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Development of a strategic and tactical game plan for junior mining companies

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MINING COMPANY ANALYSIS: GALLERY GOLD LIMITED

1. Corporate Profile

1.1	**Company Description**	➢ Gallery Gold is a company incorporated and domiciled in Australia ➢ The principal activities of the company consist of the development of the Mupane Gold project in Botswana & the continued mineral exploration and evaluation of properties in Botswana and Tanzania. ➢ History: o After listing in 1991, it bought the operational Monarch Mine, near Francistown o Acquired Botswana interests in 1995 o 1996, embarked on the exploration of the Tati greenstone belt o Initially small scale gold mining until mid 1998 o 1998, discovered first payable gold, pre-feasibility study o 2002, bankable feasibility study o 2003, merger with Spinefex Resources to acquire ground in Tanzania o 2004, Mupane Gold produced first Gold
1.2	**Corporate structure**	➢ The parent in the group is Gallery Gold Limited which owns o Mt Gold Pty Ltd o Bevalon Pty Ltd o Mupane Gold Mining Pty Ltd o Spinifex Gold Pty Ltd
1.3	**Shareholders**	➢ Major shareholders o Lion Selection Group Ltd: 21.86% o African Lion Limited: 12.73% o Westpac Custodian Nominees Limited: 9% ➢ Botswana investors hold 5% ➢ Institutional investors in North America, Europe & Australia controlling about 30%
1.4	**Listing**	➢ Listed on Australian Stock Exchange o initial listing 1991 o ASX Code GGN ➢ Dual listed on Botswana Stock Exchange o Botswana listing June 2001 o only Australian and only gold stock on BSE
1.5	**# Shares**	➢ Issued shares: 495.344
1.6	**Share price**	Aus$ 0.57 (Jan 2006) , US$0.43
1.7	**Market cap**	Aus$ 0.57 (Jan 2006) , US$0.43

2. Company Strategy

2.1	**Vision & Mission**	➢ An Australian Company discovering gold in Botswana
2.2	**Strategy**	➢ Target +500,000 oz gold deposits ➢ Development of the 100 000 oz a year open-pit at Mupane ➢ Foundation: good resources & excellent people ➢ Six key elements of business strategy: o **Productivity**: produce 100,000 oz pa o **Efficiency:** operate as low cost producer, avg cash cost $238/oz o **Safety**: total workforce involvement o **Training:** local recruitment o **Sustainability**: Government & community support o **Growth & exploration**: convert Buckreef project feasibility in Tanzania to second gold operation; continued exploration in Mupane project area; advanced & grass roots exploration targets to identify next group of priority targets.

3. Review of Operations

3.1 Mining Operations

i) Mupane Gold Mine

1	**Operation Description**	➢ New discovery by Gallery Gold in late 1998 ➢ Gold intersected in iron formation over a distance of 6 Km ➢ A significant gold ore body with "million ounce" potential – already the largest in Botswana ➢ Commenced production October 2004 ➢ 100,000 oz pa opencast gold mine, 7 year Life-of-Mine
2	**Host Country Location**	**Botswana** ➢ Stable multi-party democracy since independence in 1966 ➢ World's largest diamond producer by value ➢ Africa's wealthiest country on GDP per capita basis ➢ Moody's Credit Rating A1 best in Africa ➢ Low inflation and negligible Government debt ➢ Investor friendly Mining Act and no foreign exchange controls ➢ Excellent infrastructure for mine development ➢ Low sovereign risk
3	**Legal**	➢ Mine wholly owned by Gallery Gold ➢ Established Botswana Subsidiary Mupane Gold Mining (Pty) Ltd to run the mine
4	**Geology & Exploration**	<u>Oct. '98 – May '02</u> ➢ Mupane Trenching ➢ 62 trenches ➢ Distance excavated 10.2 km ➢ Further trenching in progress <u>July–August 1999</u> ➢ Initial 22 hole RC percussion drilling program ➢ Best intersection 36m @ 5.9 g/t Au

<table>
<tr><td></td><td></td><td>
<u>July 1999 – June 2002</u>
➢ Mupane Drilling Summary
➢ 164 holes completed
➢ 21,000m drilled
➢ 2 drill rigs presently operating

<u>Exploration Status 2002</u>
➢ Major exploration program continuing to build gold resources
o AUD 3.0 M allocated to ongoing exploration in 2002
➢ Mupane Prospect has clear potential for additional gold resources
o Only 2 of 9 sub-areas pattern drilled to date
o Initial drill hole in new Area 9 gold anomaly looking promising, results awaited
o Tau and Kwena ore shoots yet to be fully drilled out
o Ultimate potential at Mupane far in excess of 1.0 M oz of gold
➢ Numerous other gold prospects within a 30 km radius of Mupane under evaluation. Drilling in progress
➢ Concept is for regional satellite gold deposits to be trucked to Mupane central processing plant
➢ Potential for further significant gold discoveries is considered high
</td></tr>
<tr><td>5</td><td>Mineral Resources & Reserves</td><td>
Resource Statement
<table>
<tr><td></td><td colspan="3">Botswana</td></tr>
<tr><td>Orebody classific.</td><td>Tons (,000)</td><td>Grade (g/t)</td><td>Contained oz</td></tr>
<tr><td>Measured</td><td>9,448</td><td>2.8</td><td>844,000</td></tr>
<tr><td>Indicated</td><td>1,845</td><td>2.8</td><td>167,000</td></tr>
<tr><td>Inferred</td><td>2,135</td><td>4.9</td><td>336,000</td></tr>
<tr><td>Total</td><td>13,428</td><td>3.1</td><td>1,347,000</td></tr>
</table>
Reserve Statement
<table>
<tr><td></td><td colspan="3">Botswana</td></tr>
<tr><td>Orebody classific.</td><td>Tons (,000)</td><td>Grade (g/t)</td><td>Contained oz</td></tr>
<tr><td>Proven</td><td>5,759</td><td>3.2</td><td>593,000</td></tr>
<tr><td>Probable</td><td>253</td><td>2.4</td><td>19,000</td></tr>
<tr><td>Total</td><td>6,012</td><td>3.17</td><td>612,000</td></tr>
</table>
</td></tr>
<tr><td>6</td><td>Mining</td><td>
➢ Use of South African Mining Contractor, Basil Read, 3 year contract
➢ Basil Read subcontracted drill & blast operations to B&E
➢ Mining fleet: 2 x Liebherr 984 excavators & 6 x Komatso HD465 trucks. Once in full production, 1 x 984 & 4 HD465’s added.
➢ September 2004: stockpile of 350 000 tons produced.:
➢ Ore being sourced from 5 pits, stripping ratio of 6:1
➢ Largest pit, Tau pit, accounts for 80% of total production
➢ Mining in 15 m benches, ore being blasted in lifts of 7.5m
➢ Steep pit walls bear testimony to competence of ground & relative absence of geological structures
➢ Use of Australian consultant George Orr & Associates to manage pit design
➢ Use of reverse-circulation grade control drilling to establish where
</td></tr>
</table>

<table>
<tr><td></td><td></td><td>the economic ore zone terminates. Grade control by Stanley Mining Services
➢ A full assay laboratory has been built.
➢ Mining of oxidized ore for the first 6 to 9 months</td></tr>
<tr><td>7</td><td>Metallurgy</td><td>➢ Conventional processing route selected
➢ Single stage crushing
➢ SAG Mill
➢ Regrind on gravity concentrate
➢ CIL via six tanks
➢ Standard elution circuit and goldroom

➢ Plant has been modelled on the Lycopodium designed Obotan and Golden Pride plants, adapted for our specific ore and throughput requirements

➢ Plant capacity: 150 tph
➢ Key issue: reduce bottlenecking
➢ Construction of processing plant has been MDM Ferroman, lump sum design & construct contract
➢ Challenge: familiarity with the carbon-in-leach processing technology used at Mupane is new to Botswana.</td></tr>
<tr><td>8</td><td>Production</td><td>Production Statistics
<table><tr><th>Item</th><th>UoM</th><th>2004/2005</th></tr><tr><td>Total Material Mined</td><td>Bcm</td><td>4,088,102</td></tr><tr><td>Ore mined</td><td>Tons</td><td>1,126,105</td></tr><tr><td>Processed Tonnes</td><td>Dmt</td><td>614,447</td></tr><tr><td>Au grade</td><td>g/t</td><td>3.2</td></tr><tr><td>Recovery</td><td>%</td><td>93</td></tr><tr><td>Ounces recovered</td><td>Oz</td><td>58,476</td></tr><tr><td>Mill availability</td><td>%</td><td>79</td></tr></table>
➢ October 2004, first gold poured</td></tr>
<tr><td>9</td><td>Infrastructure</td><td>➢ Construction of mine infrastructure responsibility of MDM Ferroman, lump sum design & construct contract
➢ Water for the mine is supplied via a 30km pipeline from Shashe Dam south of Francistown.
➢ Botswana Power Corporation has extended the regional power grid to Mupane.
➢ Site communications have been established using dedicated satellite systems.
➢ Existing road access to Francistown – mainly sealed road
➢ No on-site accommodation required
➢ No towns/villages on Gallery lease area</td></tr>
<tr><td>10</td><td>Logistics & Suppliers</td><td>➢ Mining contractor: Basil Read
➢ Drilling & blasting: B&E
➢ Grade control: Stanley Mining Services
➢ Mine Planning: George Orr & Associates
➢ Plant & infrastructure design & construction: MDM Ferroman
➢ Environmental consultancy: URS</td></tr>
</table>

11	**Marketing**	➢ Gold market fundamentals ➢ Forward hedge contracts for 320,000 oz at US$392.9/oz
12	**Human Resources**	➢ The total workforce of the mine is in the region of 350, with 175 being employed by Mupane Gold Mining and the balance by contractors. ➢ All employees live off-site in Francistown, 40km away ➢ The biggest challenge: there is little experience in the running of a modern open-pit gold operation in Botswana. ➢ Goal: have a staff and labour force, which is at least 90% recruited locally, to achieve this, have to invest heavily in training. ➢ The mine is working with the Botswana Training Authority to develop accredited training programmes, so that the skills acquired for Mupane will be of lasting benefit to their owners after the mine has ceased operation. ➢ Philosophy: non-productive staff is kept to a minimum. Only 10 people not directly involved in production. Modest corporate office of 7 people in Perth. ➢ Gallery embracing Botswana concept of "Botho", which is the principle of treating with dignity & respect. "*We are guest in Botswana, which we regard as one of the best-run countries in Africa, & we place great emphasis on respecting its customs and values."*
13	**Environmental & Social**	**3 Pillars of Sustainability in Gallery's Business** **Safety:** ➢ building of a strong safety culture ➢ Appointment of a lead safety team of representatives from all sectors of the workforce to build a safety-conscious culture in the organization. ➢ Site wide risk assessment **Environmental management:** ➢ Working to meet the worlds best standards ➢ Mupane is Botswana's first mine to be approved with an environmental management plan ➢ Gallery working with Botswana national Museum on a cooperative basis to make sure that archeological sites in the lease area would not be disturbed by mining. ➢ Gallery has introduced cyanide management systems which comply with Gold Council of Australia guidelines. ➢ Started on mine closure strategy with the development of recontouring and revegetation plans. Rehabilitation trials underway. **Community** ➢ A$44,00 sponsorship of Francistown's SOS children's village ➢ Strategy being developed to maximize local involvement in the project.

<table>
<tr><td>14</td><td>Financial</td><td>
<table>
<tr><th>Capex</th><th>Opex</th></tr>
<tr><td>
<table>
<tr><th>Item</th><th>$</th></tr>
<tr><td>Plant Cost (EPCM)</td><td>17.4</td></tr>
<tr><td>Pre-Production Mining</td><td>1.39</td></tr>
<tr><td>Pre-Production Operations</td><td>0.945</td></tr>
<tr><td>Gallery Gold Owner’s Costs</td><td>4.76</td></tr>
<tr><td>Contingency</td><td>2.44</td></tr>
<tr><td>Total</td><td>26.86</td></tr>
</table>
</td><td>US$ 210/oz</td></tr>
</table>
NPV: 2002, @8% discount rate: A$18.9 mill
IRR: 39%, based on Au price of US$400/oz

➢ All new equipment
➢ Capital costs for plant and infrastructure estimated by Lycopodium
➢ Costs sourced from RSA, Botswana and Australian based contractors/suppliers
➢ Income tax rate 25%
➢ Accelerated depreciation – expenditure can be fully depreciated in year incurred
➢ Gold royalty 5% on production
➢ No import duty on equipment imported from Southern African Development Community
➢ Government can purchase 15% of operation on commercial terms
</td></tr>
<tr><td>15</td><td>Operations Risks</td><td>No information</td></tr>
</table>

3.2 Mine Development

No mine development projects.

3.3 Feasibility Studies

i) Buckreef Pre-Feasibility

1	**Project Description**	➢ The project incorporates a former gold mining operation and extensive exploration tenements in the heart of the Lake Victoria gold mining province.
2	**Project Stage**	➢ Prefeasibility.
3	**Host Country / Location**	➢ Tanzania ➢ Two world class mines – Bulyanhulu (Barrick Gold) & Geita (Anglogold Ashanti), both operating on resources of approximately 18 mill ounces, are less than 50km from Gallery’s tenements.
4	**Legal**	➢
5	**Geology & Exploration**	➢ 2005. Intense & sustained drilling campaign. ➢ Drilling campaign, which began in 2003 has updated and upgraded the data from earlier exploration work in the project area & identified

<table>
<tr><td></td><td></td><td>new deposits.
➢ Tenement stake covers 45km strike, mostly east of Buckreef mine.</td></tr>
<tr><td>6</td><td>Mineral Resources & Reserves</td><td>.
Resource Statement
<table>
<tr><td></td><td colspan="3">Tanzania</td></tr>
<tr><td>Orebody classific.</td><td>Tons (,000)</td><td>Ag (g/t)</td><td>Contained oz</td></tr>
<tr><td>Measured</td><td>8,299</td><td>3.1</td><td>833,000</td></tr>
<tr><td>Indicated</td><td>8,746</td><td>1.7</td><td>478,000</td></tr>
<tr><td>Inferred</td><td>24,181</td><td>2.4</td><td>1,845,000</td></tr>
<tr><td>Total</td><td>41,226</td><td>2.4</td><td>3,156,000</td></tr>
</table></td></tr>
<tr><td>7</td><td>Mining</td><td>➢ Feedstock from open pit and underground operations at Buckreef, and an open pit mine 20 km to the east. Options are being examined.
➢ Presume rehabilitation old mines</td></tr>
<tr><td>8</td><td>Metallurgy</td><td>➢ 140,000 oz per annum plant most likely</td></tr>
<tr><td>9</td><td>Infrastructure</td><td>➢ No information</td></tr>
<tr><td>10</td><td>Marketing</td><td>➢ No information
➢</td></tr>
<tr><td>11</td><td>Human Resources</td><td>➢ No information</td></tr>
<tr><td>12</td><td>Environmental & Social</td><td>➢ No information</td></tr>
<tr><td>13</td><td>Consultants</td><td>➢ No information</td></tr>
<tr><td>14</td><td>Financial</td><td>➢ No information</td></tr>
<tr><td>15</td><td>Implementation</td><td>➢ No information</td></tr>
<tr><td>16</td><td>Project Risks</td><td>➢ No information</td></tr>
</table>

3.4 Exploration

3.4.1 Exploration Strategy

- Extension of Mupane mine life, underpinned by the development of satellite mining operations, particularly new mines in the Shashe lease, 20 km west of Mupane. Shashe was one of the historic gold mining areas in Botswana. Three prospective deposits:
    - Map Nora: former mine operated by phelps Dodge
    - Golden Eagle
    - Kite
- Identifying mineralization through geophysical surveys, drilling & resource evaluation.
- Gallery has spent $10.6 on exploration programs in Botswana and Tanzania in 2004.

3.4.2 Exploration Projects

i) Kitongo

1	**Project Description**	➢ Significant exploration project
2	**Project Stage**	➢ Advanced exploration
3	**Host Country / Location**	➢ Tanzania ➢ 80 km south of Mwanza
4	**Legal**	➢ Ownership Structure o 100%
5	**Exploration Activities**	➢ Follow up drilling & resource assessment program
6	**Results**	➢ Inferred gold resource of 528,000 oz

ii) Maji Moto

1	**Project Description**	➢ Key targets in one of the most prospective areas in Tanzania.
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Tanzania ➢ Lake Victoria mineral province
4	**Legal**	➢ Ownership structure o 100%
5	**Exploration Activities**	➢ Soil sampling program ➢ Drilling & further resource assessment
6	**Results**	➢ No information

iii) Vumba & Maitengwe

1	**Project Description**	➢ 3000km2 of tenements on land which forms the western extension of important mining districts in Botswana.
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Botswana
4	**Legal**	➢ Ownership structure o 100%
5	**Exploration Activities**	➢ 17,000 soil samples collected from prospective areas identified by aeromagnetic, radiometric and satellite image surveys.
6	**Results**	➢ Soil analysis has confirmed several high order gold anomalies which will form the basis for continued exploration in the area.

iv) Nyakafuru

1	**Project Description**	➢ Joint venture project on Gallery tenements approximately 60km south of Buckreef.
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Tanzania
4	**Legal**	➢ Ownership structure: 49% ➢ Resolute Mining has started work on the $2 million second stage of exploration at Nyakafuru to earn an additional 15% in the joint venture project. ➢ Resolute earned a 51% interest in Nyakafuru by spending $3mill on exploration during the previous years
5	**Exploration Activities**	➢ Shallow reverse circulation drilling
6	**Results**	➢ Positive near surface results

v) Nyangombe

1	**Project Description**	➢ Joint venture project with Barrick Exploration Africa Ltd. ➢ Barrick has established an operation in the area – the 18 mill oz Bulyanhulu mine at the centre of the region's greenstone belt. ➢ The 3 projects cover significant areas of the Lake Victoria mineral province.
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Tanzania ➢ 40km south west of Kitongo
4	**Legal**	➢ Ownership: 100% ➢ Gallery has the right to earn an interest in Barrick's Kigosi & Imweru Sheba projects ➢ Barrick has the right to earn an interest in Gallery's Nyangombe project. ➢ Both parties can earn 51% by spending $1 mill within 4 years on the respective projects. ➢ The agreements allow for the 2 parties to earn up to 70% according to a voluntary contribution or dilution formula.
5	**Exploration Activities**	➢ No information
6	**Results**	No information

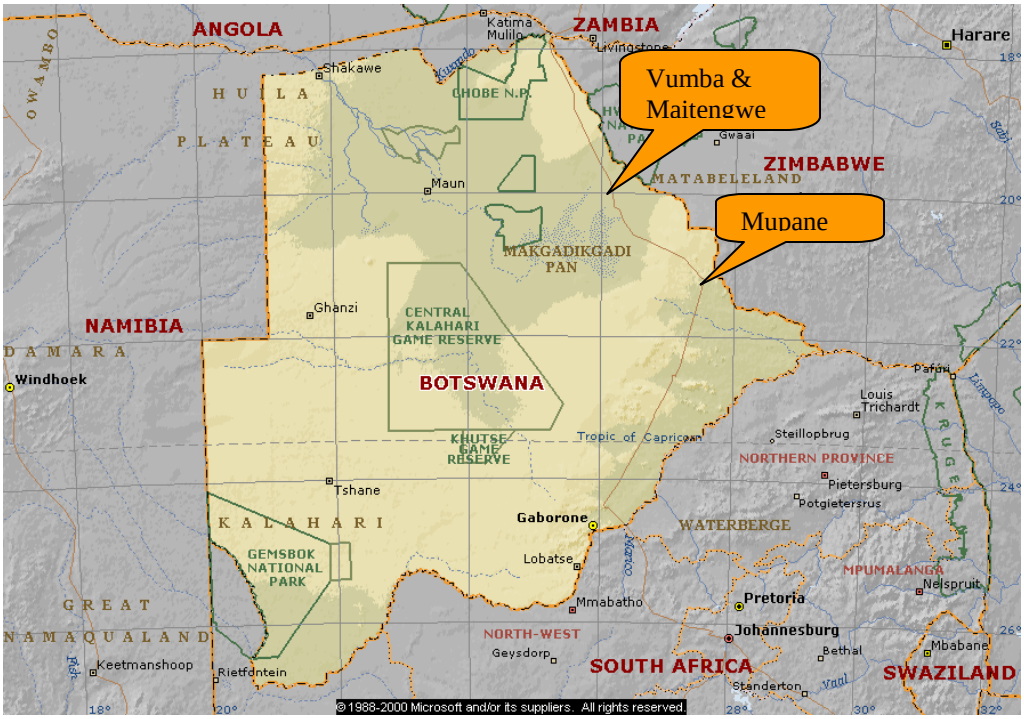
vi) Tati Nickel-Copper-PGS-Botswana-Albidon Joint Venture

1	**Project Description**	➢ Nickel, copper and platinum group exploration over sections of Gallery's Tati Greenstone Belt tenements. ➢ Tenements acquired for gold exploration programs which discovered Mupane mining project. ➢ 51 km2
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Botswana
4	**Legal**	➢ Ownership structure: 100% ➢ Joint venture between Gallery & Albidon Ltd
5	**Exploration Activities**	➢ Data analysis, induced polorization surveys & soil sampling to identify nickel exploration targets.
6	**Results**	➢ Number of priority anomalies identified

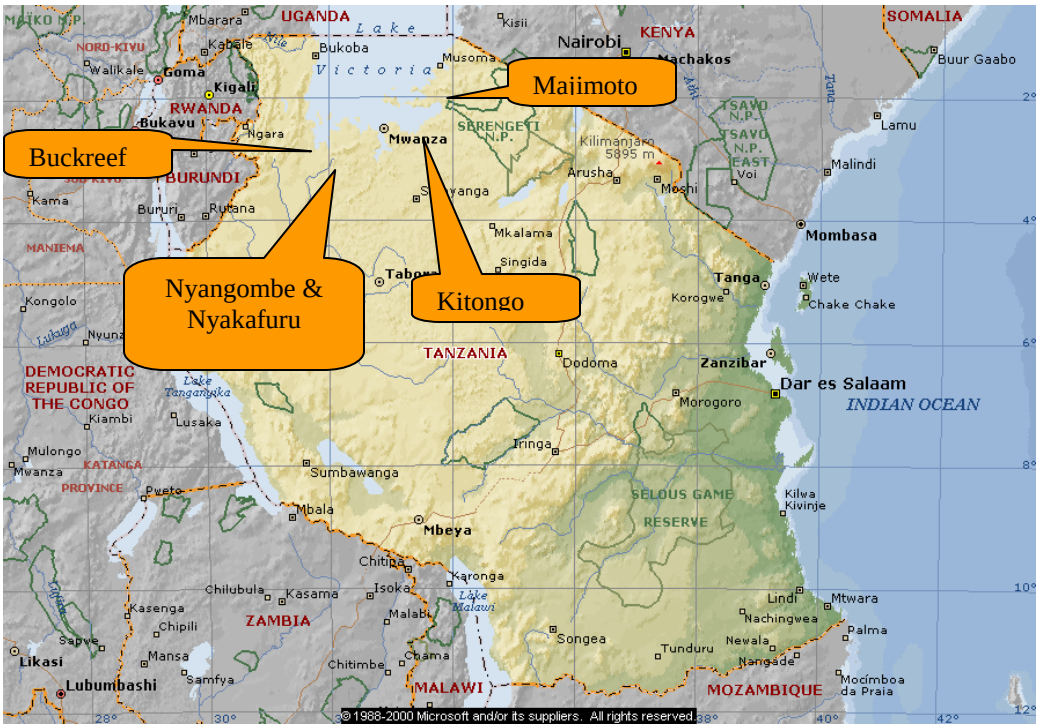
vii) Tati Diamonds

1	**Project Description**	➢ Diamond tenements on the Tati Greenstone Belt
2	**Project Stage**	➢ Early stage exploration
3	**Host Country / Location**	➢ Botswana
4	**Legal**	➢ Ownership: 100% ➢ De Beers signed an agreement in 204 & can earn up to 51% by spending $51 mill in 4 years, plus 19% by completing a pre-feasibility study
5	**Exploration Activities**	➢ Data analysis, steam sediment sampling & follow up surveys, as first stage of the company's diamond exploration joint venture
6	**Results**	➢ No information

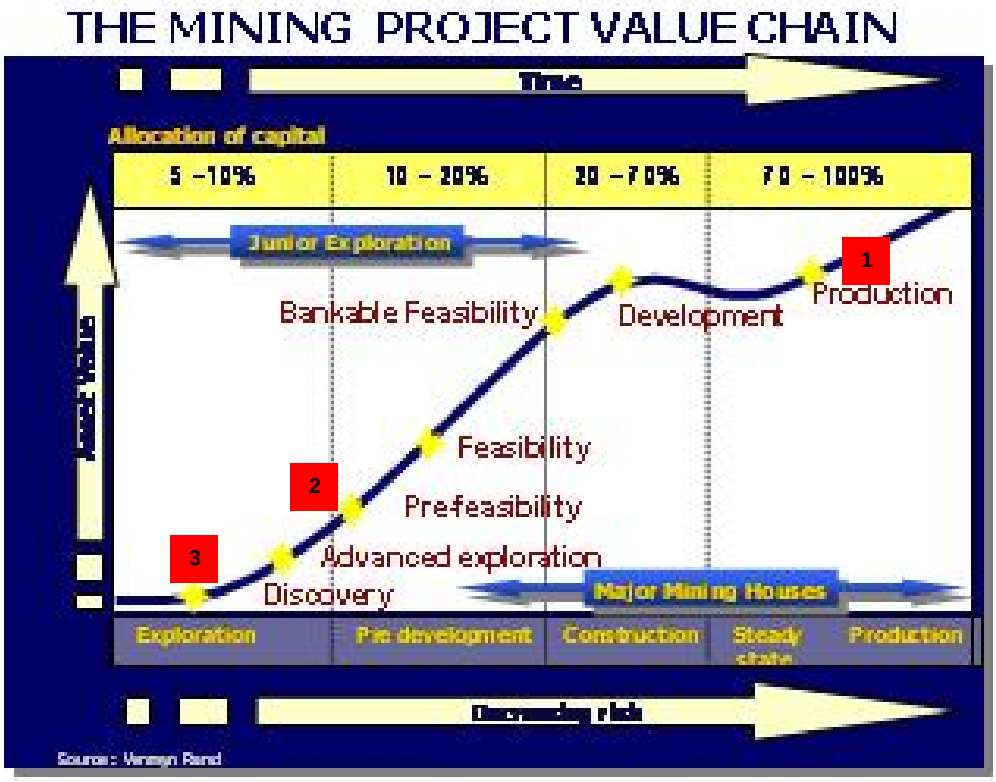
3.5 Gallery Project Locations: Botswana



Project Locations: Tanzania



3.6 Company Portfolio Overview



1. Mupane
2. Buckreef
3. **Kitongo, Maji Moto, Vumba & Maitengwe, Nyakafuru, Nyangombe, Tati Nickel-Copper-PGS-Botswana-Albidon Joint Venture, Tati Diamonds**

4. The Team

4.1 Board of Directors

Managing Director : HJL Bohannan (49)
- B Eng, (Royal School of Mines) M Eng, MBA, FSAIMM, CEng
- Underground & open-pit , mineral processing & smelting experience
- Learner miner Kloof Gold Mine
- Senior management & executive positions with Cyprus Mining, Gold Mines of Australia, WMC Resources, Iluka Resources

Independent, Non-Executive Director: P Buck
- BA Earth Sciences, MSc, MAusIMM
- Worked 23 years for WMC in variety of exploration & production roles
- Exploration Director for Lion Ore

Independent, Non-Executive Director: M Curnow
- Involved in ownership & management of a wide range of businesses in SA & Australia
- Founding Director, & founding director of AGR Ltd & Adamus Resources

Independent, Non-Executive Director: C Munro
- FPCA, FAusIMM, FAICD
- Senior financial & administrative positions in gold, coal, nickel & copper mining companies in Australia & South East Asia
- CFO for Anvil Mining Ltd
- Executive Director Finance of Aquarius Platinum

Independent, Non-Executive Chairman: JT Shaw
- BSc, FAusIMM, MCIM, FAICD, SME
- 40 years experience in the mining industry
- Geological engineer
- Vice Presiden of Australian Operations of Placer Dome Asia Pacific
- MD of Kidstone Gold Mines Ltd
- Director of various mining companies

Independent Director: John Sabine
- B.A. LL.B
- Partner of Canadian law firm Fraser Milner Casgrain LLP
- Leading mining practitioner in Canada, experience in mining & resource law & corporate finance
- Member of Securities Advisory Committee
- Member of Audit Committee, Chairman Corporate Governance Committee

4.2 Management team

- GM Mupane: Stuart Gula
- GM of Exploration: Charles Byron: Exploring Botswana for 15 years
- CFO
- Group Projects Manager
- Group Exploration & Geology Manager

5. Corporate Governance Practices

- Board responsibilities defined
- Committees:
    - Remuneration Committee
    - Audit Committee
    - Corporate Governance Committee
- Ethical Standards
- Continuous disclosure
- Company securities
- Independent Professional advice
- Business risk management

6. Finance

6.1 Financing: Equity

Key movements in share capital

Date	Activity	# shares	Issue Price	Aus$
2004	Balance June 2004	430,361,362		93,222,350
2005	Shares issued on exercise of options	483,334	0.3	145,000
2005	Shares issued pursuant to a placement	64,500,000	0.425	27,412,500
2005	**Balance June 2005**	**495,344,696**		**119,56,817**

6.2 Financing: Debt

Date	Loan	Institution	Interest	Terms
2004	$26.5mill Cash advance facility	Macquire Bank Ltd, Investec bank (Mauritius)	?	➢ Quarterly repayments commence mar 2005 & maturity June 2008 Security: ➢ Guarantee obligations undertaken by GGN ➢ Deed of hypothecation over all MGM's assets in Botswana ➢ Mortgages of MGM's rights, titles & interests in project tenements & surface rights ➢ Cession of contractual obligations in respect of MGM's project documents, insurance policies & receivables ➢ Fixed & floating charges over MGM's rights properties & undertakings in Australia & over present & future rights other than Australia ➢ Share pledge granted by GGN over its shares in MGM

6.4 Financial Assessment

COMPANY FINANCIAL ASSESSMENT		COMPANY:	GALLERY GOLD LTD		2005
			Share price ASX: Dec 2005 (US$)		0.43
			Exchange rate: US$/Aus$		1.32

1.CONSOLIDATED INCOME STATEMENT

		Jun-05	Jun-04
	Income ($ mill)		
1	Sales of gold & silver	$25.46	
2	Premium received on sale of gold call option		$0.69
3	Other revenue	$0.80	$0.27
4			
5			
	Total Income	**$26.25**	**$0.96**
	Expenditure ($ mill)		
1	Cost of sales	$20.59	$0.00
2	Borrowing cost	$0.81	$0.68
3	Exploration expenditure written off	$0.16	$0.00
4	Diminution in value of investments	$0.36	$1.51
5	Change in net market value of call option	$0.34	$1.21
6	Loss on forward gold sales contract	$0.92	$0.13
7	Cost of assets sold	$0.04	$0.01
8	Administration	$3.47	$0.61
	Total Expenses	**$26.68**	**$4.15**
	Profit/Loss Analysis		
1	**Profit/Loss for period before tax**	**($0.43)**	**($3.19)**
2	**Net Profit/Loss**	**($2.87)**	**($4.04)**
3	Earning (loss) per share ($)	($0.61)	($1.25)

2. CONSOLIDATED BALANCE SHEET

		Jun-05	Jun-04
	Assets ($ mill)		
1	Current assets	$23.25	$14.75
2	Non current assets	$99.61	$71.82
3			
4			
5			
	Total Assets	**$122.86**	**$86.57**
	Liabilities ($ mill)		
1	Current liabilities	$20.11	$7.29
2	No current liabilities	$36.16	$28.61
3			
4			
5			
6			
7			
8			
	Total Liabilities	**$56.27**	**$35.90**
	Shareholders Equity ($ mill)	Dec-04	Jun-03
1	**Total**	**$66.60**	**$50.67**

Analysis	
Income increase by	$25.29
Costs increased by	$22.53
Net loss decreases by	$1.17
Loss per share decreases by	0.64

Analysis	
Assets have increased by	$36.29
Liabilities have increased by	$20.37
Shareholders equity has increase by	$15.92

3. CONSOLIDATED CASH FLOW STATEMENT

		Jun-05	Jun-04
	Cashflows ($ mill)		
1	Cash flows provided by operating activities	($1.06)	($1.23)
2	Cash flows from investing activities	($30.85)	($18.95)
3	Cashflows from financing activities	$26.30	$30.82
4	Cash at beginning of period	$13.80	$2.97
5	**Cash at end period**	**$7.17**	**$13.80**

Analysis	
Cashflows from operating activities increased by	$0.17
Cashflows from financing activities increased by	$11.90
Cashflows from financing activities decreased by	$4.52
Cash at end of period decreased by	$6.63

4. FINANCIAL RATIOS

	Ratio	Jun-05	Jun-04	**Analysis**
LIQUIDITY				
1	Current Ratio	1.16	2.02	(>2 = healthy position): 2005 ratio decreases to 1.16
LEVERAGE				
2	Debt Ratio	46%	41%	(if >50%, shareholders provide most risk): debt ratio acceptable, slight increase
3	Gearing	35%	36%	(Gearing levels acceptable at < 50%): acceptable
PROFITABILITY				
4	Gross Profit Margin	-2%	-332%	Losmaker, 2005 $ 2004, losses decreasing 2005
5	Return on Shareholder Funds	($0.01)	($0.06)	Negative return on shareholder funds
INVESTMENT PERFORMANCE				
6	P/E ratio	#DIV/0!	#DIV/0!	Negative PE ratio
7	Dividend yield	$0.00	$0.00	No dividends

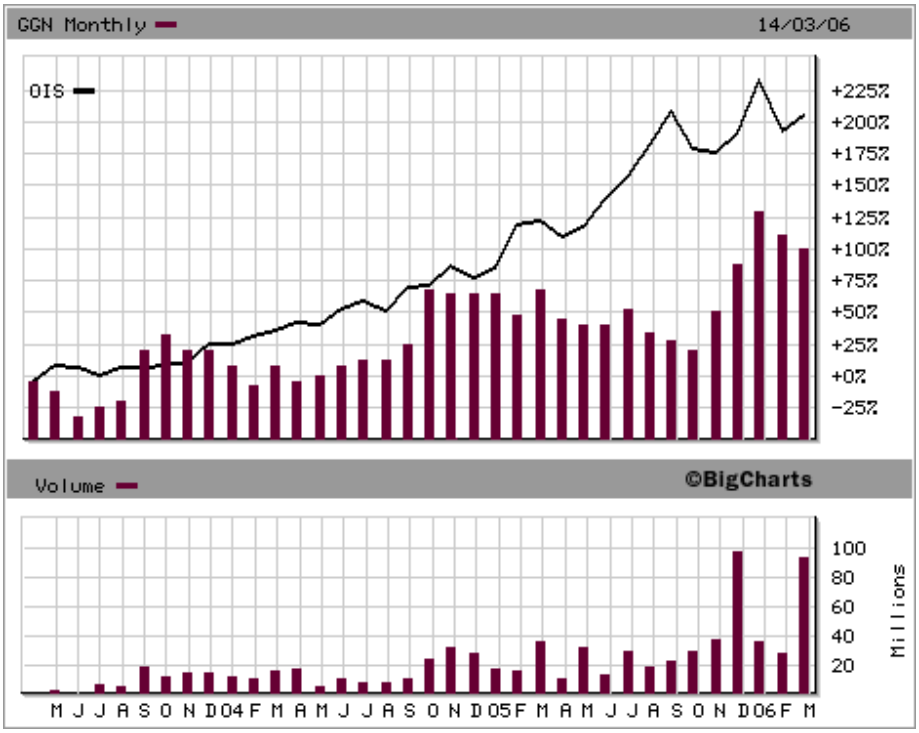
Ratio definition	
1	Current ratio = current assets / current liabilities
2	Debt ratio = total liabilities / total assets
3	Gearing =long term liabilities / total capital employed
4	Gross profit margin = gross profit / sales
5	Return on shareholder funds = net income / shareholder interest
6	P/E ratio= market price per share / earning per share
7	Dividend yield = dividend per share / current market price

Notes

1. Source: Gallery Gold Limted Annual Report 2005
2. All figures in US $mill
3. All figures rounded to $ 0.01 mill

6.5. Share Price Movement

i) Comparison Share Price vs. Dow Jones Global Exploration & Mining Index (April 2006)



ii) Analysis of Share Price Movement

- Gallery's share price has followed the Index until October 2004.
- Thereafter the share price dropped, only to increase in Q3 2006, corresponding with an increase in volumes.
- Over the 3 year review period, the share price has not kept up with the Index.

7. Information Sources

1. Gallery Gold Limited Annual Report 2005
2. "Mupane project picks up pace" African Mining, Nov/Dec 2002, pg 48 – 55
3. "Mupane moves into production" African Mining, Nov/Dec 2004, pg 44 – 48
4. Andrew Lanham: "Mupane, Gallery growth on track", Mining Weekly, March 4-10, 2005, pg 22 – 25
5. Investor Slideshow "Gallery Gold. Australian Company discovering gold in Botswana", June 2002
6. Financial Times analytical charting, www.mwprices.ft.com, 25 April 2006