861
Mr R J Dunn	290,001	2,615,698	2,905,699

	Ordinary Shares	Listed Options (i)	Unlisted Options (ii)	Unlisted Options (iii)	Unlisted Options (iv)	Unlisted Options (v)
Opening Balance	4,174,972	676,246	340,000	213,334	184,426	8,500,000
Purchases	-	-	-	-	-	-
Sales	-	-	-	-	-	-
Closing Balance	4,174,972	676,246	340,000	213,334	184,426	8,500,000

(i) Exercise price of 32 cents per option expiring on 31 March 2007.
(ii) Exercise price of $1.50 per option expiring on 31 December 2005.
(iii) Exercise price of 28.8 cents per option expiring on 31 December 2005.
(iv) Exercise price of 12 cents per option expiring on 30 June 2006.
(v) Exercise price of 28 cents per option expiring on 30 June 2006.

During the year Directors acquired no ordinary shares and disposed of no ordinary shares in the Company.

NOTE 22 REMUNERATION OF AUDITORS

The following total remuneration was received or is due and receivable, by the auditors of the Company and consolidated entity in respect of:

Consolidated Company	2005	2004	2005	2004
	$	$	$	$
Company auditors				
Auditing the accounts – Moore Stephens	12,260	9,800	12,260	9,800
Non-audit services – Moore Stephens	4,546	7,165	4,546	7,165

NOTE 23 CAPITAL COMMITMENTS

Exploration Expenditure Commitments

In order to maintain its interests in mineral tenements, the consolidated entity is committed to meet the conditions under which various leases and licences were granted.

These obligations are not provided for in the accounts and are payable:

Consolidated Company	2005	2004	2005	2004
	$	$	$	$
Not later than one year	814,511	1,493,130	43,400	600,130
	814,511	1,493,130	43,400	600,130

The majority of the expenditure commitments ($771,111) relate to tenements acquired by the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin Project. Ashburton Minerals is in the process of selling Wirralie Mines Pty Ltd and the disposal of Wirralie will reduce the exploration expenditure commitments for the consolidated entity for 2005 to $43,400.

NOTE 24 FINANCIAL INSTRUMENTS

Overseas transactions are negotiated on foreign currencies which gives rise to assets and liabilities which are translated to Australian currency in accordance with the account policies set out in Note 1.

At balance date, amounts receivable and payable in foreign currency were nil and therefore foreign currency risk is immaterial.

At balance date, the consolidated entity had a Performance Bond Facility through Macquarie Bank Limited for its Drummond Basin Gold Project. Macquarie Bank has provided a bond facility (with a maximum limit of $2,750,000) for the purpose of providing unconditional Performance Bonds to satisfy the Drummond Project's mining leases terms and conditions. The facility expired on 30 June 2005 but has been extended to 30 December 2005.

At balance date, Macquarie Bank has provided Performance Bonds to the value of $2,590,000. At balance date, the consolidated entity has applied $1,738,051 as cash backing against these bonds. In addition, the bonds are secured by a fixed and floating charge over all of the assets and undertakings in the group as well as a mortgage over the mining leases held by Wirralie Mines Pty Ltd.

Similarly, at balance date, the consolidated entity had no other debt instruments or financial assets, other than cash, subject to interest and accordingly the exposure to interest rate movements is immaterial.

NOTE 25 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Interest held by parent entity

Name of Company	Country of Incorporation	2005	2004
		%	%
Ashburton Gold Mines NL	Australia	100	100
Trans Pacific Gold Pty Ltd	Australia	100	100
Trans Pacific Gold Mineracao Ltda	Brazil	100	-
Wirralie Mines Pty Ltd	Australia	100	100

On 1 July 2004 the company acquired AKD Brazil Ltda and changed its name to Trans Pacific Gold Mineracao Ltda.

NOTE 26 INTEREST IN JOINT VENTURES

The consolidated entity is involved in various joint venture arrangements concerned with the commercial exploration of mineral deposits. The joint ventures are not separate legal entities but are contractual arrangements between participating co-venturers for the sharing of costs.

None of the joint ventures have reached a stage where separate books of account are required and accordingly the existence of the joint venture has no financial impact on the accounts of the economic entity as funds are made available as needed and the economic entity's share of costs is capitalised as exploration expenditure.

NOTE 27 SUPERANNUATION CONTRIBUTIONS

The economic entity contributes to employee superannuation funds pursuant to the superannuation guarantee legislation requirements and subject to individual contracts of employment. In each case, superannuation is paid into a fully vested income accumulation type fund and there is no requirement on the part of the economic entity to meet any fund shortfalls or other payments of a defined nature.

NOTE 28 INVESTMENT IN ASSOCIATED COMPANY

Name	Principal Activities	Ownership Interest		Carrying Amount of Investment	
		2005	2004	2005	2004
		%	%	$	$
Optics Storage Pte Limited (incorporated in Singapore)	optical storage devices	15.6	15.6	2,135,021	2,135,021
Less: provision for diminution in value				(2,135,020)	(2,135,020)
Total				1	1

a) Ownership interest in Optics Storage Pte Limited at balance date was 15.6% of ordinary shares. The reporting date of Optics Storage Pte Limited is 31 December each year. The 31 December 2004 financial statements were audited by Chio Lim & Associates, Certified Public Accountants of Singapore. The company was liquidated On 3 May 2005				
b) Equity accounted investment in associated companies at beginning of financial year	2,135,021	2,135,021	2,135,021	2,135,021
Add: New Investments during the year	-	-	-	-
Less: Dividend revenue from associated company	-	-	-	-
Disposal during the year				
At end of financial year	2,135,021	2,135,021	2,135,021	2,135,021

The assets and liabilities of Optics Storage Pte Ltd, as at 30 June 2005, and the operating profit (loss) for the twelve months ended on that date, have not been disclosed as the company was liquidated on 3 May 2005.

The information is not, in any event, considered significant as the Company's investment in Optics Storage Pte Ltd had been fully provided for in prior years.

NOTE 29 EVENTS SUBSEQUENT TO REPORTING DATE

On 15 July 2005 the Company and Trans Pacific Gold Pty Ltd were served with a writ dated 12 July 2005 by Areias Douradas Pty Ltd, a subsidiary of Cougar Metals NL, seeking specific performance of Ashburton's and TPG's obligations under the Brazil tailings joint venture, or alternatively damages. Ashburton believes that Cougar Metals and Areias Douradas are misguided as to the relative rights and obligations of the parties in the joint venture. Ashburton has applied to have the writ as against it struck out, while TPG will strenuously defend the action.

On 19 July 2005, the Company announced that it had signed an agreement under which it was to sell both of the shares in its wholly owned subsidiary Wirralie Mines Pty Ltd to a consortium of private investors. The consideration was $1.25 million in cash, a 2 % royalty on the Wirralie sulphide deposit, assumption by the purchaser of existing royalties, and the replacement of $2.6 million in environmental bonds. The sale was conditional on settlement being completed by 12 August 2005.

On 28 July 2005 the aircore drilling imported in to Brazil from Australia successfully cleared customs. It arrived on site in Pocone a week later and was assembled and trialled before being ready to drill by late August 2005.

On 4 August 2005 the Company announced that it had completed the acquisition of the Mina Inglesa tenement (No. 860.998/2004) near Crixas in Brazil by making a final payment of R$150,000 (A$80,000) to the vendor. The tenement is situated in the Crixas Archaean greenstone belt and contains an open pit mine encompassing the historic Mina Inglesa workings together with an unquantified amount of artisinal tailings sands.

On 8 August 2005 the Company held a general meeting at which the previous issue of shares via a placement to clients of Euroz Stockbroking was ratified, thus reinstating the Company's ability to issue up to 15 % of its issued capital without shareholder approval.

On 8 August 2005 the Company gave a Sales Notice to Straits Resources Limited, the manager of the Yandan Joint Venture in which it is earning a 70% interest from Wirralie Mines by spending $2 million over a four year period, notifying it that Wirralie Mines was being sold and that this triggered their pre-emptive right to the two tenements of the joint venture.

On 10 August 2005 Straits Resources announced excellent drilling results under the old East Hill open pit. Drill hole YAN05 intercepted 176.6 m @ 2.4 g/t from 211 m, including internal higher grade zones of 27.5 m @ 8.1 g/t from 301 m and 8.5 m @ 10.1 g/t from 347 m.

On 10 August 2005 the Company writes to Straits Resources by email requesting detailed information on the recent drilling programme, including date of drilling, logging, cutting and assaying together with full geological logs and assay reports.

On 11 August 2005 Straits Resources gave to the Company a Notice of Acceptance under which it agreed to purchase the Yandan JV tenements.

On 15 August 2005 the Company announced it had terminated the sale agreement for Wirralie Mines as the purchaser had failed to fulfil its obligations under the agreement. The purchaser is notified in writing.

On 15 August 2005 the Company writes to Straits Resources that it is of the opinion that as the sale of Wirralie Mines has fallen through, Straits' pre-emptive right no longer exists. The Company repeats its request for drilling information.

On 26 August 2005 Straits Resources announces that it intends to pursue its legal rights against Ashburton and Wirralie Mines to obtain transfer of the Yandan JV tenements, based on legal advice that the Sale Notice was valid and that its Notice of Acceptance created a binding obligation in relation to the sale of the tenements to Straits.

On 30 August 2005 the Company responds by announcing that it is awaiting legal advice on the matter. Meanwhile, it is continuing negotiations with potential purchasers of Wirralie Mines, which may lead to a formal triggering of Straits' pre-emptive rights.

On 6 September 2005 Cougar Metals announces that its estimate of the quantity of tailings sands secured by the Brazil tailings joint venture is far less than the 60 million tonnes initially reported by the Company. Cougar estimates that 5.9 million tonnes of tailings sands have been secured. Cougar also questions the use of certain photographs of tailings dams in the Company's presentations on the tailings project, claiming that they believed all the dams depicted were part of the joint venture.

Finally, Cougar expresses concern with the agreements that the joint venture has secured in that certain milestones may not be met before the agreements expire.

On 7 September 2005 the Company released preliminary results of a survey of the tailings dams conducted by Brazilian surveyors. The results had not been fully evaluated or confirmed and contained some uncertainties. The surveyor surveyed 12 dams that were represented to him by the local owners as being under agreement with the joint venture. These 12 dams had a combined volume (assuming a bulk density of 1.7 t/m3) of 21.4 million tonnes. However, it transpired that one of the dams surveyed was not under agreement, although the owner does have a nearby dam under agreement with the joint venture. Further, large areas of dispersed tailings mounds were not surveyed due to time constraints. Finally, a proportion of the total volume was attributed to the dam walls which, although potentially mineralised, are not technically tailings. For these reasons the Company did not think this information was ready for dissemination to the market, but it was released in light of Cougar's announcement of the previous day. The Company also announced that it was negotiating access to additional dams in the area and was also negotiating time extensions to the access agreements.

NOTE 30 CONTINGENT LIABILITIES

There were no contingent liabilities outstanding as at 30 June 2005.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 20 to 37, are in accordance with the Corporations Act 2001:

   a) comply with Accounting Standards and the Corporations Regulations 2001; and

   b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and economic entity.

2. The Chief Executive Officer and Chief Financial Officer have each declared that;

   a) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;

   b) the financial statements and notes for the financial year comply with accounting standards;

   c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:

Tom P Dukovcic
Managing Director

Perth
28th September 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASHBURTON MINERALS LTD

SCOPE

The Financial Report, Remuneration Disclosures & Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Ashburton Minerals Ltd (the "Company") and the Consolidated Entity for the year ended 30 June 2005. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

The Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 13 to 14 of the directors' report, as permitted by the Corporations Regulations 2001.

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

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Ashburton Minerals Ltd on 28th September 2005, would be in the same terms if provided to the directors as at the date of this audit report.

Audit Opinion

In our opinion:

(1) the financial report of Ashburton Minerals Ltd is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in pages 13 to 14 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Neil Pace Moore Stephens

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2005.

ASHBURTON MINERALS LTD
A.C.N. 008 894 442

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ASHBURTON MINERALS LTD

I declare, that to the best of my knowledge and belief, during the year ended 30 June 2005 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.

Neil Pace Moore Stephens

NEIL PACE	MOORE STEPHENS
PARTNER	CHARTERED ACCOUNTANTS

Signed at Perth this 28th day of September 2005.

1. Shareholding Details

The following shareholder information was applicable as at 15 September 2005.

Distribution of shareholding

The distribution of members and their shareholdings was as follows:

	Number Held			Number of Shareholders
	1	-	1,000	177
	1,001	-	5,000	416
	5,001	-	10,000	257
	10,001	-	100,000	462
	100,001	-		58
Total number of Shareholders				1,370

A total of 2,158 parcels, representing 2,184,408 shares or 3.15% of the total, were unmarketable at a basis price of 13 cents per share.

2. Twenty largest Shareholders (as at 15 September 2005):

SHARE HOLDER	NUMBER OF ORDINARY SHARES	%
ANZ Nominees Limited	40,930,776	52.89
Red Peaks Pty Limited	3,084,888	3.99
Isaiah Sixty Pty Ltd	2,011,661	2.60
Berne No 132 Nominees Pty Ltd	785,619	1.02
William Christopher	700,000	0.90
National Nominees Limited	691,003	0.89
Balargo Pty Ltd	500,000	0.65
Macquarie Bank Limited	478,682	0.62
Zero Nominees Pty Ltd	474,999	0.61
Tenacity Resources Pty Limited	444,445	0.57
P V & C L Mason (Mason Family A/c)	435,000	0.56
Isaiah Sixty Pty Ltd (Isaiah Superfund A/c)	372,000	0.48
Shehadie Saleem	345,867	0.45
P V & C L Mason (Mason Superfund A/c)	330,000	0.43
R W & H J Gardiner	315,000	0.41
Cost Nominees Limited	300,000	0.39
Tromso Pty Ltd	267,500	0.35
M G & C A Mort	263,700	0.34
Cole Kablow Superannuation	223,034	0.29
D S Jackson	215,625	0.28
	53,169,799	68.72

3. Substantial Shareholders

The following shareholders have advised the Company as having a substantial interest, being 5.0% or greater, in the issued capital of the Company:

NAME	NUMBER OF ORDINARY SHARES	%
ANZ Nominees Limited	40,930,776	52.89

4. Distribution of Listed Optionholdings

The distribution of members and their listed optionholdings (as at 15 September 2005) was as follows:

Number Held			Number of Shareholders
1	-	1,000	198
1,001	-	5,000	416
5,001	-	10,000	257
10,001	-	100,000	60
100,001	-		81
Total number of Shareholders			523

5. Twenty largest 31 March 2007 Listed Option Holders (as at 15 September 2005):

SHARE HOLDER	NUMBER OF ORDINARY SHARES	%
Dalkeith Resources Limited	1,743,057	14.37
ANZ Nominees Limited	1,560,230	12.86
William Christopher	987,326	8.14
Isaiah Sixty Pty Ltd	908,885	7.49
Red Peaks Pty Ltd	512,062	4.22
Mason Fresh Berries Pty Ltd	379,687	3.13
Stephanie Grose Advertising Pty Ltd	350,000	2.88
J Ring	350,000	2.88
J Peos	255,509	2.11
Remora Pty Ltd	232,750	1.92
Balargo Pty Ltd	214,977	1.77
C T Ford	206,509	1.70
Nappa Pty Ltd	200,000	1.65
Isaiah Sixty Pty Ltd (Isaiah Superfund A/c)	167,103	1.38
Agricultural Geraldton	161,509	1.33
B Szeszycki	127,266	1.05
R I & L J Birbeck	125,000	1.03
Hillben Investments Pty Ltd	106,428	0.96
P M Williams	223,034	0.88
Greenhedge Pty Ltd	104,206	0.86
	8,809,448	72.61

6. Voting Rights

In accordance with Item 73 of the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and, on a poll, every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for each share held.

7. Restricted Securities

There are no restricted securities in the capital of the Company on issue.

8. Stock Exchange Listing

Ashburton Minerals Ltd is listed on the Australian Stock Exchange Limited. The trading code for the Company's fully paid ordinary shares is ATN ATN, and ATNO for its listed Options.