ASHBURTON MINERALS LTD

ABN 99 008 894 442

2004 ANNUAL REPORT

ASHBURTON MINERALS LTD

CORPORATE DIRECTORY

Directors

Mr R W Crabb	Chairman
Mr T P Dukovcic	Managing Director
Mr R J Dunn	Director

Company Secretary

Mr T Melanko

Principal & Registered Office

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Solicitors

Blakiston & Crabb

1202 Hay Street, West Perth WA 6005

Auditors

Moore Stephens BG

Level 3, 12 St George’s Terrace, Perth WA 6000

Bankers

ANZ Limited

1275 Hay Street, West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd

770 Canning Highway, Applecross WA 6153

Stock Exchange Listing

Australian Stock Exchange

ASX Code: ATN, ATNO

CHAIRMAN'S ADDRESS

I am pleased to present the 2004 Annual Report for Ashburton Minerals Ltd, your Company's eleventh such report.

During the past 12 months the Company has made a significant advancement towards implementing its stated strategy of becoming a gold producer through the acquisition of the Wirralie gold mine in Queensland and by establishing a presence in Brazil, initially through an option over the Meia Pataca gold mine near Crixas in Goias state.

The purchase of Wirralie Mines Pty Ltd, the owner of the Wirralie gold mine and the Drummond Basin project tenements, from Placer Dome Asia Pacific Limited was completed on 28 August 2003 following a consolidation of the Company's share capital on a 1 for 15 basis and a concomitant fundraising of $3.5 million through the issue of new shares at 12 cents each. The acquisition price was $100,000 in cash and the assumption of some $2.7 million in environmental bonds. At the time, Wirralie contained a total of 143,000 oz of oxide resources and 297,000 oz of sulphide resources. A nominal 1.5 million tonnes per annum CIL treatment plant and associated administration and accommodation buildings were included in the purchase.

Immediately after the acquisition, the Company commenced a feasibility study into the recommencement of mining at Wirralie based initially on the oxide resource and processing the ore through the CIL treatment plant. In the course of this study, work by the Company's geologists resulted in a significant increase in resources, with oxide resources now at 151,000 oz and sulphide resources at 397,000 oz for a total of 548,000 oz.

Late in 2003 the market saw a resurgence in the nickel sector during which time the Company raised a further $1.2 million by the issue of new shares at 16 cents each to fund nickel and gold exploration over the Company's East Kimberley and Ashburton projects. These funds were used on exploration programmes that have advanced the prospectivity of both project areas. A first pass RAB drilling programme across a large soil anomaly at the Soldiers Secret prospect in the Ashburton returned an intercept of 4 m @ 1.13 g/t, a positive result that will be followed up by further drilling. Meanwhile, the Company has received expressions of interest from outside parties wishing to farm into the East Kimberley project.

Associated with the Company's activities at Wirralie, the Company attracted heavy interest from overseas investors, in particular from Germany, who subsequently applied to their local authorities for quotation of Ashburton shares on their local stock exchanges. Today, we estimate that some 44% of the issued shares in the Company are held by European investors and the Company's shares are traded on the Frankfurt, Munich, Berlin and Stuttgart stock exchanges in Germany.

The Wirralie feasibility study exposed several factors that precluded an immediate decision to recommence mining activities at the gold mine. Essentially, the very low grade of the Wirralie oxide ore, at just over 1 gramme per tonne, results in a very small operating margin, and therefore little room for error. Similarly, the low grade of the ore cannot sustain any significant waste removal, resulting in a very low conversion rate from resources to reserves utilising JORC-compliant criteria. The most recent work completed suggests that at a gold price of A$580/oz, only 1.21 Mt @ 1.19 g/t (for 46,000 oz contained gold) converts to a recoverable resource, generating an undiscounted cashflow of around $7.1 million. With the cost of refurbishing the treatment plant and associated camp and administration infrastructure being placed at $2.7 million, this leaves a small profit of $4.4 million over a 12 month operating period. The Company is currently investigating debt funding options for this type of operation.

At the same time, the Company is continuing with a study into heap leaching the Wirralie oxide ore. This option has significantly lower operating costs and up front capital commitments and therefore has the potential to generate a larger profit. However, this would be offset by a larger pre-production capital requirement. Preliminary figures at a corresponding gold price of $580/oz indicate that a heap leach operation can potentially generate an undiscounted cash flow of $10.6 million. This work is expected to take several months to complete to feasibility level.

While we have not been able to push the button on Wirralie just yet, the chances remain good that an economic operation based on the oxide resource can go ahead, thus opening the way for the development of the much larger sulphide resource below, which represents the real earnings potential. Wirralie is the Company's flagship project and the prime focus of the Company's efforts remains geared towards getting Wirralie into production. Given the small margins involved in the initial operations, your Directors feel that a relatively cautious approach is necessary, to ensure the Company as a whole is not put at risk.

The entry by the Company into Brazil was made because of an opportunity to move into gold production in a relatively short time. Brazil has a long mining history, geological similarity to Western Australia, cheap labour costs and low sovereign risk. The Company's aim is to secure advanced projects that can lead to early gold production, thus augmenting our efforts at Wirralie. Ashburton's activities in Brazil are being conducted through its wholly owned subsidiary Trans Pacific Gold Pty Ltd and its Brazilian registered subsidiary, Trans Pacific Gold Mineracao Limitada. Under an agreement with a syndicate of Australian and Brazilian nationals, who were instrumental in introducing the Company to the Brazil opportunities, the Company will carry out its Brazilian operation in 75:25 joint venture partnership with the Syndicate. The Company is nearing completion of negotiations with a number of local land holders that are expected to give Trans Pacific access to significant tenements, resources and exploration ground in two historical mining districts, in addition to the Meia Pataca gold mine over which Trans Pacific has already secured an option.

During the year the Yandan tenements, including the old Yandan gold mine, in the Drummond Basin were joint ventured out to Straits Resources Ltd, who can earn a 70%

Chairman's Address continued

interest by spending $2 million over a four year period. Straits has already drilled four deep diamond holes beneath the East and South pits at Yandan, returning excellent results at depth, including 1 m @ 17 g/t, 0.7 m @ 33 g/t and 0.6 m @ 23 g/t. This early success confirms the benefit of farming out lower priority (distal, grass roots) properties to well funded, technically orientated companies while retaining an interest and therefore an exposure to exploration success. With the focus on Wirralie growing, the Company will look to bring in similar joint venture partners on some of its other properties.

In closing, 2004 saw the Company make several major steps towards becoming a gold producer. In the coming year your Board will continue to work towards this goal under the motto of "growing the company to grow shareholder wealth."

The year ahead promises to be a rewarding year for the Company and shareholders.

Rick W Crabb

CHAIRMAN

21 October 2004

MANAGING DIRECTOR'S REPORT

The 2003/04 year was a very busy one for the Company, with major changes occurring at both the corporate and operational level. The Company has recorded some significant achievements during the year which overall was a positive one for the Company.

CORPORATE DEVELOPMENTS

At a general meeting held on 18 August 2003 shareholders approved a consolidation of the capital of the Company on a 1 for 15 basis, resulting in the number of issued shares being pulled back to around 23 million. The Company subsequently raised $3.5 million through a prospectus issue of 29 million shares at 12 cents each, which enabled the completion of the purchase from Placer Dome Asia Pacific Limited of Wirralie Mines Pty Ltd, the owner of the Wirralie gold mine and treatment plant and the Drummond Basin project tenements in Queensland.

On 17 December 2003, on the back of renewed interest in the nickel sector, the Company placed 7.98 million shares at 16 cents each to raise $1.28 million for exploration of the East Kimberley and Ashburton projects.

Also in December 2003 the Company issued 6.0 million 'Loyalty Options' to shareholders who participated in the share purchase plan in January 2003 and who did not subsequently sell down their holdings by the Record Date of 12 September 2004. These options were issued at a price of 1 cent each and are exercisable at 12 cents by 30 June 2006. As at the date of this report, 3,436,842 of these options have been exercised into fully paid shares.

In February 2004, the Company announced a one-for-six rights issue of options to shareholders at an issue price of 2 cents each and exercisable at 32 cents by 31 March 2007. A total of 12,132,422 options were issued. These options were listed on ASX and trade under the code 'ATNO'.

On 25 June 2004, the Company held a general meeting of shareholders to address several outstanding matters related to the major prospectus fundraising of the previous year, including the issue of 1,166,667 12-cent options to supporting brokers as part fee for services provided, and an issue of 8.5 million incentive options to the directors. The incentive options were issued free with an exercise price of 28 cents each by 30 June 2006.

On 6 August 2004 the Company announced to the market a successful negotiation of its first option agreement over a mining tenement in Brazil with the signing of an option agreement over the Meia Pataca gold mine near Crixas in the state of Goias. The Company has identified Brazil as offering excellent opportunities to secure access to advanced gold projects offering the chance to move into production in the near term. Brazil is a resource rich country with a long mining history, good infrastructure and low sovereign risk.

Under an agreement with a syndicate of Australian and Brazilian nationals, who were instrumental in introducing the Company to the Brazilian opportunities, the Company will carry out its Brazilian operation on a 75:25 joint venture partnership with the syndicate.

The Company is currently nearing the completion of negotiations that will grant exclusive access to a large area of a historical gold mining district containing numerous deposits that could see the company producing gold from Brazil by the end of 2005. The data pertaining to these deposits is not JORC-compliant so the initial work will involve collection, confirmation and collation of data to JORC standards. Nevertheless, the Company has identified an outstanding opportunity which it expects will bring excellent and early benefits to shareholders.

As at August 2004 the Company had 3,166 shareholders. At the then share price of 15 cents, some 2,000 shareholders held unmarketable parcels, that is, the value of their holdings was less than $500, representing 1.6 million shares or 2.4% of the issued share capital. A decision was therefore made by the Board to implement the sale of these unmarketable parcels as allowed under the Company's Constitution in order to reduce administrative costs and to make these shares more readily available for trading on the market. Around 380 shareholders chose to retain their shares. The balance, being 1.2 million shares representing 1,630 unmarketable parcels, was sold on market on 30 September 2004.

The Company currently has on issue 69,398,038 fully paid shares held by 1,433 shareholders. There also 12,132,365 listed options and 18,163,218 unlisted options on issue.

The Company's website was recently upgraded to make it more informative and beneficial to shareholders and other interested investors. Included is an email-based enquiry page through which shareholders can register for notification of releases as well as being able to make general enquiries about the Company.

With the acquisition of Wirralie Mines Pty Ltd and the decision to pursue production opportunities in Brazil, the Company has moved from being purely an explorer to being on the doorstep of gold production. Together with the trimmed down capital structure, the Company has become attractive to a new wave of investors, which was reflected in the share price moving to a high of 37 cents in early January 2004.

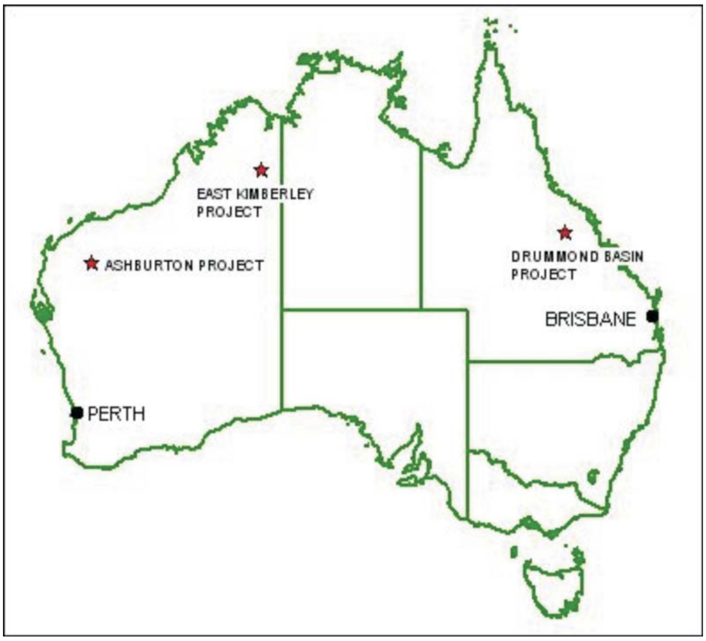
During late 2003, the Australian resources industry generated a lot of interest in Europe, in particular in Germany, where investors were seeking opportunities to gain exposure to the resources sector and gold in particular. A German investment magazine identified Ashburton Minerals as being undervalued and the Company's shares became one of the most sought after Australian stocks. As a result, some 44% of the Company's shares are held by European investors who now trade the stock on local exchanges in Frankfurt, Munich, Berlin and Stuttgart.

Managing Director's Report

REVIEW OF OPERATIONS

The primary focus of the Company's activities during the year was an investigation into the economic feasibility of recommencing gold mining at the Wirralie gold mine in Queensland.

This work included geological reviews, reconstruction of the extensive drill hole and geochemical database, resource drilling and modelling, assessment of environmental and hydrological issues, and appraisal of the requirements and costs of refurbishment of the Wirralie CIL treatment plant.



Project location, Australia.

Exploration activities were also undertaken over the Company's other projects, namely the Ashburton project for gold, and the East Kimberley project for nickel, gold and platinum group metals.

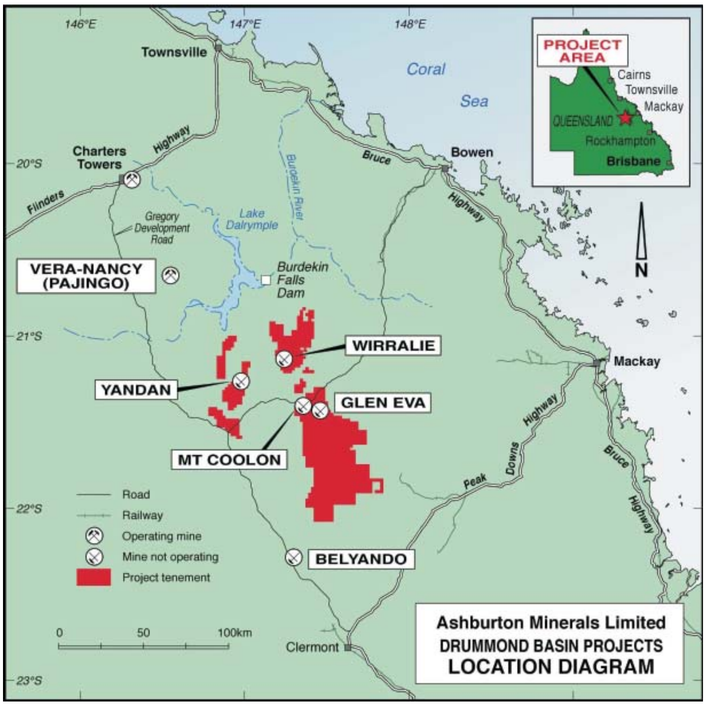
To date, the Company has not conducted any exploration activities in Brazil. However, through its wholly owned subsidiary Trans Pacific Gold Pty Ltd and its Brazilian registered company Trans Pacific Gold Mineracao Limitada, it expects to commence sampling and drilling of advanced prospects early in the new year.

DRUMMOND BASIN PROJECT, QUEENSLAND (Gold)

Wirralie Gold Mine

The Wirralie gold mine produced 477,000 oz of gold in three discontinuous phases of open pit mining in the period from 1987 to 2001. Current remaining resources at Wirralie stand at a total of 548,000 oz, including 151,000 oz of oxide and 397,000 oz of sulphide resources, making Wirralie a 1+ million oz gold deposit. A 1.5 Mtpa CIL treatment plant, administration offices and an 80-person accommodation village remain on site.

The Drummond Basin Project was principally acquired because initial internal studies indicated a strong likelihood of resuming economic gold mining at the Wirralie mine based on exploiting the oxide resource ahead of open pit mining of the sulphide resource. These initial indications were subsequently confirmed at the Scoping Study level (+/- 30%) by independent geologists RSG Global Pty Ltd, whose report was included in the Company's prospectus dated 17 July 2003. Following completion of the acquisition the Company immediately embarked on a feasibility study aimed at establishing the economics of recommencing mining to a bankable level.



Drummond Basin project, Qld.

It soon became clear that the Wirralie database was incomplete and in disarray and could not be relied upon with confidence. Also, early work by newly appointed independent geologists Hellman & Schofield Pty Ltd highlighted the presence of an error in the work completed by RSG Global whose resource estimate had erroneously included some 600,000 tonnes of material that had already been mined. Consequently, the Company decided to suspend the feasibility study so as to attempt to remedy these two critical shortcomings.

Over the course of the next several months, the drill hole database at Wirralie was almost completely reconstructed by the Company's geologists from original hard copy data such as drill hole logs and assay laboratory results. Around 80% of all known drill holes were verified or reconstructed in this way. In the process many holes were reinterpreted from original drill log information resulting in a consistent, complete drilling database for Wirralie.

Additionally, a reverse circulation drilling programme was initiated across the less coherent parts of the deposit in an effort to increase the resource. A total of 65 holes, for 3,100 m, were drilled and resulted in a 14% increase in the oxide resource.

Review of Operations continued

On the back of these two positive results the feasibility study was resumed and Hellman & Schofield recalculated the current resource estimate for Wirralie, shown in Table 1 (see below).

The latest pit optimisation results based on these resource figures confirm the economic potential of a mining operation based on the oxide resource with ore processed through a refurbished CIL treatment plant. At a gold price of A$580/oz and using operating costs worked up from historical and present day data, results suggest that the Wirralie oxide operation could produce 41,000 oz of gold and generate an undiscounted surplus cash flow of $7.1 million over a 12 month mine life. This operation would process 1.21 Mt @ 1.19 g/t at a waste to ore stripping ratio of 0.5:1 and a cash operating cost of $404/oz. Subtracted from this would be the cost of refurbishment of the treatment plant and associated infrastructure, currently estimated at $2.7 million, leaving a potential profit of $4.4 million.

Although this operation generates only a small profit over a very short mine life, it is nevertheless an economic initial step towards the ultimate aim of developing the sulphide part of the Wirralie resource. As a result, the Company is evaluating funding options for this type of operation.

The low grade of the Wirralie oxide resource results in only a small margin between revenue and operating cost, resulting in a low conversion rate from resources to ‘reserves’. To increase the profitability of the oxide resource requires either a higher gold price or a lowering of operating costs.

Consequently, the Company commenced an investigation into a heap leach option for the oxide due to the lower attendant operating and capital costs.

From work completed in October 2004 and again based on worked up costs using historical and present day data, preliminary indications, at a comparable $580/oz gold price, show a potential surplus cashflow of $10.6 million from a heap leach operation processing some 3.5 Mt @ 0.92 g/t over a two year mining life, and recovering 80,700 oz of gold at a recovery rate of 78%. Capital start up costs are also significantly lower, estimated at under $0.5 million, with most of the necessary plant and equipment being sourced from existing facilities at Yandan.

Due to the markedly better economics, a definitive feasibility study will commence in November into the heap leach option. The study is expected to take two months to complete with results available in January 2005. Should the results of a detailed feasibility study confirm these initial numbers, due to the lower capital and works requirements, gold mining operations at Wirralie could begin well before the middle of next year.

Thus, while the feasibility study into the recommencement of mining at Wirralie experienced a considerable setback, subsequent diligence and effort by the Company’s staff and consultants have led to a confirmation of the economic potential of the mine.

The longer term viability of Wirralie hinges on being able to find an economic process by which to oxidise the sulphide resource. Like the oxide, the sulphide grades are relatively low at 2.33 g/t. At this stage, as was the case with the previous owner, the front runner remains the emerging Geocoat process, mainly by virtue of its markedly lower indicated capital and operating costs, which are around half of the more traditional oxidative processes such as low pressure oxidation, roasting or stirred-tank bio oxidation.

A capital cost estimate derived in 2000 for implementing Geocoat at Wirralie, processing 160,000 tpa of sulphide concentrate, came in at US$8.9 million. At the governing dollar conversion rate, this equated to A$15.3 million. At today’s conversion rate this figure represents A$12.0 million. However, Geocoat has since been implemented at a commercial scale at the Agnes mine in South Africa, allowing the owners of the technology, Geobiotics, to determine more precise costings on the back of refined processing methodology and streamlined operations.

Accordingly, the Company has requested Geobiotics to prepare a current capital cost estimate for implementing the Geocoat process on the sulphide resource at Wirralie.

Table 1. Hellman & Schofield Wirralie Resource Estimate as at July 2004

Measured			**Indicated**			**Inferred**			**Total**		
Tonnes (Mt)	Au (g/t)	Ounces	Tonnes (Mt)	Au (g/t)	Ounces	Tonnes (Mt)	Au (g/t)	Ounces	Tonnes (Mt)	Au (g/t)	Ounces
Oxide (cut off Au grade: 0.7 g/t)											
2.158	1.11	77,010	1.670	1.01	54,230	0.606	1.04	20,260	4.434	1.06	151,500
Sulphide (cut off Au grade: 1.4 g/t)											
						5.30	2.33	397,020	5.30	2.33	397,020
Total									9.734	1.75	548,520

Review of Operations continued

Irrigation of stacked Geocoat concentrate, Agnes mine, Barberton, South Africa (courtesy of Geobiotics).

Yandan JV (Straits Resources earning 70%)

In March 2004 the Company agreed to farm out its Yandan tenements to Straits Resources Limited. These tenements, the Yandan mining lease ML1095 and the surrounding exploration permit EPM 8257, are located some 50 to 80 km west of the Wirralie site. Straits must spend $2 million over four years to earn a 70% interest in the tenements.

The Yandan gold mine produced 365,000 oz through a combination of CIL and dump leach operations from 1992 to 1998. While small near pit resources remain, Straits is targeting high grade feeder zones at depth beneath the mined pits. Straits has recently completed a deep drilling programme (400+ m) comprising four RC/diamond holes and has generated some excellent initial results. Hole YAN01 drilled beneath the East pit intersected a 131 m wide (253 m – 384 m, down hole) mineralised zone containing a number of very high grade feeder veins, showing typical epithermal colloform banded fabrics. Vein intercepts include 3.2 m @ 5.4 g/t from 253 m, 0.7 m @ 33 g/t from 259 m, 1 m @ 17 g/t from 295 m, and 0.6 m @ 23 g/t from 336 m. Straits regard these results as very encouraging and will be following up with additional drilling.

Straits' involvement enables the Company to concentrate its exploration efforts on prospects within closer trucking distance to Wirralie while retaining an exposure to any exploration success at Yandan.

Yacamunda JV (Sons of Gwalia 49%)

The Yacamunda JV tenements, namely ML 10227 and EPMs 9080, 9081, 9252 and 9981, are primarily centred on the Glen Eva mine and its regional extensions and encompass a significant tract of prospective ground that contains a number of existing gold anomalous targets.

Through a swap agreement with Sons of Gwalia the Company transferred title to the Mulgabbie West tenement in Western Australia to Sons of Gwalia in return for the Company being deemed to have completed its 51% earn-in on the Yacamunda JV tenements in the Drummond Basin. Consequently, subsequent exploration will be on a participating joint venture basis.

Work completed by the Company during the year included review of data, reconstruction of a regional geochemical database and ground familiarisation with key target areas in advance of proposing specific exploration programmes to the joint venture partner for implementation in the coming year.

With Sons of Gwalia going into administration, delays may be experienced in the timely implementation of proposed eploration programmes.

Drummond Basin Regional Exploration

With the acquisition of Wirralie Mines the Company inherited a large amount of exploration data, collected by various companies over a period of 16 years. The replacement value of this data would be in the tens of millions of dollars and represents a substantial asset. The data exists in various formats, is of varying quality and because of its value it needs to be carefully recompiled to gain benefit from it. Most of the effort by the Company's geologists to date has been on Wirralie itself and the regional database is still to be fully compiled. However, over the past two months regional work has commenced in earnest with field inspections of all the known prospects almost complete. An MMI (mobile metal ion) geochemical orientation survey was also implemented in search of an effective means of exploring for gold mineralisation beneath transported Tertiary

Bimurra historical workings, Drummond Basin, Qld

Review of Operations continued

Suttor Formation sediments. Results were positive and the method will be used in future exploration programmes. This is particularly important as large parts of the tenement area, including the near pit environment around Wirralie itself, are under cover.

The Drummond Basin tenements held by the Company have produced in excess of one million ounces of gold in the 15 year period from 1986 to 2001 from five mining centres, equating to an annualised production rate of 65,000 oz. This makes the area a significant producer and one of the most gold endowed areas in Australia.

The Company is therefore looking forward to exploration success in the year ahead as our familiarisation with the database grows and we begin to implement targeted exploration programmes.

ASHBURTON, WA (Gold)

The Company's focus in the Ashburton during the past year has moved to the Soldiers Secret area where the latest phase of soil sampling confirmed the presence of a 4 km x 1 km gold anomaly as defined by a 20 ppb Au contour. The zone contains internal highs of 207 ppb, 661 ppb and a peak of 787 ppb.

A subsequent line of six RAB (rotary air blast) holes, spaced 100 m apart, was drilled across the anomaly and intersected (hole SSB002) a 12 metre anomalous zone with a core intercept of 4 m @ 1.13 g/t from 36 m. This is regarded as an excellent result for a first pass drilling programme. Consequently, the anomaly will now be fully tested by additional RAB drilling in the next field season.

EAST KIMBERLEY, WA (Nickel, PGM, Copper, Gold)

The Company has an interest in fifteen tenements, within three projects groups, in the East Kimberley region of Western Australia.

The main focus is the Ripplesea JV which encompasses some 2,000 sq km along the central and most prospective part of the East Kimberley nickel province. In addition, during the year, the Company acquired the Lamboo-Dockrell and Amherst projects. All the areas are prospective for a range of metals.

Ripplesea JV (Ripplesea 50%)

This group of ten exploration licences (7 granted, 3 pending) is equally owned by the Company and Ripplesea Pty Ltd. Under the terms of the agreement with Ripplesea, the Company can earn up to 75% in the joint venture by sole funding expenditure through to bankable feasibility.

The tenements are prospective for nickel-copper-PGMs and gold. Major first order targets already exist within the tenement area. Based on interpretations of existing residual gravity and aeromagnetic data, these targets have marked similarities in size and intensity to both the Panton Sill and Sally Malay ultramafic intrusives.

During the year work was mostly centred on establishing a comprehensive database of existing information which was used to guide two subsequent field programmes, a geological reconnaissance trip and a first sweep geochemical sampling programme. The sampling work was completed in early October 2004 and results are not yet to hand.

A detailed aeromagnetic survey was due to be flown in August 2004, however the contractor was extensively delayed and this survey is now scheduled to be flown in late October 2004. This delay has, in turn, led to the necessary deferment of the intended drilling programme, which was to use the geophysical information, in conjunction with other data, to confirm, refine and prioritise drilling targets.

Consequently, no further field work will be possible this year.

Lamboo-Dockrell Project (95%)

These four tenements lie in the southern part of the Halls Creek Mobile Zone, abutting the southern tenements of the Company's Ripplesea JV and encompass ground to the southwest and northeast of the historical Mount Dockrell gold mining centre. The tenements are prospective for both gold and nickel mineralisation with one tenement straddling an interpreted buried ultramafic body.

Past reconnaissance work within the area of the project tenements identified stream sediment anomalies of up to 2,000 ppb Au and 573 ppm As, with follow-up soil sampling returning values to 202 ppb au and 150 ppm As. Subsequent rock-chip sampling by previous workers did not return elevated geochemistry and the ground was released without explaining the anomalism.

Recent field work included detailed soil sampling across areas of extensive existing anomalism. As mentioned earlier, the results of this work are still pending.

Amherst Project (95%)

This project consists of a single exploration licence application that encompasses a number of historical workings that record gold, copper, silver and lead mineralisation.

The tenement is situated in the Mt Amherst area, some 75 km SW of Halls Creek, and contains a broad, poorly mapped sequence of undifferentiated Lower Proterozoic schists, amphibolites and dolerites along the northern edge of the Halls Creek Mobile Zone.

DIRECTORS' REPORT

The directors present their report on the financial statements of Ashburton Minerals Ltd ("the Company") and the consolidated entity for the year ended 30 June 2004 as follows:

1. DIRECTORS & OFFICERS

The names and details of the directors and officers of the Company holding office at the date of this report are:

NAME & QUALIFICATION	EXPERIENCE & SPECIAL RESPONSIBILITIES
Rick Wayne Crabb (47) **B.Juris, LLB, MBA**	Non-Executive Chairman (Appointed 1.9.99) Rick is a lawyer and partner with the legal practice Blackiston & Crabb. He specialises in mining, technology, corporate and commercial law and has had extensive experience in legal issues arising in resource development, including contract negotiation and financing. He brings to the Board valuable legal, corporate and mining experience and is a director of several listed companies including Paladin Resources Limited, Port Bouvard Limited, Thundelarra Exploration Ltd, Alcaston Mining NL, Deep Yellow Limited and ST Synergy Limited. Rick (together with Mr Dunn) was also a founding member of the successful Gasgoyne Gold Mines NL, which operated the profitable Yilgarn Star gold mine until that company's takeover by Sons of Gwalia Limited.
Tom Peter Dukovcic (44) **BSc (Hons)** **MAIG**	Managing Director (Appointed 22.4.99) Tom 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 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.
Rodney John Dunn (44)	Executive Director (Appointed 22.4.99) Rod has been actively involved in the mining industry for approximately 20 years. Rod (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. Rod brings valuable corporate and contract management experience to the Board.
Tom Melanko (42) **B.Bus (Accounting) CPA**	Company Secretary (Appointed 2.3.04) Tom is a Certified Practising Accountant with over 12 years commercial accounting experience. Tom has over 5 years experience as a Company Secretary for public listed companies in both mineral exploration and information technology.

Unless indicated otherwise, all directors and officers held their position throughout the entire financial year and up to the date of this report.

2. DIRECTORS' MEETINGS

The number of director's meetings attended by each of the directors of the Company during the financial year and up to the date of this report were:

	Attended	Maximum possible Attended
RW Crabb	7	7
TP Dukovcic	7	7
RJ Dunn	7	7

3. PRINCIPAL ACTIVITY

The principal activity of the consolidated entity during the financial year was mineral exploration.

Directors' Report continued

4. RESULTS

The consolidated net operating loss of the consolidated entity attributable to the members of Ashburton Minerals Ltd after providing for income tax for the financial year was $432,055 (2003: $854,464).

5. DIVIDENDS

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

6. REVIEW OF OPERATIONS

The primary focus of the company's activities during the year was an investigation into the economic feasibility of recommencing gold mining at the Wirralie gold mine in Queensland, which the Company acquired as part of its purchase of Wirralie Mines Pty Ltd, completed on 28 August 2003.
This work included geological reviews, reconstruction of the extensive drill hole and geochemical database, resource drilling and modelling, assessment of environmental and hydrological issues, and appraisal of the requirements and costs of refurbishment of the Wirralie CIP treatment plant.
Exploration activities were also undertaken over the Company's other projects, namely the Ashburton project for gold, and the East Kimberley project for nickel, gold and platinum group metals.

7. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

a) The operations of the consolidated entity;

b) The results of the operations; or

c) The state of affairs of the consolidated entity in the financial year subsequent to 30 June 2004, other than as described below.

On 21 July 2004, the Company announced the results of a resource recalculation at Wirralie that included the results of a recent reverse circulation drilling programme completed by the Company. The oxide resource was increased by 14% resulting in total (Measured, Indicated and Inferred) oxide resources of 4.43 Mt @ 1.06 g/t, and total sulphide resources of 5.30 Mt @ 2.33 g/t. The work was completed by independent geologists Hellman & Schofield Pty Ltd.

On 5 August 2004, the Company announced that it would undertake a sale of unmarketable parcels of shares held in the Company pursuant to Clause 3 of the Company's Constitution. As at that date, the Company had 3,166 shareholders of which approximately 2,000 held unmarketable parcels, having a value of less than $500 at a share price of 15 cents per share. This represented some 1.6 million shares, being approximately 2.4% of the issued share capital. The 6-week period for notification of a wish to retain shares closed on 23 September 2004, with some 380 shareholders electing to retain their shares. The balance of the shares, being approximately 1.22 million shares, were to be sold by the Company on behalf of the shareholders, with the Company to meet any costs associated with the sale.

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.

Also on 6 August, the Company announced that it had engaged metallurgical consultants MDM Pty Ltd to investigate processing options for the Wirralie gold deposit as part of its ongoing feasibility studies. In addition to the CIP option, MDM were to investigate an option to heap leach the Wirralie ore.

On 6 August, the Company also announced the appointment of Mr John Kenny as alternate director to Mr Rick Crabb for the period 3 August 2004 to 10 January 2005.

On 3 September 2004 the company was informed by Straits Resources Limited that Straits had chosen to exercise its option over the Company's Yandan tenements pursuant to the Yandan Joint Venture Agreement between Straits and the Company.

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.

Directors' Report continued

8. LIKELY DEVELOPMENTS AND FUTURE RESULTS

The likely developments in the operations of the consolidated entity are set out in the Review of Operations.

9. SHARE OPTIONS

At balance date Unissued Ordinary Shares of the Company under Option are:

Expiry Date	Exercise Price	Number of Shares
31 December 2005	$0.288	466,668
31 December 2005	$1.50	466,668
30 June 2006	$0.12	2,563,158
30 June 2006	$0.28	8,500,000
31 March 2007	$0.32	12,132,422

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 15,606,004 Ordinary Shares as a result of the exercise of Options. Capital raised was $2,132,813.

10. DIRECTORS' & SPECIFIED EXECUTIVES INTERESTS

At the date of this Directors' Report, the direct and indirect interest of each director and specified executives of the Company in the issued securities of the Company were as follows:

Fully Paid Ordinary Shares

	Direct	Indirect	Total
Directors			
Mr R W Crabb	18,834	88,334	107,168
Mr T P Dukovcic	151,681	444,445	596,126
Mr R J Dunn	40,000	3,364,178	3,404,178
Total	**210,515**	**3,896,957**	**4,107,472**

	Listed Options (i)	Unlisted Options (ii)	Unlisted Options (iii)	Unlisted Options (iv)	Unlisted Options (v)	Total
Directors						
Mr R W Crabb	17,862	40,000	80,000	53,584	1,500,000	1,691,446
Mr T P Dukovcic	91,020	150,000	-	75,841	5,000,000	5,316,861
Mr R J Dunn	567,364	150,000	133,334	55,001	2,000,000	2,905,699
Specified Executives						
Mr R G Ledger	–	23,334	60,000	–	–	83,334
Total	**676,246**	**363,334**	**273,334**	**184,426**	**8,500,000**	**9,997,340**

(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.

11. DIRECTORS' AND SPECIFIED EXECUTIVES EMOLUMENTS

Disclosure relating to directors and executive officers emoluments has been included in note 19 of the financial report.

Dated this 28th day of September 2004.

Signed in accordance with a resolution of directors:

Tom P Dukovcic
Managing Director

CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2004

INTRODUCTION

Ashburton Minerals Ltd ABN 99 008 894 452 ("**Company**") has adopted systems of control and accountability as the basis for the administration of Corporate Governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's Corporate Governance practices is set out on the Company's website at www.ashburton-minerals.com.au :

- Corporate Governance Disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Code of Conduct for Company Executives;
- Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure;
- Shareholder Communication Strategy;
- Company's Risk Management Policy and Internal Compliance and Control System;
- Statement of process for performance evaluation of the Board, Board committees, individual directors and key executives;
- Remuneration Committee Charter; and
- Corporate Code of Conduct.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

From 1 July 2003 to 30 June 2004 the Company has complied with each of the Ten Essential Corporate Governance Principles[1] and the corresponding Best Practice Recommendations[2] as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified below.

PRINCIPLE	RECOM-MENDATION REF	NOTIFICATION OF DEPARTURE	EXPLANTATION FOR DEPARTURE
1	1.1	Formalisation and disclosure of the functions reserved to the Board and those delegated to management occurred on 15 July 2004.	As from 15 July 2004, the Company achieved compliance. Prior to this time, the functions were delegated as now disclosed but without formalisation and disclosure.
2	2.1	The Board does not have a majority of independent directors, comprising of one independent director and two non-independent directors.Mr Rick Crabb, Non-Executive Chairman does not satisfy paragraph 3 of the Independence Test. However notwithstanding this, the Board considers Mr Crabb to be independent for the reasons set out in the section headed "Identification of Independent Directors" in the Annual Report.	The Board considers that its current structure is appropriate given its size and the early stage of its projects. The Board considers that the current directors provide the necessary diversity of skills and experience which is appropriate for the Company's current projects and business.

Corporate Governance Statement continued

PRINCIPLE	RECOM-MENDATION REF	NOTIFICATION OF DEPARTURE	EXPLANTATION FOR DEPARTURE
2	2.2	The Chairman does not satisfy paragraph 3 of the Independence Test.	Notwithstanding that Mr Crabb does not satisfy paragraph 3 of the Independence Test, the Board considers him to be independent for the reasons set out in the section headed "Identification of Independent Directors" in the annual Report.
2	2.4	A separate nomination committee has not been formed.	The role of nomination committee is carried out by the full Board. Given the Company's current size and the early stage of its projects, the Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. Prior to 15 July 2004, the full Board considered the appointment of new directors on an informal basis. On 15 July 2004 the Board adopted the Nomination Committee Charter which formalises the functions of the Board when considering issues that would otherwise fall to a nomination committee.
3	3.1; 3.2	There was no written code of conduct or securities trading policy prior to 15 July 2004.	Although there was no written policy on these areas prior to 15 July 2004, the Board considers its business practices, as led by the Board and key executives, were the equivalent of a code of conduct. The Company documented these practices and principles into a written code which was adopted by the Board on 15 July 2004.
4	4.2; 4.3	There was no audit committee during the Reporting Period.	The full Board carried out the functions of an audit committee. Due to the small size and structure of the Board, it was decided that no additional benefits or efficiencies would be achieved by establishing a separate audit committee. In carrying out the duties of an audit committee, the full Board follows the Audit Committee Charter, a copy of which is available on the Company's website. The Board sets aside time at least quarterly to deal with those matters that would otherwise fall to an audit committee, to ensure that the integrity of the Company's financial statements and the independence of the external auditor were maintained.
4	4.4	The Company adopted the Audit Committee Charter on 15 July 2004.	Prior to 15 July 2004, the full Board considered those matters that would otherwise be considered by an audit committee on an informal basis. The full Board now carries out the functions of an audit committee in accordance with the Audit Committee Charter.
5	5.1	There were no written policies and procedures regarding ASX Listing Rules disclosure requirements prior to 15 July 2004.	Although there were no written policies or procedures, the Company complied with all disclosure requirements. Policies and procedures were documented and adopted on 15 July 2004. The Company is therefore now in compliance.

Corporate Governance Statement continued

PRINCIPLE	RECOM-MENDATION REF	NOTIFICATION OF DEPARTURE	EXPLANTATION FOR DEPARTURE
6	6.1	The Company's shareholder's communication strategy was designed and disclosed in a formal way on 15 July 2004.	The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It has continued to increase and improve the information available to shareholders on its website. Shareholders are informed of the activities of the Company through its annual and quarterly reports, and are encouraged to attend the annual general meeting. The Company's formal strategy was documented and disclosed on 15 July 2004. The Company is therefore now in compliance.
7	7.1	Prior to 15 July 2004, the Company had an informal framework for risk oversight and management policy and internal compliance and control system. On 15 July 2004, this framework was formalised and adopted by the Board.	On 15 July 2004, the Company developed a framework for risk management which covers financial, operational and organisational risks which formalised those policies and procedures which were already carried out during the Reporting Period. The Company intends to develop this framework into a detailed policy as its operations continue to grow.
8	8.1	The process for performance evaluation of the Board, its committees and individual directors and key executives was not disclosed.	The process was not disclosed, [but did occur by way of an informal review by the Chairman]. A statement of the process is being prepared for Board approval and the Company therefore expects to be in compliance in the 2004/2005 financial year.
9	9.1	The Company's remuneration policy was not disclosed until 15 July 2004.	Although the policy was not disclosed, it did exist and was applied during the Reporting Period.
9	9.2	There was no separate remuneration committee.	Due to the small size and structure of the Board, a separate remuneration committee was not considered to add any efficiencies to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to set aside time at least during one Board meeting each year to specifically address matters that would ordinarily fall to a remuneration committee. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter which was adopted on 15 July 2004.In addition, all matters of remuneration will continue to be determined in accordance with *Corporations Act* requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his own remuneration or related issues.
10	10.1	A code of conduct was adopted on 15 July 2004.	Although there was no code of conduct documented or disclosed, the Board considers its business practices, as led by the example of the Board and key executives, were the equivalent of a code of conduct, which has now been documented, approved and disclosed.

Corporate Governance Statement continued

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out in the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

The independent director of the Company is Mr Rick Crabb.

Mr Crabb is a principal of the firm Blakiston & Crabb. Blakiston & Crabb have been one of the providers of legal services to the Company. As a result of Mr Crabb being a principal of Blakiston & Crabb, he does not fit within paragraph 3 of the Independence Test. Mr Crabb passes all other aspects of the Independence Test.

The Board of Ashburton Minerals Ltd (in the absence of Mr Crabb) considers he is capable of and demonstrates that he consistently makes decisions and takes actions which are designed to be for the best interests of the Company, and therefore consider him to possess the characteristics required of a person who would be eligible to take the role of an independent director. The Board notes that the fees paid to Blakiston & Crabb are not high enough to be material to Mr Crabb's practice or the firm Blakiston & Crabb and are also not material to the Company.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

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.

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the functions of a nomination committee. Relevant issues were dealt with at the regular Board meetings on an as required basis.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

The full Board carries out the functions of an audit committee in accordance with the Audit Committee Charter which was adopted by the Company on 15 July 2004. The Board seeks out the advice of experts in the financial and accounting fields as required.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

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 2003
- 16 February 2004

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

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.

COMPANY'S REMUNERATION POLICIES

Disclosure of directors' and executives' remuneration is set out in Note 19 of the financial report.
The remuneration levels of all directors are benchmarked against rates from comparative organisations.
Non-executive directors received directors' fees (plus superannuation) for their services as directors.
Executive directors received a salary (plus superannuation). The Managing Director also received a company car. Executive directors (including the Managing Director) did not receive directors' fees.
All directors received options as approved by the members of the Company at a general meeting held on 25 June 2004.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS.

The full Board carries out the functions of a remuneration committee in accordance with the Remuneration Committee Charter. The full Board addressed issues of remuneration of the executive directors on 27 April 2004.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR DIRECTORS

The Company does not have any terms or schemes relating to retirement benefits for directors.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Revenue from ordinary activities		-	-	–	–
Other revenues from ordinary activities	3	156,035	126,849	151,460	126,849
Total Revenue		156,035	126,849	151,460	126,849
Expenses from ordinary activities:					
Accounting fees		(41,381)	-	(41,381)	–
Bank charges		(14,800)	-	(14,800)	-
Corporate costs		(53,174)	-	(53,174)	-
Consultants fees		(8,685)	(282,172)	(8,685)	(282,172)
Costs of shares sold		-	(177,740)	-	(177,740)
Depreciation expenses	4	(16,472)	(10,317)	(16,243)	(10,031)
Employee expenses (Salaries, wages & directors' fees)		(135,289)	(276,668)	(135,289)	(276,668)
Exploration expenditure written off		(51,597)	-	(51,597)	–
Legal fees		(45,289)	(35,316)	(45,289)	(35,316)
Occupancy costs		(33,655)	(34,311)	(33,655)	(34,311)
Office expenses		(42,832)	-	(42,832)	–
Public relations		(67,226)	-	(63,181)	–
Other expenses from ordinary activities		(77,690)	(164,789)	(75,639)	(164,789)
Loss from ordinary activities before related income tax expense		(432,055)	(854,464)	(430,305)	(854,178)
Income tax (expense)/benefit relating to ordinary activities	5	–	–	–	–
Loss from ordinary activities after related income tax expense		(432,055)	(854,464)	(430,305)	(854,178)
Profit/(loss) from extraordinary item after related income tax expense		–	–	–	–
Net Loss attributable to members of parent entity	16	(432,055)	(854,464)	(430,305)	(854,178)
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.		(432,055)	(854,464)	(430,305)	(854,178)
Basic earnings per share (cents per share)	17	(0.78)	(4.31)		

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on **pages 18 to 33.**

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE 2004

		Consolidated		Company	
		2004	2003	2004	2003
	Note	$	$	$	$
Current Assets					
Cash		3,200,066	100,540	3,099,112	100,540
Receivables	6	185,861	41,043	85,809	41,043
Other financial assets	8	1,800	2,000	1,800	2,000
Total Current Assets		**3,387,727**	**143,583**	**3,186,721**	**143,583**
Non-Current Assets					
Receivables	6	30,200	–	1,715,404	65,150
Investments accounted for using the equity method	7	1	1	3	3
Other financial assets	8	1	1	878,501	878,501
Property, plant and equipment	9	943,927	32,811	71,692	31,886
Exploration Tenements	10	5,672,634	1,898,809	1,594,039	1,020,309
Total Non-Current Assets		**6,646,763**	**1,931,622**	**4,259,639**	**1,995,849**
Total Assets		**10,034,490**	**2,075,205**	**7,446,360**	**2,139,432**
Current Liabilities					
Payables	11	106,104	165,166	64,196	165,116
Provisions	12	53,067	–	40,818	–
Total Current Liabilities		**159,171**	**165,166**	**105,014**	**165,116**
Non-Current Liabilities					
Provisions	13	2,600,000	-	-	-
Total Non-Current Liabilities		**2,600,000**	**-**	**-**	**-**
Total Liabilities		**2,759,171**	**165,166**	**105,014**	**165,116**
Net Assets		**7,275,319**	**1,910,039**	**7,341,346**	**1,974,316**
Equity					
Contributed equity	14	20,559,182	14,761,847	20,559,182	14,761,847
Reserves	15	408,109	408,109	408,109	408,109
Accumulated losses	16	(13,691,972)	(13,259,917)	(13,625,945)	(13,195,640)
Total Equity		**7,275,319**	**1,910,039**	**7,341,346**	**1,974,316**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on **pages 18 to 33.**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

		Consolidated		Company	
		2004	2003	2004	2003
	Note	$	$	$	$
Cash flows from operating activities					
Receipts from customers		3,300	-	-	-
Payments to suppliers and employees		(447,031)	(824,817)	(521,357)	(824,817)
Interest received		142,679	8,382	142,151	8,382
Interest paid		(13,319)	-	(13,319)	-
Dividends received		-	52	-	52
Net Operating Cash flows	18(b)	(314,371)	(816,383)	(392,525)	(816,383)
Cash flows from investing activities					
Payments for equity investments		-	(22,840)	-	(22,840)
Payments for property, plant & equipment		(47,466)	(1,945)	(30,657)	(1,945)
Proceeds from sale of share investment		-	118,395	-	118,395
Payments for exploration expenditure		(2,235,972)	(203,152)	(625,327)	(203,152)
Net investing cash flows		(2,283,438)	(109,542)	(655,984)	(109,542)
Cash flows from financing activities					
Proceeds from issue of shares		5,797,335	801,964	5,797,335	801,964
Loan to related party		-	-	(1,650,254)	-
Loan from related party		-	150,000	-	150,000
Loan repaid to related party		(100,000)	(50,000)	(100,000)	(50,000)
Net financing cash flows		5,697,335	901,964	4,047,081	901,964
Net increase/(decrease) in cash held		3,099,526	(23,961)	2,998,572	(23,961)
Adjustment re-acquisition		-	-	-	-
Cash at beginning of financial year		100,540	124,501	100,540	124,501
Cash at end of financial year	18(a)	3,200,066	100,540	3,099,112	100,540

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on **pages 18 to 33.**

NOTES TO THE FINANCIAL STATEMENTS
AS AT 30 JUNE 2004

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.

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.

Notes to the Financial Statements continued

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year (i.e. as at 1 July 2004).

The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

Notes to the Financial Statements continued

2 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The directors are of the opinion that the major differences in the Company's accounting policies which will arise from the adoption of IFRS are:

- Impairment of Assets

  The Company currently determines the recoverable amount of an asset on the basis of either undiscounted or discounted (depending on the specific asset) net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of the fair value less costs to sell and value in use. It is expected that this change in accounting policy will generally lead to impairments being recognised more often than under the existing policy.

- Exploration Tenements

  Currently, mineral exploration expenditure is capitalised in relation to each separate area of interest in accordance with the accounting policy set out in Note 1 on page 17. At the present time the impact of changes from the current AASB 1022 are not yet determinable.

- Income Tax

  Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit. It is not expected that this change will significantly impact the Company's reported results and financial position, at least in the short term.

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
3 REVENUE FROM ORDINARY ACTIVITIES				
Other Revenues:				
From Operating Activities				
Dividends – Other Parties	-	52	-	52
Interest – Other Parties	142,678	8,382	141,403	8,382
Sale of Shares	-	118,395	-	118,395
From Outside Operating Activities				
Miscellaneous Income	13,357	20	10,057	20
Total revenue from ordinary activities	**156,035**	**126,849**	**151,460**	**126,849**

4 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:				
Total depreciation of plant & equipment	186,394	10,317	16,243	10,031
Less: depreciation capitalised as part of Exploration Tenements	(169,922)	–	–	–
Total depreciation of plant & equipment	16,472	10,317	16,243	10,031
Operating lease rental expense	33,655	34,311	33,655	34,311
Exploration costs written off	51,597	42,923	51,597	-
Disposal of listed investments	-	(1,345)	-	(1,345)

Notes to the Financial Statements continued

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
5 INCOME TAX				
a) Prima facie income tax benefit on operating loss at 30% (2003: 30%)	129,617	256,339	129,092	256,253
Increase/(decrease) in income tax benefit due to:				
Permanent differences	-	-	-	-
Timing differences	-	-	-	-
Income tax benefit not brought to account	(129,617)	(256,339)	(129,092)	(256,253)
Income tax attributable to operating loss	-	-	-	-
b) 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	2,545,515	2,415,898	2,500,691	2,371,599
Exploration expenditure	1,276,169	1,276,169	1,198,185	1,198,185
	3,821,684	3,692,067	3,698,876	3,569,784

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 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
6 RECEIVABLES				
Current				
Other debtors	147,258	21,532	48,966	21,532
Tenement deposits	38,603	19,511	36,843	19,511
Loan to an associated company	365,000	365,000	365,000	365,000
Less: Provision for doubtful debt	(365,000)	(365,000)	(365,000)	(365,000)
	185,861	41,043	85,809	41,043
Non Current				
Other debtors	30,200	-	-	-
Loans to controlled entities	-	-	1,715,404	65,150
	30,200	-	1,715,404	65,150

The loan to an associated Company is secured by a first ranking fixed and floating charge over the assets of the associated Company, and is repayable in Australian dollars.

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investments in associated entities at cost				
Unlisted	-	-	2	2
Optics Storage Pte Limited – refer Note 25	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

Notes to the Financial Statements continued

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
8 OTHER FINANCIAL ASSETS				
Current				
Listed shares at cost	2,000	2,000	2,000	2,000
Provision for diminution in value	(200)	-	(200)	-
Listed shares at current market value	1,800	2,000	1,800	2,000
Non Current				
Investment in Controlled Entity at Cost [(i)]	-	-	502,486	502,486
Revaluation (refer to Note 10) at Independent Valuation 24 May 1999	-	-	641,014	641,014
	-	-	1,143,500	1,143,500
Less: Write down of investment previously revalued	-	-	(265,000)	(265,000)
	-	-	878,500	878,500
Investments in Other Corporations at cost Unlisted	270,450	270,450	270,450	270,450
	270,450	270,450	270,450	270,450
Provisions for diminution in value	(270,449)	(270,449)	(270,449)	(270,449)
	1	1	1	1
	1	1	878,501	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 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
9 PROPERTY, PLANT & EQUIPMENT				
Buildings- at cost	47,900	-	-	-
Accumulated depreciation	(1,205)	-	-	-
	46,695	-	-	-
Mobile equipment – at cost	46,100	-	-	-
Accumulated depreciation	(7,730)	-	-	-
	38,370	-	-	-
Motor vehicles – at cost	153,000	42,000	43,000	42,000
Accumulated depreciation	(27,602)	(24,209)	(6,854)	(24,209)
	125,398	17,791	36,146	17,791
Property, Plant & Equipment	996,477	107,244	130,489	100,832
Accumulated depreciation	(263,013)	(92,224)	(94,943)	(86,737)
	733,464	15,020	35,546	14,095
Total	**943,927**	**32,811**	**71,692**	**31,886**

Notes to the Financial Statements continued

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
9 PROPERTY, PLANT & EQUIPMENT (continued)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Buildings				
Carrying amount at beginning of year	-	-	-	-
Additions	47,900	-	-	-
Deletions	-	-	-	-
Amortisation	(1,205)	–	–	–
Carrying amount at end of year	46,695	–	–	–
Mobile Equipment				
Carrying amount at beginning of year	-	-	-	-
Additions	46,100	-	-	-
Deletions	-	-	-	-
Amortisation	(7,730)	-	-	-
Carrying amount at end of year	38,370	–	–	–
Motor vehicle				
Carrying amount at beginning of year	17,791	22,956	17,791	22,956
Additions	153,000	-	43,000	-
Deletions	(17,791)	-	(17,791)	-
Depreciation	(27,602)	(5,165)	(6,854)	(5,165)
Carrying amount at end of year	125,398	17,791	36,146	17,791
Property, Plant and Equipment				
Carrying amount at beginning of year	15,020	18,177	14,095	17,016
Additions	868,301	1,945	116,394	1,945
Depreciation	(149,857)	(5,102)	(94,943)	(4,866)
Carrying amount at end of year	733,464	15,020	35,546	14,095
10 EXPLORATION TENEMENTS				
Capitalised Exploration Expenditure				
Exploration and/or evaluation phase at cost	4,557,579	1,020,309	1,594,039	1,020,309
Exploration and/or evaluation phase at valuation (less accumulated write downs of $265,000)	1,115,055	878,500	-	-
	5,672,634	**1,898,809**	**1,594,039**	**1,020,309**
Represented by:				
Capitalised expenditure – Exploration and/or Evaluation phase				
Opening balance	1,898,809	1,738,580	1,020,309	860,080
Current year exploration expenditure capitalised	2,265,422	203,152	625,327	203,152
Additional tenements acquired	1,560,000	-	-	-
Expenditure written off in the statement of financial performance	(51,597)	(42,923)	(51,597)	(42,923)
Closing Balance	**5,672,634**	**1,898,809**	**1,594,039**	**1,020,309**

Notes to the Financial Statements continued

10 EXPLORATION TENEMENTS (continued)

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 and Associates Pty Limited, Independent Consulting Geologists, on 24 May 1999 as part of the Information Memorandum issued by the Company in July 1999. In August 1999, the Company's shareholders resolved to acquire all the issued capital in Ashburton Gold Mines NL, thereby acquiring all interests in the tenements.

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
11 PAYABLES				
Trade creditors	81,313	65,166	46,192	65,116
Other creditors and accruals	24,791	100,000	18,004	100,000
	106,104	**165,166**	**64,196**	**165,116**
12 PROVISIONS – CURRENT				
Employee entitlements	53,067	-	40,818	-
Aggregate Employee Entitlements	**53,067**	**-**	**40,818**	**-**
13 PROVISIONS – NON-CURRENT				
Future reclamation costs	2,600,000	-	-	-
Aggregate Future Reclamation Costs	**2,600,000**	**-**	**-**	**-**
14 CONTRIBUTED EQUITY				
Issued Share Capital				
69,298,038 (2003: 350,111,412) Ordinary Fully Paid Shares	**20,559,182**	**14,761,847**	**20,559,182**	**14,761,847**
Movement in issued shares during the year				
Balance at the beginning of the year (350,111,412 ordinary shares consolidated into 23,342,034 shares after consolidation)	14,761,847	13,959,883	14,761,847	13,959,883
Options exercised during the year 15,606,004 (2003: Nil)	2,132,813	-	2,132,813	-
Shares issued from Prospectuses 29,666,667 (2003: Nil)	3,560,000	-	3,560,000	-
Share Placements(10,250,000 ordinary shares consolidated into 683,333 shares after consolidation)	82,000	-	82,000	-
Share Placements	-	839,500	-	839,500
Total movement in issued shares during the year	20,536,660	14,799,383	20,536,660	14,799,383
Movement in options during the year				
Options issued as part of a Loyalty Share Purchase Plan 6,000,000 (2003: Nil)	60,000	-	60,000	-
Options issued from a Pro-Rata Non-Renounceable Rights Issue 12,132,422 (2003: Nil)	242,648	-	242,648	-
Total movement in options during the year	302,648	-	302,648	-
Total movement in issued capital during the year	20,839,308	14,799,383	20,839,308	14,799,383
Transaction costs of issuing shares and options	(280,126)	(37,536)	(280,126)	(37,536)
Balance in issued share capital at end of year	**20,559,182**	**14,761,847**	**20,559,182**	**14,761,847**

Notes to the Financial Statements continued

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
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
	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.

16 ACCUMULATED LOSSES				
Accumulated losses at beginning of year	(13,259,917)	(12,405,453)	(13,195,640)	(12,341,462)
Net loss attributable to members of parent entity	(432,055)	(854,464)	(430,305)	(854,178)
Accumulated losses at the end of the year	**(13,691,972)**	**(13,259,917)**	**(13,625,945)**	**(13,195,640)**
17 EARNINGS PER SHARE				
Basic loss per Share (cents per Share)	(0.78)	(4.31)	(0.78)	(4.31)
Weighted average number of ordinary shares issued in the calculation of basic earnings per share	55,410,649	19,843,137	55,410,649	19,843,137

On 26 August 2003 the Company consolidated its share capital on the basis of 1 ordinary fully paid share for every 15 ordinary fully paid shares held. Loss per share is therefore reported in terms of post consolidation share capital (2003 adjusted in the same proportions)

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

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	1,518,657	100,540	1,411,471	100,540
Other Negotiable instruments	1,681,409	-	1,687,641	-
	3,200,066	**100,540**	**3,099,112**	**100,540**

Notes to the Financial Statements continued

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
18 NOTES TO THE STATEMENT OF CASH FLOWS (continued)				
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	(432,055)	(854,464)	(430,305)	(854,178)
Non cash flows in operating loss:				
Profit on disposal of fixed asset	(9,310)	-	(9,310)	-
Depreciation of plant & equipment	186,394	10,317	16,243	10,031
Diminution of listed investments	200	-	200	-
Exploration expenditure written-off	51,597	42,923	51,597	42,923
Share of loss of associated company	-	-	-	-
Changes in operating assets and liabilities net of the effects of purchase and disposal of controlled entities:				
(Increase)/Decrease in trade and term debtors	(30,200)	(16,368)	(1,650,254)	(16,368)
Increase/(Decrease) in trade creditors and accruals	(5,995)	2,554	(60,102)	2,554
Other	(75,002)	(1,345)	1,689,406	(1,345)
Net cash used in operating activities	**(314,371)**	**(816,383)**	**(392,525)**	**(816,383)**

c) Non-cash transactions - Nil

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 (appointed 2 March 2004)
Mr R G Ledger	Company Secretary (resigned 2 March 2004)

b. Parent Entity Directors' Remuneration

2004

	Salary, Fees & Commissions $	Superannuation Contribution $	Options $	Other $	Total $
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**

The service and performance criteria set to determine remuneration are included per Note (i).

Notes to the Financial Statements continued

19 DIRECTORS AND EXECUTIVE REMUNERATION (continued)

c. Parent Entity Directors' Remuneration

	Salary, Fees & Commissions $	Superannuation Contribution $	Options $	Other $	Total $
2003					
Mr R W Crabb	27,000	2,430	-	9,900	**39,330**
Mr T P Dukovcic	120,000	10,799	-	-	**130,799**
Mr R J Dunn	100,000	9,173	-	-	**109,173**
Total	**247,000**	**22,402**	**-**	**9,900**	**279,302**

The service and performance criteria set to determine remuneration are included per Note (i).

d. Specified Executives' Remuneration

2004					
Mr T Melanko	14,608	-	-	-	**14,608**
Mr R G Ledger	9,625	-	-	-	**9,625**
Total	**24,233**	**-**	**-**	**-**	**24,233**

The service and performance criteria set to determine remuneration are included per Note (i).

e. Specified Executives' Remuneration

2003					
Mr R G Ledger	1,375	-	-	-	**1,375**
Total	**1,375**	**-**	**-**	**-**	**1,375**

The service and performance criteria set to determine remuneration are included per Note (i).

f. Remuneration Options
Options Granted As Remuneration

					Terms & Conditions	
	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date $	Exercise Price	Exercise Date
Parent Entity Directors						
Mr R W Crabb	1,500,000	1,500,000	25 June 2004	0.0001	$0.28	30 June 2006
Mr T P Dukovcic	5,000,000	5,000,000	25 June 2004	0.0001	$0.28	30 June 2006
Mr R J Dunn	2,000,000	2,000,000	25 June 2004	0.0001	$0.28	30 June 2006
Total	**8,500,000**	**8,500,000**	**-**	**0.0001**	**-**	**-**

g. Options and Rights Holdings
Number of options held by Specified Directors & Executives

	Balance 1.7.03	Granted as Remuneration	Options Exercised*	Net Change Other*	Balance 30.6.04	Total Vested 30.6.04	Total Exercisable
Parent Entity Directors							
Mr R W Crabb	1,800,000	1,500,000	-	(1,608,554)*	1,691,446	1,691,446	1,691,446
Mr T P Dukovcic	2,250,000	5,000,000	-	(1,933,139)*	5,316,861	5,316,861	5,316,861
Mr R J Dunn	4,250,000	2,000,000	-	(3,344,301)*	2,905,699	2,905,699	2,905,699
Specified Executives							
Mr R G Ledger	1,250,000	-	-	(1,166,666)	83,334	83,334	83,334
Total	**9,550,000**	**8,500,000**	**-**	**(8,052,660)**	**9,997,340**	**9,997,340**	**9,997,340**

Notes to the Financial Statements continued

19 DIRECTORS AND EXECUTIVE REMUNERATION (continued)

g. Options and Rights Holdings (continued)

On 26 August 2003 the Company consolidated its share capital on the basis of 1 ordinary fully paid share for every 15 ordinary fully paid shares held. The consolidation also applied to options on the basis of 1 option for every 15 options held.A rights issue occurred on 12 September 2003 to all shareholders based on one option for every two fully paid ordinary shares held. This resulted in the grant of options to parent entity directors and specified executives at that date. A rights issue occurred on 14 April 2004 to all shareholders based on one option issued for every six fully paid ordinary shares held. This resulted in the grant of options to parent entity directors and specified executives at that date.

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.

(h) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.03	Received as Remuneration	Options Exercised*	Net Change Other*	Balance 30.6.04
Parent Entity Directors					
Mr R W Crabb	1,607,500	-	-	(1,500,332)*	107,168
Mr T P Dukovcic	8,941,876	-	-	(8,345,750)*	596,126
Mr R J Dunn	45,063,746	-	-	(41,659,568)*	3,404,178
Total	**55,613,122**	**-**	**-**	**(51,505,650)**	**4,107,472**

* On 26 August 2003 the Company consolidated its share capital on the basis of 1 ordinary fully paid share for every 15 ordinary fully paid shares held. The consolidation also applied to options on the basis of 1 option for every 15 options held.

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

(i) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Any options not exercised before or on the date of termination lapse.

The entity seeks to encourage the performance of directors and executive officers by way of the grant of Options. Under the entities current circumstances, it is considered that the incentives to directors and executive officers represented by the issue of Options are a cost effective and efficient reward and incentive for the entity, as opposed to alternative forms of incentive, such as the payment of cash. The board of Directors agree that is better for the entity that the directors and executive officers be rewarded by way of securities in the Company, rather than by way of cash.

Notes to the Financial Statements continued

20 SEGMENT INFORMATION

Geographical Segments

	Australia		Asia		Total	
	2004 $	2003 $	2004 $	2003 $	2004 $	2003 $
Revenue from customers	-	-	-	-	-	-
Unallocated operating revenue	156,035	126,849	-	-	156,035	126,849
Total Revenue	156,035	126,849	-	-	156,035	126,849
Segment Result	(432,055)	(854,464)	-	-	(432,055)	(854,464)
Segment Assets	10,034,490	2,075,205	-	-	10,034,490	2,075,205

Industry Segments

	Mineral Exploration	
	2004 $	2003 $
Operating Revenue	–	–
Segment Results	(432,055)	(854,464)
Segment Assets	10,034,490	2,075,205

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 T P Dukovcic
Mr R J Dunn
Mr R W Crabb

Apart from the directors' remuneration disclosed in Note 19, 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 there was a loan payable by the consolidated entity of $100,000 to Red Peaks Pty Ltd, a company associated with Mr RJ Dunn.

Prior to 30 June 2004 the loan was repaid in full. Interest charges of $8,333 were also paid in cash.

During the year legal fees of $31,170 were paid to Blakiston & Crabb, a legal firm of which Mr RW Crabb is 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 2004 is set out below:

	Fully Paid Shares		
	Direct	Indirect	Total
Mr R W Crabb	18,834	88,334	107,168
Mr T P Dukovcic	151,681	444,445	596,126
Mr R J Dunn	40,000	3,364,178	3,404,178

	Options		
	Direct	Indirect	Total
Mr R W Crabb	123,139	68,307	191,446
Mr T P Dukovcic	242,787	74,074	316,861
Mr R J Dunn	290,001	615,698	905,699

Notes to the Financial Statements continued

21 RELATED PARTY INFORMATION (continued)

	Ordinary Shares	Listed Options (i)	Unlisted Options (ii)	Unlisted Options (iii)	Unlisted Options (iv)	Unlisted Options (v)
Opening Balance	55,613,122	-	5,100,000	3,200,000	-	-
1:15 consolidation	(51,905,579)	-	(4,760,000)	(2,986,666)	-	-
Purchases	399,929	676,246	-	-	184,426	-
Sales	-	-	-	-	-	-
Other*	-	-	-	-	-	8,500,000
Closing Balance	**4,107,472**	**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 399,929 fully paid ordinary shares in the Company and disposed of nil fully paid ordinary shares in the Company.

* Directors were granted unlisted options approved by shareholders at a general meeting held on 25 June 2004.

	Consolidated 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
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:				
Company auditors				
Auditing the accounts	9,800	9,900	9,800	9,900
Other services	7,165	2,342	7,165	2,343

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 2004 $	Consolidated 2003 $	Company 2004 $	Company 2003 $
Not later than one year	1,493,130	2,051,000	600,130	2,051,000
	1,493,130	**2,051,000**	**600,130**	**2,051,000**

The majority of the expenditure commitments relate to tenements acquired by the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin Project.

The acquisition of this entity was concluded on 28 August 2003. Upon a full assessment of all tenements comprising the Drummond Basin Project, Ashburton Minerals may decide to joint venture, sell or relinquish some of the tenements. Accordingly, the commitment figure stated above may not be required to be met in full by the Company.

Notes to the Financial Statements continued

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 expires on 30 June 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 $1,650,798 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.

25 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name of Company	**Interest held by parent entity**	
	2004	**2003**
	%	**%**
Trans Pacific Gold Pty Limited	100	100
Zephyr Minerals (NZ) Limited	-	100
Ashburton Gold Mines NL	100	100
Wirralie Mines Pty Ltd	100	-

Wirralie Mines Pty Ltd was acquired 28 August 2003.

Zephyr Minerals (NZ) Limited was wound up on 13 May 2004. Zephyr Minerals (NZ) Limited was incorporated and registered in New Zealand. The company was dormant and not audited. Trans Pacific Gold Pty Ltd and Ashburton Gold Mines NL are audited by Moore Stephens BG.

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.

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.

28 INVESTMENT IN ASSOCIATED COMPANY

Name	**Principal Activities**	**Ownership Interest**		**Amount of Investment**	
		2004	**2003**	**2004**	**2003**
		%	**%**	**$**	**$**
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**

Notes to the Financial Statements continued

28 INVESTMENT IN ASSOCIATED COMPANY (continued)

	Consolidated		Company	
	2004	2003	2004	2003
	$	$	$	$
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 2003 financial statements were audited by Chio Lim & Associates, Certified Public Accountants of Singapore.				
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	-	-	-	-
Share of associated company's operating Loss and extraordinary items after income tax (2003: 15.6% x $474,184 loss)	-	-	-	-
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 2004, and the operating profit (loss) for the twelve months ended on that date, have not been disclosed above as the information could not be obtained from Optics Storage Pte Ltd.

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.

29 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 21 July 2004, the Company announced the results of a resource recalculation at Wirralie that included the results of a recent reverse circulation drilling programme completed by the Company. The oxide resource was increased by 14% resulting in total (Measured, Indicated and Inferred) oxide resources of 4.43 Mt @ 1.06 g/t, and total sulphide resources of 5.30 Mt @ 2.33 g/t. The work was completed by independent geologists Hellman & Schofield Pty Ltd.

On 5 August 2004, the Company announced that it would undertake a sale of unmarketable parcels of shares held in the Company pursuant to Clause 3 of the Company's Constitution. As at that date, the Company had 3,166 shareholders of which approximately 2,000 held unmarketable parcels, having a value of less than $500 at a share price of 15 cents per share. This represented some 1.6 million shares, being approximately 2.4% of the issued share capital. The 6-week period for notification of a wish to retain shares closed on 23 September 2004, with some 380 shareholders electing to retain their shares. The balance of the shares, being approximately 1.22 million shares, were to be sold by the Company on behalf of the shareholders, with the Company to meet any costs associated with the sale.

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.

Also on 6 August, the Company announced that it had engaged metallurgical consultants MDM Pty Ltd to investigate processing options for the Wirralie gold deposit as part of its ongoing feasibility studies. In addition to the CIP option, MDM were to investigate an option to heap leach the Wirralie ore.

On 6 August, the Company also announced the appointment of Mr John Kenny as alternate director to Mr Rick Crabb for the period 3 August 2004 to 10 January 2005.

On 3 September 2004 the company was informed by Straits Resources Limited that Straits had chosen to exercise its option over the Company's Yandan tenements pursuant to the Yandan Joint Venture Agreement between Straits and the Company.

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.

DIRECTORS' DECLARATION

The directors declare that the financial statements and associated notes:

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

b) give a true and fair view of the financial position as at 30 June 2004 and performance of the Company and consolidated entity for the year then ended.

In the directors' opinion:

a) at the date of this declaration the consolidated entity is able to pay its debts as and when they fall due; and

b) the financial statements and notes are in accordance with the Corporations Act 2001 and Corporations Regulations.

Made in accordance with a resolution of the directors:

Tom Dukovcic.

Tom P Dukovcic
Managing Director

Perth
28th September 2004

INDEPENDENT AUDITORS REPORT

MOORE STEPHENS BG
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ASHBURTON MINERALS LTD

SCOPE

The Financial Report & 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 2004. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

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

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

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

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

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

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

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

AUDIT OPINION
In our opinion, the financial report of Ashburton Minerals Ltd is in accordance with:

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

(b) other mandatory professional reporting requirements in Australia.

Neil Pace   Moore Stephens BG

NEIL PACE
PARTNER
REGISTERED COMPANY AUDITOR

MOORE STEPHENS BG
CHARTERED ACCOUNTANTS

Signed at Perth this 30th day of September 2004.

SUPPLEMENTARY (ASX) INFORMATION

Shareholding Details

The following shareholder information was applicable as at 27 September 2004.

1. Distribution of shareholding

The distribution of members and their shareholdings was as follows:

Number Held	Number of Shareholders
1 - 1,000	1,343
1,001 - 5,000	925
5,001 - 10,000	277
10,001 - 100,000	461
100,001 -	57
Total number of Shareholders	**3,063**

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 27 September 2004):

SHARE HOLDER	NUMBER OF ORDINARY SHARES	%
ANZ Nominees Limited	31,127,384	44.85
Red Peaks Pty Limited	3,107,177	4.48
Isaiah Sixty Pty Ltd	1,804,000	2.60
Dalkeith Resources Pty Ltd	1,458,334	2.10
Balargo Pty Ltd	600,000	0.86
Crishane Pty Ltd	600,000	0.86
Berne No 132 Nominees Pty Ltd	510,619	0.74
J Arharidis	500,000	0.72
Macquarie Bank Limited	478,682	0.69
C W MacKinnon	463,333	0.67
Tenacity Resources Pty Limited	444,445	0.64
P V & C L Mason (Mason Family A/c)	435,000	0.63
J B & J I Skinner	337,285	0.49
P V & C L Mason (Mason Superfund A/c)	330,000	0.48
R W & H J Gardiner	315,000	0.45
National Nominees Limited	309,780	0.45
Isaiah Sixty Pty Ltd (Isaiah Superfund A/c)	300,000	0.43
Tromso Pty Ltd	267,500	0.39
M G & C A Mort	263,700	0.38
A G Mathieson	250,000	0.36
	43,902,239	63.27

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	31,127,384	44.85

Supplementary (ASX) Information continued

4. Distribution of Listed Optionholdings

The distribution of members and their listed optionholdings (as at 27 September 2004) was as follows:

Number Held	Number of Optionholders
1 - 1,000	200
1,001 - 5,000	156
5,001 - 10,000	67
10,001 - 100,000	92
100,001 -	20
Total number of Optionholders	**535**

5. Twenty largest 31 March 2007 Listed Option Holders (as at 27 September 2004):

OPTION HOLDER	NUMBER OF LISTED OPTIONS	%
Dalkeith Resources Limited	1,743,057	14.37
ANZ Nominees Limited	998,775	8.23
Isaiah Sixty Pty Ltd	908,885	7.49
C W McKinnon	883,839	7.28
Stephanie Grose Advertising Pty Ltd	800,000	6.59
Red Peaks Pty Ltd	517,861	4.27
J Ring	350,000	2.88
P V & C L Mason (Mason Family A/c)	265,812	2.19
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
R I & L J Birbeck	125,000	1.03
P V & C L Mason	123,310	1.02
Hillben Investments Pty Ltd	116,944	0.96
J D King	108,985	0.90
P M Williams	106,428	0.88
Greenhedge Pty Ltd	104,206	0.86
	8,429,950	**69.48**

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 and ATNO for its listed Options.

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