MICHELAGOLIMITED

APPENDIX 4E

Preliminary final report
For the Year ending 30 June 2006

1. Company Details

Michelago Limited and its controlled entities ("the Group")
ABN 48 057 816 609
Reporting period: 30 June 2006
Previous corresponding reporting period: 30 June 2005

2. Results for announcement to the market

Results	**Increase/Decrease**	**Change %**	**A$000's**
Revenue	**N/A**	**N/A**	**90,768**
Profit from ordinary activities after tax attributable to members	**N/A**	**N/A**	**(11,877)**
Options issued expense – prior year	**N/A**	**N/A**	**(169)**
Outside equity interests in net profit (loss)	**N/A**	**N/A**	**12**
Net profit (loss) for the period attributable to members	**N/A**	**N/A**	**(12,034)**
Dividend			**-**
No dividend is proposed	**N/A**	**N/A**	**-**

The Appendix 4E and attached Annual Financial Report for 2006 covers the period 1 July 2005 to 30 June 2006. The Michelago 99.5% interest owned BioGold operation in China was acquired on 22 July 2005, representing initial period of operations, and thus no prior year comparatives are applicable.

3. Income Statement with notes to the statement

Refer 2006 Annual Financial Report attached.

4. Balance Sheet with notes to the statement

Refer 2006 Annual Financial Report attached.

5. Cash Flows Statement with notes to the statement

Refer 2006 Annual Financial Report attached.

6. Statement of retained earnings

Refer 2006 Annual Financial Report attached - Note 25 to the Financial Statements.

7. Net tangible asset per security

Net tangible asset per ordinary share: 0.027 cents (2005:0.044 cents)

8. Entities over which control has been gained during the period

On 22 July 2005 Michelago, through its 100% owned subsidiary, Michelago (Hong Kong) Limited acquired 99% interest in Shandong MIC BioGold Limited. In May 2006 this interest increased to 99.5% following an equity capital increase.
Refer 2006 Annual Financial Report attached for additional details.

9. Details of associates and joint ventures

Shandong MIC BioGold Limited is a 99.5% owned Sino Foreign Joint Venture, with 0.5% owned by Tarzan Mining Limited, the vendor of the asset.

10. Any other significant information needed by an investor to make an informed assessment of the Group's financial performance and financial position

All significant information has been included elsewhere in this document or in the 2006 Annual Financial Report.

11. Commentary on the results

Refer 2006 Annual Financial Report attached:
Review of Operations section.

12. Status of Audit

The attached 2006 Annual Financial Report has been audited.

MICHELAGO

ANNUAL REPORT

2006

DIRECTORS

John P Horan *Non-Executive Chairman*
Gregory B Starr *Managing Director(Executive)*
Peter A Secker *Technical Director(Executive)*
Alan N Roberts *Non-Executive Director*

SENIOR EXECUTIVES

Martin C A Jacobsen *Chief Operating Officer*
Ian K White *Company Secretary*
John Keppo *Finance Officer*
Moya Zhang *Business Development Officer*

CHINA OPERATIONS

Jan Andersen *Executive Chairman, Biogold*
Chu Wang *Finance Officer, China*

REGISTERED AND CORPORATE OFFICE

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Sydney NSW 2000

COMMUNICATIONS

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Email: info@michelago.com
Website: http://www.michelago.com

ACN

057 816 609

ABN

48 057 816 609

AUDITORS

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Chartered Accountants
Level 13,122 Arthur St
North Sydney NSW 2060

SHARE REGISTRY

Registries Limited
Level 2, 28 Margaret Street
Sydney NSW 2000
(PO Box R67 Royal Exchange
Sydney NSW 1223)
Telephone: +61 2 9290 9600
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STOCK EXCHANGE LISTING

Listed on Australian Stock Exchange
Limited (ASX)
ASX code for fully paid shares: MIC
ASX code for options: MICO

CONTENTS

Corporate

As a result of obtaining a Business Licence to operate the BioGold Gold processing facility in Shadong Province, People's Republic of China, in July 2005, the company made a number of corporate advancements during the financial year. While these advancements will be in the long term interests of the company, they have resulted in a high level of corporate expenditure and with the outcomes taking longer than expected.

Nevertheless, the major development during the year of a Business Combination Agreement with Canadian based Golden China Resources Corporation ("Golden China") marks a major milestone with the Company becoming over time, a fully integrated mining entity focussed in China with operations in all stages of mining from exploration to production. The directors believe that the combined companies will have an enhanced ability to take advantage of investment opportunities that arise in the expanding and consolidating precious metals industry in China.

A key aspect of the proposed combination has been the provision of loan finance by Golden China to fund the BioGold facility. This was required due to Michelago's foreign ownership status in China.

Michelago's only asset in China is BioGold. Under China's (financial) security laws, the only form or registrable security is land and buildings. Given that the major asset of the BioGold project is its gold inventory, it was unable to provide enough China - based security for the required working capital loans at BioGold. Therefore, Michelago had to source foreign loans using Michelago corporate assets as security.

Given the developmental stage of the Gold Ridge project in the Solomon Islands, and the recent political unrest, Michelago was unable to attract finance using its only other asset, shares in Australian Solomon's Gold Limited, as security. This issue led to discussions with Golden China, which has complementary assets in China, and a major partner of Golden China (the Kingsway Group) who were able to assist in raising the finance as part of a business combination.

The first announcement of the combination was made in mid November 2005, while an announcement that Golden China has sourced C$18M to assist in financing the required US$25 million BioGold working capital loan facility was made in February 2006.

The original terms of the proposed combination were (on a pre 1 for 5 Golden China share consolidation basis) 1 Golden China share for 5 Michelago shares. This was adjusted to an equivalent 1 for 5.55 (pre consolidation) as a result of dilution associated with the financing. This was adjusted further in mid August 2006 to 1 for 7.5 or 1 for 37.5 post consolidation following an as a result of inventory write down at BioGold at 30 June 2006.

The business combination process has taken much longer than expected, primarily due to Canadian regulatory requirements that Golden China provide BioGold historical financial statements in Canadian accounting standards and auditing standards in its information to its shareholders. BioGold is a Chinese company, historical accounts had to be restated from their original Chinese accounting standard form to Canadian accounting standards. The current year's financial statements required audits in both Chinese and Canadian standards and had to be presented in Chinese and Canadian standard reporting format.

In August 2006, Michelago announced that directors of both Michelago and Golden China had agreed a change to the Business Combination Agreement terms as a result of the year-end inventory write down at BioGold. This write down was due to inventory being overstated, despite an independent audit of the inventory at the time of acquisition. The audit results overstated the inventory at July 2005, the time of the BioGold acquisition by Michelago. However, due to technical challenges the variation could not be fully confirmed until the June 30 stocktake.

In April 2006 the Company arranged for the balance of the required working capital facility to be provided by China Construction Bank. This amounted to 100M RMB or some US$12.5 million and was a major development in the completion of the combination terms in the business combination process with Golden China as well as a vote of confidence in the project by China based financiers. The loan amount was limited to 100M RMB as this reflected the value of the security that could be registered.

Michelago's investment in Australian Solomon's Gold proved positive with the company listing on the Toronto Stock Exchange in August 2006, valuing Michelago's investment some 33% higher that its original acquisition price. This investment has been crucial in providing the security for the finance arranged by Golden China for the BioGold project.

Golden China will be holding its shareholders meeting to approve the Business Combination Agreement in September 2006, while Michelago anticipates its meeting will be held in mid November.

The directors of Michelago remain firmly of the belief that the combination of Michelago and Golden China provides a unique opportunity to rapidly develop a robust gold explorer, miner and refiner, with strong entrepreneurial growth opportunities.

Details of the operational performance of BioGold and Australian Solomon's Gold follow in the Review of Operations section.

BOARD OF DIRECTORS

JOHN P. HORAN FCPA, FCIS
Chairman and Independent Non-Executive Director

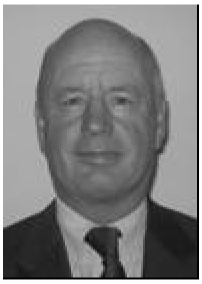
Certified Practicing Accountant and professional Non Executive Director aged 65

Chairman and Director since 1994

Mr Horan has more than 41 years of financial, corporate, technical and management experience in the mining industry. He has extensive project financing and development skills, a strong management and compliance background and a detailed understanding of the resource and mining sector. He has been Chairman of Michelago since prior to its listing on the ASX in June 1996.

Listed company directorships within the past 3 years:

- Adelaide Resources Limited (1994 to present)
- Marengo Mining Limited (2003 to present)



ALAN N. ROBERTS BSc (Hons), FAusIMM
Independent Non-Executive Director

Metallurgist aged 61

Director since 2005

Mr Roberts has over 30 years world wide operational and managerial experience at a senior level within the mining industry. This includes senior experience within the Rio Tinto Group, including Managing Director of Kelian Equatorial Mining, based at its large gold mine in Indonesia, and Chief Executive Officer of Lihir Gold in Papua New Guinea. During his career, Mr Roberts has held senior positions in a variety of operations located in Australia, Bolivia, the United Kingdom, Iran, Indonesia and Papua New Guinea. Alan is currently Chairman and Independent Director of Ok Tedi Mining Limited, Papua New Guinea.

Listed company directorships within the past 3 years:

- Lihir Gold Limited (2000 to 2003)
- Ok Tedi Mining Limited (2004 to present)

GREGORY B. STARR BBus, CPA, MAICD, FACCA
Managing Director

Certified Practicing Accountant aged 41

Director since 2004
Managing Director since 2005

Mr Starr was previously Managing Director of Emperor Mines Limited and has 21 years experience in corporate financial management as well as extensive highly relevant project development and financing skills.

Listed company directorships within the past 3 years:

- Emperor Mines Limited (1997 to 2004)

PETER A. SECKER BSc (Hons)
Executive Director (Technical)

Mining engineer aged 47

Director since 2003
Managing Director 2003 to 2005
Technical Director since 2005

Mr Secker has 25 years mining experience in South Africa, Australia and China and has held a number of senior positions with Australian and international mining companies. Since 2005, Mr Secker has focussed on the acquisition and integration of the company's investment in the BioGold facility and has been instrumental in the company's growth into the Chinese gold sector. Mr Secker brings extensive understanding of operating in China to Michelago.

Listed company directorships within the past 3 years:

- Nil

IAN K. WHITE BBus, MBA, Grad Dip CSP, FCPA, CIA.
Company Secretary

Certified Practicing Accountant aged 47

Joined Michelago in 2006

Mr White has 29 years experience in all aspects of business and financial management and has held senior corporate positions with a number of listed companies.

BioGold - China

Michelago acquired 82% of BioGold in July 2005 and increased this shareholding in the project to 99% in January 2006. Following a further equity injection in June 2006, Michelago's ownership increased to 99.5%.

The BioGold bacterial oxidation plant is one of the most modern in the world and the only commercial bacterial oxidation processing facility in China. Production statistics for the year are shown in the following table:

		Bacox© Plant	CL Plant	Total
Concentrate treated	t	25,262	36,771	62,033
Ave. Au Grade	g/t	39.31	46.24	43.42
Ave. Ag Grade	g/t	492.8	1,829.8	1,285.3
Gold Recovery	%	90.8%	93.8%	92.7%
Silver Recovery	%	78.4%	80.8%	80.4%
Total Au Eq Production	oz	33,980	79,262	113,242
3rd party gold room purchases	oz			13,117
Refined gold sold	oz			123,504

Base metal gold equivalent

During the year, BioGold doubled the base metal flotation circuit capacity of the facility to take advantage of the base metal revenue that is realised as a result of processing non-refractory concentrates through the circuit. The additional plant was commissioned in early January and has subsequently been operating at design capacity without any major operational problems.

Full margin concentrate processing

The increasing gold price during the year and the privatisation of previously state owned processing facilities intensified market competition for non-refractory concentrates. During this period, the cost of non-refractory concentrates (exclusive of base metal credits), increased from 84% to in excess of 90% of the gold content of the concentrate price, substantially reducing non-refractory concentrate margins.

Toll margin concentrate processing

The company ceased treating the substantial non-refractory concentrates previously sourced from Tarzan Mining (the vendors of the BioGold operation). This was due to the historical contractual terms reflecting acquisition of concentrates on a direct cost plus a small margin. This contract put gold price movement risk on BioGold inventory such that small movements in gold price could cause losses on gold previously purchased. Gold price hedging will in the future mitigate this risk, however at the moment as gold price hedging is currently not available in China, this type of concentrate purchasing was regarded as having too high a risk for its potential return and was ceased from the third quarter.

Since its acquisition of the BioGold facility, Michelago has systematically introduced a number of procedures, controls and value-adding projects, including:

- Metallurgical plant optimisation to reduce consumables consumption and power usage;
- Construction of a new base metal flotation plant to treat complex gold/base metal concentrates;
- Implementation of new financial and audit system of the operations;
- Introduction of a full Environmental Monitoring Plan; and
- Introduction of monthly metal balance measurements.

As a result of the implementation of more stringent inventory measurement and control measures, a stocktake of the inventory at the BioGold facility in June 2006 resulted in a reduction to the value of BioGold inventory of A$7.6 million net of earlier provisions for writedown.

During the year, Michelago also finalised arrangements for a RMB100 (A$16.6m) million working capital facility with China Construction Bank to replace and consolidate existing loans. This facility, together with a loan and an equity injection, indirectly by Golden China Resources Corporation was used to repay the existing RMB 200 million working capital finance facilities from a number of Chinese banks.

Going forward, there are three elements to BioGold's operating strategy to improve long term performance:

- secure long term supplies of concentrates;
- treat higher arsenic ores, for which the Bacox© technology is environmentally suited; and
- double the Bacox© plant throughput to 200 tonnes per day.

To this end, BioGold recently entered a long-term supply contract with European Goldfields for the treatment of Hellas Gold concentrates from the Olympias mine in Greece. Hellas Gold currently has stockpiled over 250,000 tonnes of refractory gold concentrates and this supply will assist in supply security and facilitate increased production. Furthermore, the cost of this concentrate will be averaging some 40% of its gold content and under the terms of this agreement, BioGold pays for the concentrates one month in arrears, thus reducing the working capital requirements.

The Bacox© process gives BioGold a technological advantage in the treatment of high-arsenic, refractory concentrates. To this end, BioGold continues to seek economically viable sources of non-refractory concentrates, particularly in the areas of Xinjiang, Hennan and the Golden triangle and overseas.

BioGold also plans to double the capacity of the Bacox© plant to over 200 tonnes per day of high arsenic refractory concentrate immediately after completion of the merger with Golden China. Most of the key equipment necessary for the expansion has been purchased and is on site and there has been some construction undertaken to progress the project. Capital expenditure for the plant expansion is estimated at $US2.5M.

Australian Solomons Gold (ASG)

Australian Solomons Gold Limited ('ASG') listed on the Canadian Toronto Stock Exchange on 28 August 2006. Michelago is a significant shareholder in the newly listed company with a 23.8% interest.

The Bankable Feasibility Study ('BFS') for the re-development of the Gold Ridge Project is progressing on schedule and is due for completion in November 2006. The BFS is based on a 2.5mtpa open pit mining operation and is expected to produce approximately150,000 ounces annually, with a stripping ratio of 1:1 over a mine life of 10 years. The project is fully permitted and wholly owned, and the first gold production from the new operations is scheduled for the end of 2007.

Historically, between August 1998 and June 2000, Gold Ridge produced approximately 210,000 ounces of gold. The mine currently has a resource of approximately 1.95 million ounces grading 1.9 g/t. This was calculated to Australian JORC standards in October 2000 by the project's previous owners. A new NI 43-101 compliant resource estimate is currently being prepared as part of the BFS.

During the past year a considerable amount of work has been done to facilitate the re-development of the operation:

- Repairs and upgrading of the roads and bridges leading to the Gold mine;
- Repairs and refurbishment of critical items of plant equipment;
- Commencement of repairs to the 12MW power station at the mine; and
- Preliminary discussions with a consortium of banks regarding a debt facility for the mine re-development.

During the year ASG completed 6,878 metres of diamond drilling as part of the BFS, to update the 43-101 resource and to undertake metallurgical optimisation testwork. The company also carried out additional exploration on the mining lease in the Charivunga Gorge area, located between the Namachamata pit and the Kupers pit The two 200m exploration holes intersected 29m at 3.17g/t and 28m at 1.04g/t and ended in mineralisation, highlighting the potential for additional resources between the known pits.

ASG plans commencing further drilling in 2006 to continue to test the Charivunga Gorge area, and to test current pit boundaries, which presently end in ore. A further and more significant exploration programme is being planned for 2007 as part of the ongoing strategy to increase the resource base at Gold Ridge.

DIRECTORS' REPORT

Your Directors present their report on the financial statements of the company for the year ended 30 June 2006. The names and details of the Directors of the company in office at the date of this report are shown on page 3.

Directors' Shareholdings
Directors' shareholdings and option holdings at 30 June 2006 and at the date of this report are set out in Note 27 to the Financial Statements.

Activities
The principal continuing activities of the company are the processing of gold concentrate at its BioGold facility in Shandong province China and it's shareholding in Australian Solomons Gold Limited, which is in the process of redeveloping the Gold Ridge Mine in the Solomon Islands. During the year the Company entered into a Business Combination Agreement with Golden China Resource Corporation Inc. of Canada ("Golden China"). The Business Combination, which is being undertaken by Scheme of Arrangement, is still in progress at the date of this report. The Company also successfully renewed its BioGold working capital facility.

Results
The net result of operations after applicable income tax expense for the year to 30 June 2006 was a loss of $12,047,193 (2005: $3,908,214).

Dividends
No dividends were paid or proposed during the year.

Significant Changes
Directors are not aware of any significant changes in the state of affairs of the company occurring during the financial year, other than as disclosed in this report.

Matters Subsequent to the end of Financial Year
There were at the date of this report no matters or circumstances which have arisen since 30 June 2006 that have significantly affected or may significantly affect:

- the operations of the company;
- the results of those operations; or
- the state of affairs of the company;

Except as set out below.

On 21 July 2006 Michelago announced a reduction in the value of its BioGold inventory holdings of $7.6m, net of earlier provisions for writedown. As the adjustment was determined to apply to the value of inventory prior to the acquisition of BioGold, an offsetting adjustment was made to increase the carrying value of BioGold goodwill. Michelago has determined that the increased goodwill amount can be supported by expected future discounted cash flows from BioGold and that the amount is not impaired.

On 15 August 2006, Michelago announced that it had agreed with Golden China to alter the share exchange ratio included in the Business Combination Agreement from 1 Golden China share for every 27.75 Michelago shares to 1 Golden China share for every 37.5 Michelago shares held. As a consequence, the proposed business combination between Michelago and Golden China is not expected to conclude until November 2006.

On 17 August 2006, Michelago announced that Australian Solomons Gold Limited ("ASG") had received final receipt from the Canadian regulatory authorities for its IPO prospectus to raise in excess of C$18 million (A$20 million). The issue price of C$1.37 per unit valued the MIC holding at approximately A$19.0 million representing an increase of almost 33% on the $14.3m carrying value of this investment.

Likely Developments
The Company expects to complete its Business Combination with Golden China in late November 2006. Following completion, Michelago will become an indirect wholly owned subsidiary of Golden China and will be de-listed from the ASX. Golden China will be listed on both the Toronto Stock Exchange and the ASX.

As of the date of this report, the Company had $146,000 cash in the bank. As this is less than required to complete the proposed business combination, the Company is finalising arrangements with Golden China to finance expected expenditures expected to be A$2.3 million. The finance will be via direct loans from Golden China or assistance in raising new funds from a new equity raising.

Directors' Emoluments and Benefits
During the financial year no director of the company has received or become entitled to receive a benefit (other than a benefit included in Notes 22, 27 and 28 to the Financial Statements) by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Remuneration Report
The remuneration report is set out under the following main headings:
(a) Principles used to determine the nature and amount of remuneration
(b) Details of remuneration
(c) Service agreements
(d) Share-based compensation.

(a) Principles used to determine the nature and amount of remuneration

The objective of the company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that executive remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

These criteria result in a framework which provides a mix of fixed and variable remuneration, and a blend of short and long-term incentives.

Chairman and non-executive directors

Fees and payments to the chairman and non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Such fees and payments are reviewed annually by the Board. The chairman and non executive directors are also entitled to remuneration at agreed rates for work performed outside of their respective functions as chairman and non executive director, respectively. Both the chairman and non executive directors are entitled to receive options under the company's employee share option scheme, subject to shareholder approval.

Directors' and Executives' Remuneration

Remuneration of individual non-executive directors is determined by the Board and may be varied from time to time but always such that the aggregate is within the maximum amount for which prior approval of the shareholders has been received.

Details of the nature and amount of each element of the remuneration of each of the directors of Michelago and each of the five senior executives of the company and the consolidated entity who received the highest emoluments during the year ended 30 June 2006 are set out in the following tables.

(b) Details of remuneration

Table 1: Director and senior executive remuneration

Directors of Michelago	**Directors' Fees $**	**Salaries $**	**Bonus $**	**Consulting Fees $**	**Super. Cont. $**	**Options $**	**Total $**
Stephen C. Everett (1)	-	-		24,000	-	-	24,000
John P. Horan	-	-		56,244	-	66,258 (4)	122,502
Alan N. Roberts	36,000	-		-	3,240	44,172 (4)	80,172
Peter A. Secker	-	-		240,000	-	-	240,000
Gregory B. Starr	-	275,229	140,000	-	37,370	430,392 (4)	882,991
Other senior executives of the consolidated entity							
Martin C. A. Jacobsen		227,631		-	20,486	55,505 (4)	303,622
A. John Keppo	-	-		227,120	-	12,221 (4)	239,341
Heath L. Roberts (2)	-	-		130,380	-	24,442 (4)	154,822
Chu Wang	-	-		132,000	-	-	132,000
Ian K. White (3)	-	-		98,142	-	-	98,142
Moya Zhang	-	-		60,000	-	-	60,000

1. Mr Everett resigned as a Director on 1 March 2006
2. Mr Roberts resigned as Company Secretary in 31 March 2006
3. Mr White was appointed as Company Secretary on 31 March 2006
4. Options do not represent cash payments to directors or senior executives and share options granted may or may not be exercised by the directors or executives.

Table 2: Options granted as part of remuneration

	Grant date	Grant number	Vest Date	Value per option at grant date	Exercised number	Value per option at exercise date $	Value at date option lapsed $	% of remuneration
Gregory B Starr	3.11.2005	5,000,000	3.11.2010	0.03136	-	-	-	13%
	3.11.2005	5,000,000	3.11.2010	0.03045	-	-	-	9%
								22%
John P Horan	3.11.2005	1,500,000	3.11.2010	0.03566	-	-	-	33%
	3.11.2005	1,500,000	3.11.2010	0.03485	-	-	-	21%
								54%
Alan N Roberts	3.11.2005	1,000,000	3.11.2010	0.03566	-	-	-	33%
	3.11.2005	1,000,000	3.11.2010	0.03485	-	-	-	22%
								55%

From 12 November 2004 options granted as a part of a director and executive remuneration have been valued using a Black and Scholes pricing model, which takes account of factors including the option exercise price, the share price at time of grant, volatility of the underlying share price, the risk-free interest rate and the expected life of the option.

Fair value of options
The fair value of each option is estimated on the date of grant using a Black & Scholes option-pricing model with the following weighted average assumptions used for grants made on 3 November 2005:

Dividend yield	0.0%
Expected volatility	88.40%
Risk –free interest rate	5.50%
Expected life of option	5 years

The dividend yield reflects the assumption that no dividends will be paid out. **The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.**
The resulting weighted average fair values per option for those options vesting after 1 July 2005 are:

Grant number	Grant date	Expiry date	Weighted average value per option
5,000,000	12.11.2004	12.11.2009	$0.08238
5,000,000	12.11.2004	12.11.2009	$0.07872
5,000,000	12.11.2004	12.11.2009	$0.07555
1,000,000	6.12.2004	6.12.2009	$0.06111
2,000,000	6.12.2004	6.12.2009	$0.06111
5,000,000	3.11.2005	3.11.2010	$0.03136
5,000,000	3.11.2005	3.11.2010	$0.03045
2,500,000	3.11.2005	3.11.2010	$0.03566
2,500,000	3.11.2005	3.11.2010	$0.03485
1,000,000	18.7.2005	18.7.2010	$0.03488
1,000,000	18.7.2005	18.7.2010	$0.03392
1,000,000	18.7.2005	18.7.2010	$0.03303
36,000,000			

These fair values are recognised as expenses in the financial statements and are expensed, amortised over the term of the options resulting in an increase in employee benefits expense of $632,990 for the 2006 financial year (2005: $169,811).

(c) Service agreements

Remuneration and other terms of employment for the Managing Director, and certain other directors and executives are formalised in Service/Appointment agreements. Each of these agreements provides for the provision of performance-related cash bonuses and other benefits including participation, when eligible, in the Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with the stipulated months notice, subject to termination payments as detailed below.

Gregory B Starr
Managing Director, Gregory Starr is appointed under a contract of employment dated 1 February 2005. Mr Starr is entitled to remuneration of A$275,229 plus statutory superannuation per annum (to be reviewed annually). Mr Starr is also entitled to receive bonus payments of up to A$300,000 or more (as the Board may determine) provided that Mr Starr meets certain performance criteria, 25% of each component of such bonus must be used by Mr Starr for the purchase of Michelago shares on market in the name of Mr Starr or his nominee within 30 days, and such ordinary shares must be held for a minimum of 180 days.

In accordance with Mr Starr's contract of employment, and following the approval of shareholders at the company's AGM on 3 November 2005.

Mr Starr was granted 10,000,000 options exercisable in lots of 5,000,000. The first of these is exercisable from 1 February 2006 at an issue price of 8.696 cents and the second is exercisable from 1 February 2007 at an issue price of 9.662 cents each, being a premium of 12.5% and 25% (respectively) above the volume weighted average of the company's share price on 1 February 2005.

The company may terminate this employment agreement by providing 12 months' written notice or provide payment in lieu of the notice period.

Peter A Secker
In 2006 Mr Secker received consulting fees of $240,000 and is entitled to reimbursement for expenses incurred by him in discharging his responsibilities as an executive director.

John P Horan
John Horan has a consulting agreement in place that stipulates the terms of his role as non-executive chairman of the company. Mr Horan receives consulting fees under a consulting contract of $55,000 per annum and is entitled to reimbursement for expenses incurred in discharging his responsibilities as non-executive chairman.

Alan N Roberts
Non-executive director, Alan Roberts is engaged under a letter of appointment which covers the terms of his role. Mr Roberts receives director's fees of $36,000 per annum and is entitled to statutory superannuation payments and reimbursement for expenses incurred in discharging his responsibilities as a non-executive director.

d) Share Options
At 30 June 2006 the company had granted options over 36,000,000 unissued shares to directors and consultants, 18,000,000 issued in 2005 and 18,000,000 in 2005 financial year.

On 3 November 2005 shareholders approved the granting of the following options to directors:

1. Greg Starr – 10,000,000
these are exercisable as shown below:
- 5,000,000 from 1 February 2006 at $0.08696
- 5,000,000 from 1 February 2007 at $0.09662

Both lots of options expire on 3 November 2010.

2. John Horan – 3,000,000
these are exercisable as shown below:
- 1,500,000 from 3 November 2006 at $0.05134
- 1,500,000 from 3 November 2007 at $0.05704

Both lots of options expire on 3 November 2010.

3. Alan Roberts – 2,000,000
these are exercisable as shown below:
- 1,000,000 from 3 November 2006 at $0.05134
- 1,000,000 from 3 November 2007 at $0.05704

Both lots of options expire on 3 November 2010.

On 11 November 2005 the company granted the following options, pursuant to an employment contract, to:
Martin Jacobsen – 3,000,000
these are exercisable as shown below:
- 1,000,000 from 18 July 2006 at $0.0513
- 1,000,000 from 1 July 2007 at $0.0577
- 1,000,000 from 1 July 2008 at $0.0641

all three lots of options expire on 18 July 2010.

Directors' Interests
The relevant interest of each Director (including their associates) in the share capital of the company as at 30

June 2006 are set out in note 27 to the financial statements.

Options included in directors' and executives' remuneration are treated as follows:

Fair values have been assessed using the Black and Scholes option valuation methodology which takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the options, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Share Capital and Options
A detailed breakdown of the company's capital, including options (unquoted options and employee options) and convertible instruments is contained in Note 22 to the Financial Statements.

Meetings of Directors
Director's attendance at Directors meetings are shown in the following table:

Director	Meetings Eligible to Attend	Meetings Attended
Stephen C. Everett	3	3
John P. Horan	10	10
Alan N. Roberts	10	10
Peter A. Secker	10	9
Gregory B Starr	10	10

In addition to the above, the Company passed 5 circular resolutions during the year.

Indemnification and Insurance
Michelago's Constitution provides that, to the extent permitted by law, the company indemnifies every officer of the company against any liability incurred by that person, in the person's capacity as an officer of the company, and to a person other than the company or a related body corporate of the company; unless the liability arises out of conduct involving a lack of good faith on the part of the officer.

The Constitution further provides that Michelago indemnifies every officer and the auditor of the company against any liability for costs and expenses incurred by the person in his or her capacity as officer or auditor of the company, in defending any proceedings, whether civil or criminal, in which judgement is given in favour of the person or in which the person is acquitted; or in connection with an application, in relation to such proceedings, in which the Court grants relief to the person under the Corporations Act.

In respect of the above, during the year the company has paid a premium for an insurance policy for the benefit of directors, secretaries and executive officers of the company and related bodies corporate.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of The Corporations Act 2001.

Auditor
Barnes, Dowell James continues in office as the company's auditors in accordance with section 327 of the Corporations Act 2001.

Non-audit services
The company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (Barnes Dowell James) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are also satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 47.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity:

	$
Assurance services	15,000
Audit services	25,000
Taxation services	2,800

Environmental Regulation
Michelago's operations at BioGold are subject to relevant environmental regulations under the laws of the People's Republic of China and the various

provincial and local authorities. The company has a 99.5% interest in the BioGold Facility, located in Shandon Province, and has appointed a Chief Operating Officer and General Manager, China, who oversee the Company's operations in China, including its ongoing compliance with environmental laws and regulations.

Signed at Sydney this 13th day of September 2006 in accordance with a resolution of the directors.

John P Horan
Director

Alan N Roberts
Director

The Board and senior management continue to have a proactive role in relation to corporate governance matters, cognisant though of the size of the company and the resources available to it.

In March 2003 the ASX Corporate Governance Council published "Principles of Good Corporate Governance and Best Practice Recommendations". This document is for guidance to ASX listed companies and requires listed companies to disclose the extent to which they have followed the recommendations, to identify any recommendations which have not been followed and to identify reasons for not following any recommendations.

The company's Board of Directors continues to review, and where appropriate, implement the ASX Corporate Governance "Best Practice" recommendations. In many cases these requirements are met; in others they are considered unduly onerous for a company of Michelago's size and resources.

The company has made two significant investments during the year and its' risk profile has changed in recent months.

The ten principles of corporate governance are summarised below, with commentary related to the company's level of compliance.

Principle 1 – To lay solid foundations for management and oversight

As the company continues to grow, it will review the recommendations to formalise and disclose the functions reserved to the Board and those delegated to management. At present, the company has a small Board, comprising four directors, one of whom is the executive managing director and the other an executive technical director. Additionally, there is a small management team. Roles and functions within the company must remain flexible in order for the company to best function within its level of available resources.

A reasonable level of demarcation between the Board and management has been established. .

Principle 2 – To Structure the Board to Add Value

The Board complies with some of these recommendations, but not others.

The company's chairman is separate from the managing director.

The Board members are chosen, and from time to time as required, new Board members are considered, on the basis of the skills that are considered to be necessary within the Board and the eligible candidates who can best offer those skills.

The Board currently has no formal nomination committee. The Board acting in its ordinary capacity from time to time as required has carried out the process of determining the need for, screening and appointing new directors. To date, in view of the size and resources available to the company, it has not been considered that a separate nomination committee would add any substance to this process.

The company does not comply with the requirement that the majority of directors should be independent. Each of the directors, with the exception of Mr Roberts, holds some shareholdings in the company which are disclosed elsewhere in this Annual Report. Some of the directors receive consultancy fees for services provided to the company, on commercial terms and as disclosed.

Principle 3 – To Promote Ethical and Responsible Decision Making

The company is implementing codes of conduct in relation to the environment, people and culture, safety, training and development and the community for the areas in which it operates. Separate from these broad policies, the Board promotes, through the close interaction of individuals within the company, the importance of the highest level of ethics and responsibility in all decision making and dealing in the company's shares.

The company has adopted a share trading policy which prohibits trading in its securities by directors, staff and consultants and their close associated during defined periods related to the date of ASX announcements. The overriding emphasis of the policy is that these parties must not trade in the company's securities when they are in the possession of information that could affect the company's share price and which is not available to the investing public.

All directors and staff and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.

During the financial year, the company undertook a number of related party transactions, including a significant asset acquisition. The policy ensured that, in all cases, appropriate legal advice was taken. In the case of the asset acquisition, shareholder approval was sought and obtained.

Principle 4 – To Ensure Integrity in Financial Reporting

The Board complies with some of these recommendations, but not others. The company currently does not have a formal audit committee, having been of the view that the Board acting in its ordinary capacity from time to time can adequately carry out the processes necessary to ensure integrity in financial reporting.

Executive Board members and senior management confirm that the financial reports represent a true and fair view and are in accordance with relevant accounting standards. The company's Managing Director has high level financial and reporting skills.

The company has external auditors, Barnes Dowell James, Chartered Accountants, of North Sydney, who carry out an audit of the company's full year financial statements and a review of the company's half-year financial statements.

Principle 5 – To Ensure Timely and Balanced Disclosure

The Board, senior management and all staff and contractors are acutely aware of the continuous disclosure regime and, although the company does not maintain written policies regarding disclosure, there are strong informal systems to ensure compliance underpinned by experienced individuals and a strong workplace emphasis on full and appropriate disclosure.

Principle 6 – To Respect the Rights of Shareholders

The company communicates regularly with shareholders, through regular ASX releases, the maintaining of a website, mail outs of selected announcements and the holding of general meetings as required, at least once each year. The company does not have a communications strategy, as it believes this to be excessive for small companies, however the Board is confident that current arrangements are both effective and, importantly, flexible enough to meet shareholder's needs and expectations.

The company utilises the services of external public relations advisers from time to time to assist the identification and implementing of appropriate communication with shareholders and the broader community.

Principle 7 – To Recognise and Manage Risk

Due to its small size and areas of operations, Michelago to date, has not had a need for formalised policies on risk management. Rather, the process of risk management has been undertaken on a flexible basis by the Board and senior management as the need and circumstance has required.

In view of the company's recent acquisition of BioGold and likely continued expansion into the Chinese gold sector, the company will formalise risk management policies in the near term.

Principle 8 – To Encourage Enhanced Performance

Due to the small size of the company, the Board does not currently have a formalised remuneration committee. Acting in its ordinary capacity, the Board from time to time has carried out the processes of considering and determining nomination, remuneration and performance issues.

Principle 9 – To Remunerate Fairly and Responsibly

Remuneration levels are determined by the Board on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires at reasonable market rates and seeks external advice and market comparisons where necessary. The company makes disclosure of remuneration related information in accordance with the Corporations Law.

The company has an employee share option plan, and any participation in this plan by directors must be approved in advance by the company's shareholders.

Principle 10 – To Recognise the Legitimate Interests of Stakeholders

The company does not have a formal code of conduct to guide compliance with legal and other obligations. The Board continues to review existing procedures over time to ensure adequate processes are in place.

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Revenue from operations	2	90,768,387	633,873	222,661	633,873
Cost of sales		(85,719,472)	-	-	-
Gross profit		5,048,915	633,873	222,661	633,873
Other operating expenses	3	(5,020,933)	-	-	-
Profit(Loss) from operations before finance costs		27,982	633,873	222,661	633,873
Finance and interest costs	21 (a)	(5,859,993)	-	-	-
Other expenses	3	(5,410,298)	(2,482,477)	(5,078,147)	(2,482,477)
Exploration expenses	3	(3)	(2,058,824)	(3)	(2,058,824)
Options issued	3	(632,990)	-	(632,990)	-
Loss on sale of plant and equipment	3	(2,080)	(786)	(2,080)	(786)
LOSS FROM ORDINARY ACTIVITIES before income tax expense	3	(11,877,382)	(3,908,214)	(5,490,559)	(3,908,214)
Options issued – prior year		(169,811)	-	(169,811)	-
Income tax expense		-	-	-	-
		(12,047,193)		(5,660,370)	
Outside equity interests in net profit (loss)		12,373	-	-	-
Net profit (loss) attributable to members of parent		(12,034,820)	(3,908,214)	(5,660,370)	(3,908,214)
Basic earnings per share (cents per share) – Loss	6	(1.25)	(0.55)	(0.58)	(0.55)
Diluted earnings per share (cents per share) – Loss	6	(1.25)	(0.55)	(0.58)	(0.55)

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		$	$	$	$
CURRENT ASSETS					
Cash assets		14,144,080	7,649,274	406,630	7,649,268
Trade and other receivables	7	3,286,152	116,948	167,290	116,948
Prepayments	8	5,158,576	-	-	-
Investments		50,724	-	-	-
Inventory	9	14,263,014	-	-	-
TOTAL CURRENT ASSETS		36,902,546	7,766,222	573,920	7,766,216
NON-CURRENT ASSETS					
Property, plant and equipment	11	15,580,161	19,687	24,567	19,687
Security deposits	12	131,780	138,519	131,780	138,519
Goodwill on consolidation	13	18,256,039	-	-	-
Intangibles		11,064	864	-	864
Shares in controlled entities	14	-	-	6	6
Investments	15	599,336	3,791,207	17,455,319	3,791,207
ASG investment	15	14,304,286	14,304,286	14,304,286	14,304,286
TOTAL NON-CURRENT ASSETS		48,882,666	18,254,563	31,915,958	18,254,569
TOTAL ASSETS		85,785,212	26,020,785	32,489,878	26,020,785
CURRENT LIABILITIES					
Trade and other payables	16	7,392,483	933,855	1,008,879	933,855
Bank short term loans	17	16,738,690	-	-	-
Notes payable	18	5,072,330	-	-	-
TOTAL CURRENT LIABILITIES		29,203,503	933,855	1,008,879	933,855
NON CURRENT LIABILITIES					
Long term loans	19	7,736,994	-	-	-
Long term payables	20	676,311	662,076	-	662,076
GCRC loan	21	21,916,800	-	-	-

	Note				
TOTAL NON-CURRENT LIABILITIES		30,330,105	662,076	-	662,076
TOTAL LIABILITIES		59,533,608	1,595,931	1,008,879	1,595,931
NET ASSETS		26,251,604	24,424,854	31,480,999	24,424,854
EQUITY					
Contributed equity	22	52,671,234	40,757,520	52,671,234	40,757,520
Options Expense Reserve	23	802,801	-	802,801	-
Foreign currency translation reserve	24	273,257	-	-	-
Outside Equity Interest		884,171	-	-	-
Accumulated losses	25	(28,379,859)	(16,332,666)	(21,993,036)	(16,332,666)
TOTAL EQUITY		26,251,604	24,424,854	31,480,999	24,424,854

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Parent	
		2006	2005	2006	2005
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sale of goods or services		89,505,260	-	-	-
Other income		68,997	3,913	68,997	3,913
Payments to suppliers and employees		(85,636,224)	(2,343,039)	(5,428,739)	(2,343,039)
Interest received		170,478	629,960	153,663	629,960
Income taxes paid		(799,164)	-	-	-
Interest paid		(2,194,544)	-	-	
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (Note a)		1,114,803	(1,709,166)	(5,206,079)	(1,709,166)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(428,571)	(14,801)	(4,880)	(14,801)
Proceeds from disposal of assets/investments		85,096	-	-	-
Funding of controlled entities	15(a)	-	(9,943)	(13,667,886)	(11,440,905)
Expenditure on mining interests (exploration and evaluation)		-	(904,929)	-	-
Equity Investments	15(b)	(21,848,514)	(16,264,343)	-	(5,728,367)
Payment of technology licence - Bactech	15	(284,246)	(315,090)	(284,246)	(315,090)
Purchase of investments		(135,262)	-	-	-
Tenement security/rental bond deposits		6,739	(28,519)	6,739	(28,519)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(22,604,758)	(17,537,625)	(13,950,273)	(17,527,682)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		20,367,598	19,978,264	11,913,714	19,978,264
Proceeds from borrowings		88,166,666	-	2,000,000	-
Repayment of borrowings		(75,819,314)	-	(2,000,000)	-
Proceeds of investments from others	21 (a)	(6,828,007)	-	-	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		25,886,943	19,978,264	11,913,714	19,978,264
Net increase (decrease) in cash held		4,396,988	731,473	(7,242,638)	741,416
Cash at 1 July 2005		7,649,274	6,917,801	7,649,268	6,907,858
Effect of acquisition of BioGold on 22.7.05	15 (b) (iii)	2,092,603	-	-	-
Effect of foreign exchange rate changes		5,215	-	-	-
CASH AT 30 JUNE 2006		14,144,080	7,649,274	406,630	7,649,274

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2006

For the purposes of the Statement of Cash Flows, cash includes cash in hand and on deposits net of bank overdrafts.

Note (a) comprises:

Operating profit (loss) after income tax		(12,047,193)	(3,908,214)	(5,660,370)	(3,908,214)
Depreciation		1,260,163	6,323	8,045	6,323
Exploration expenditure written off	3(a)	3	2,058,824	3	2,058,824
Loss(Profit) on sale of plant and equipment		2,080	786	2,080	786
Company formation expenses written down		-	860	860	860
Loss on security bond written off		-	11,344	-	11,344
Decrease (increase) in receivables		(3,169,204)	(28,874)	(50,342)	(28,874)
Increase (decrease) in creditors & provisions		6,514,924	149,785	352,920	149,785
Increase in reserves		802,801	-	802,801	-
Increase (decrease) in long term loans & payables		7,751,229	-	(662,076)	-
Net cash outflow from operating activities		1,114,803	(1,709,166)	(5,206,079)	(1,709,166)

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

CONSOLIDATED	Attributable to equity holders of the parent				Minority Interest	Total Equity
	Issued capital	**Retained earnings**	**Other reserves**	**Total**	**$**	**$**
As at 1 July 2005	**40,757,520**	**(16,332,666)**	**0**	**24,424,854**	**0**	**24,424,854**
Total income and expense for the period recognised directly in equity						
Loss for the period	0	(12,047,193)	0	(12,047,193)	0	(12,047,193)
Shares issued on exercise of Options	205,714	0	0	205,714	0	205,714
Capital raising	7,708,000	0	0	7,708,000	0	7,708,000
Share Purchase Plan	500,000	0	0	500,000	0	500,000
Cost of share based payments – prior year	0	0	169,811	169,811	0	169,811
Cost of share based payments	0	0	632,990	632,990	0	632,990
Foreign currency translation reserve	0	0	273,257	273,257	0	273,257
Consolidation	0	0	0	0	884,171	884,171
Shares issued under agreement to TST.com Pty Ltd	3,500,000	0	0	3,500,000	0	3,500,000
As at 30 June 2006	**52,671,234**	**(28,379,859)**	**1,076,058**	**25,367,433**	**884,171**	**26,251,604**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the parent				Minority Interest	Total Equity
PARENT	**Issued capital**	**Retained earnings**	**Other reserves**	**Total**	**$**	$
As at 1 July 2005	**40,757,520**	**(16,332,666)**	**0**	**24,424,854**	**0**	**24,424,854**
Total income and expense for the period recognised directly in equity						
Loss for the period	0	(5,660,370)	0	(5,660,370)	0	(5,660,370)
Shares issued on exercise of Options	205,714	0	0	205,714	0	205,714
Capital raising	7,708,000	0	0	7,708,000	0	7,708,000
Share Purchase Plan	500,000	0	0	500,000	0	500,000
Cost of share based payments – prior year	0	0	169,811	169,811	0	169,811
Cost of share based payments	0	0	632,990	632,990	0	632,990
Foreign currency translation reserve	0	0	0	0	0	0
Consolidation	0	0	0	0	0	0
Shares issued under agreement to TST.com Pty Ltd	3,500,000	0	0	3,500,000	0	3,500,000
As at 30 June 2006	**52,671,234**	**(21,993,036)**	**802,801**	**31,480,999**	**0**	**31,480,999**

1. SUMMARY OF ACCOUNTING POLICIES

General System of Accounting Underlying the Financial Reports

This financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law. The financial report has been prepared on an accrual basis and is based on historical costs, and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation of the financial report:

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note (a) (i) below.

Except for the revised AASB 119 *Employee Benefit* (issued December 2004), Australian Accounting Standards that have recently been issued or amended, but are not yet effective, have not been adopted for the annual reporting period 30 June 2006.

The following Accounting Standard amendments are not applicable to the Group as at 30 June 2006 and therefore have no impact.

AASB Amendment	**Affected Standard**	**Nature of change to accounting policy**	**Applicable date of standard**	**Application date for Group**
2005-1	AASB 139 Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-5	AASB 1 First-time adoption of AIFRS and AASB 139 Financial Instruments: recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005-6	AASB 3 Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005-10	AASB 132 Financial Instruments: Disclosure and Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time adoption of AIFRS, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts	No change, no impact	1 January 2007	1 July 2007
2006-1	AASB 121 The effects of the change in foreign exchange rates	No change, no impact	1 January 2006	1 July 2006
New Standard	AASB 7 Financial Instruments: Disclosures	No change, no impact	1 January 2007	1 July 2007

The following amendments are not applicable to the Group and therefore have no impact.

AASB Amendment	Affected Standard
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 1: First-time adoption of AIFRS AASB 1023: General Insurance Contracts
2005-9	AASB 4: Insurance Contracts AASB: 1023 General insurance contracts AASB 132: Financial Instruments: Disclosures and Presentation AASB 139: Financial Instruments: Recognition and Measurement

Basis of consolidation

The consolidated financial statements comprise the financial statements of Michelago Limited and its subsidiaries ('the Group').

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

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

Foreign currency transactions

Both the functional and presentation currency of Michelago Limited and its Australian subsidiaries are Australian dollars (A$).

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

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.
Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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

Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary (BioGold) is Renmimbi Yuan ('RMB').

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Michelago Limited at the rate of exchange ruling at the balance sheet date.

Property, plant and equipment

Cost and Valuation

Items of property, plant and equipment are carried at cost less accumulated depreciation and any impairment in value.

Depreciation
Depreciation is provided on a straight-line basis over the estimated useful life of the asset, other than freehold land.

Major depreciation periods are 5 to 15 years for plant and equipment.

Impairment

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

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Consumables and spares – purchase cost on first-in-first-out basis; and
- Finished goods and work in progress – cost of direct material and labour and a proportion of operational overheads based on normal operating capacity.
- Gold in circuit and in transit – cost of direct material and labour and a proportion of operational overheads based on normal operating capacity.
- Ore stockpiles – cost of direct material and labour and a portion of operational overheads based on normal capacity.

Intangibles

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the total of all costs of acquiring the business over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill has been reviewed for impairment.

As at the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination synergies.

Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash generating unit and a part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash generating unit retained.

Other intangibles

Acquired both separately and from business combination

Intangible assets acquired separately are capitalised at cost and from business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets, excluding development costs, created within a business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on prospective basis.

Issued Capital

Issued capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares (‘equity-settled transactions’). The cost of these equity-settled transactions with employees (and directors) is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Michelago Limited (‘market conditions’).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where management's judgement is applied include asset and investment valuations, finished and in-process inventory quantities, plant and equipment lives, contingent liabilities, tax provisions, and future tax balances, asset retirement obligations, pension and other post retirement benefits and other accrued liabilities.

Investments

The investment in Australian Solomons Gold Pty Ltd is recorded at cost. All other investments are carried at cost less any amounts written off to reflect an impairment in value which is considered to be other than temporary.

Generally, it is presumed that an investor holding 20 percent or more of the voting interest in the investee is able to exercise significant influence. However, all facts and circumstances must be evaluated to determine whether this presumption can be overcome by evidence to the contrary. Based on such evaluation, the Company has determined that it does not exercise significant influence over ASG.

Earnings per share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. The company follows the treasury stock method in the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds are used to repurchase common shares at the average market price in the period.

Future funding

The financial statements have been prepared on a going concern basis, the basis of which is dependent upon the company being able to obtain additional funding to support future working capital for the BioGold facility and on going corporate expenses. If the company is unable to obtain such funding, it may be required to vary future expenditure programmes, to realise assets and extinguish liabilities and commitments other than in the normal course of business and at amounts which are different to those which are currently stated in the accounts.

Income tax

Income tax expense comprises both current taxes and deferred taxes. Current tax is the expected tax payable on taxable income for the year using tax rates applicable at balance date and making adjustments to tax payable and refundable in prior years.
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

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

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

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

Non-Current investments
Investments are brought to account at cost. While not currently applicable, the carrying amount of investments will be reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets in the particular entities. The expected net cash flows from investments maybe discounted to their present value in determining the recoverable amounts.

Subsidiaries
The company's share of the assets, liabilities, revenue and expenses of subsidiaries are included in the appropriate items of the balance sheet and income statement – details of the company's interests are shown in note 8.

Acquisition of assets
The cost method of accounting is used for all acquisitions 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.

Employee entitlements
Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

Cash
For the purpose of the statement of cash flows, cash includes:

- Cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments with less than 14 days to maturity.

Leases
Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit in equal instalments over the lease term.

Revenue
Revenue from the sale of assets is recognised when the company has passed control of the asset to the buyer. Interest revenue is recognised on an accrual basis. All revenue is stated net of the amounts of goods and services tax.

Comparative figures
Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(a) AASB 1 Transitional Exemptions

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

Share-based payment transactions

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

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

The Company has not elected to adopt this exemption and has applied AASB 132 “Financial Instruments: Presentation and Disclosure” and AASB 139 “Financial Instruments: Recognition and Measurement” to its comparative information.

Impact of Adoption of AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP), the Company’s transition date to AIFRS, are illustrated below.

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

		Consolidated 30 June 05 A$	Consolidated 1 July 04 A$
Total Equity under AGAAP		35,365,021	8,354,804
Adjustments to equity:		-	-
Cost of share based payments	A	(169,811)	-
Equity value of share based payments	A	169,811	-
Total equity under AIFRS		35,365,021	8,354,804

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

		Consolidated Year ended 30 June 05 A$	Consolidated 1 July 04 A$
Loss after tax as previously reported		(3,908,214)	(992,142)
Recognition of share based payments	**A**	(169,811)	-
Profit (Loss) after tax under AIFRS		(4,078,025)	(992,142)

(a) Share-based payment costs are charged to the income statement under AASB 2 “Share-Based Payments”, but not under previous AGAAP. This has caused a decrease in equity and profit for the year.

(iii) Explanation of material adjustments to the cash flow statement

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

2. REVENUE

		Consolidated		Parent	
		2006	2005	2006	2005
		$	$	$	$
Operating Activities					
Revenue from operations		90,318,783	-	-	-
Other operational income		210,127	-	-	-
Interest received		170,480	629,960	153,664	629,960
Other revenue		68,997	3,913	68,997	3,913
		90,768,387	633,873	222,661	633,873

3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before extraordinary items, and income tax has been determined after:

		Consolidated 2006 $	Consolidated 2005 $	Parent 2006 $	Parent 2005 $
Expenses					
Operational costs, concentrates and consumables		85,719,472	-	-	-
Administrative expenses - Biogold		3,749,855	-	-	-
Corporate Administration - China	a)	2,006,998	1,065,628	2,006,998	1,065,628
Finance costs		2,263,128	-	-	-
Tax paid		3,582	-	-	-
Non-operating expenses:					
BioGold		340,195	-	-	-
Interest costs GCRC loan		487,040	-	-	-
Deferred costs of GCRC loan		3,109,826	-	-	-
Accrued expenses		7,333	-	-	-
Depreciation of plant and equipment		1,260,163	6,323	8,045	6,323
Exploration expenditure written off	b)	3	2,058,824	3	2,058,824
Corporate Administration - Australia	c)	1,059,708	1,325,697	1,059,708	1,325,697
Occupancy expenses		112,466	91,152	112,466	91,152
Options issued		632,990	-	632,990	-
Merger costs		1,890,930	-	1,890,930	-
Loss on sale of plant and equipment		2,080	786	2,080	786
		102,645,769	4,548,410	5,713,220	4,548,410

a) $2,006,998 comprises corporate administrative, corporate and travel costs associated with China operations .
b) $3 comprises residual exploration expenditure written off.
c) $1,059,708 comprises office administration and operations of company in Australia.

4. INCOME TAX

	Consolidated		Parent	
	2006	2005	2006	2005
	$	$	$	$
(a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
(Over)/under provision in prior year	-	-	-	-
	-	-	-	-
Income tax expense is attributable to:	-	-	-	-
Profit from continuing operations	-	-	-	-
Aggregate income tax expense	-	-	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Losses from continuing operations before income tax expense	(11,877,382)	(3,908,214)	(5,490,559)	(3,908,214)
Tax at the Australian tax rate of 30% (2005:30%)	(3,614,158)	(1,172,464)	(1,698,111)	(1,172,464)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Additional deductions	-	-	-	-
Difference in foreign tax rate	-	-	-	-
(Over)/under provision prior year	-	-	-	-
Non-allowable deductions	643,875	617,647	643,875	617,647
Other	-	(600)	-	(600)
Income tax benefit not brought to account	2,970,283	555,417	1,054,236	555,417
(c) Current Tax Liabilities				
Balance at beginning of year	-	-	-	-
Income tax paid	-	-	-	-
Current year's income tax expense on profit	-	-	-	-
(Under)/over provided in prior year	-	-	-	-
Balance at end of year	-	-	-	-

No provision for income tax is considered necessary in respect of the company for the year ended 30 June 2006.

No recognition has been given to any future income tax benefit which may arise from exploration expenditure carried forward under ITAA97 section 330-15 (either capitalised as deferred exploration expenditure for accounting purposes or written off to the profit and loss account) and operating losses not claimed for tax purposes. The company has estimated its carried forward exploration expenditure to be approximately $4,442,319 (2005: $4,442,316) and adjusted operating losses not claimed as $3,514,119 (2005: $1,112,995). These amounts have not been brought to account in calculating any future tax benefit.

A benefit of $4,135,045 (tax rate @ 30%) (2005: $3,081,154) will only be obtained if:

- the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
- the company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the company in realising the benefit from the deductions, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.

Tax Consolidation
The Tax Consolidation scheme is applicable to the company. As at the date of this report the directors have not assessed the financial effect, if any, the scheme may have on the company and the consolidated entities, and accordingly the directors have not made a decision whether or not to be taxed as a single entity. The financial effect of the tax consolidation scheme on the economic entity has not been recognised in the financial statements.

	Consolidated		Parent	
	2006	2005	2006	2005
	$	$	$	$
5. AUDITOR'S REMUNERATION				
Audit review of the financial report	91,164	19,750	25,000	19,750
Assurance services	15,000	3,650	15,000	3,650
Taxation services	2,800	1,980	2,800	1,980
	108,964	25,380	42,800	25,380
6. EARNINGS PER SHARE				
Basic earnings per share	(1.25)	(0.55)	(0.58)	(0.55)
Weighted average number of ordinary shares	894,201,038	596,272,350	894,201,038	596,272,350
Diluted earnings per share are not materially different from basic earnings per share				
7. CURRENT ASSETS – RECEIVABLES				
Trade debtors	1,160,184	-	-	-
Other debtors	64,075	36,306	64,075	36,306
GCRC loan cost provision	1,958,678	-	-	-
Goods & services tax receivable	103,215	80,642	103,215	80,642
	3,286,152	116,948	167,290	116,948
8. CURRENT ASSETS – PREPAYMENTS				
Advances to suppliers	7,290,922	-	-	-
Provision for doubtful debts	(2,132,346)	-	-	-
	5,158,576	-	-	-

9. CURRENT ASSETS – INVENTORY

	Consolidated		Parent	
	2006	2005	2006	2005
	$	$	$	$
Work-in-progress (at cost)	2,692,251	-	-	-
Finished goods (at net realisable value)	4,356,399	-	-	-
Total inventories at lower cost and net realisable value	14,263,014	-	-	-

10. SUBSIDIARIES

As at 30 June 2006, Michelago Limited had five (6) wholly owned subsidiaries, Michelago (China Mining) Pty Ltd, Michelago (China Exploration) Pty Ltd , Michelago China (Xinjiang) Pty Ltd, Michelago (Hong Kong) Limited (incorporated in Hong Kong), Sashmo Pty Ltd (incorporated in Australia) and Michelago (Xinjiang) Exploration and Development Limited (incorporated in PRC). Each of these subsidiaries has one issued share, apart from Sashmo Pty Ltd which has two issued shares, and Michelago (Xinjiang) Exploration and Mining Development Limited which is limited by assets. All the shares in each wholly owned subsidiary, are owned by Michelago Limited.

11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment — at cost	21,448,931	32,928	41,165	32,928
Less: Accumulated depreciation	(5,868,770)	(13,241)	(16,598)	(13,241)
	15,580,161	19,687	24,567	19,687
Movement schedule for Plant and Equipment				
Opening written down value	19,687	11,994	19,687	11,994
Additions	21,416,002	14,802	8,237	14,802
Depreciation	(5,855,528)	(6,323)	(3,357)	(6,323)
Less written down value of assets sold	-	(786)	-	(786)
Closing written down value	15,580,161	19,687	24,567	19,687

12. NON-CURRENT ASSETS - DEPOSITS

Tenement security deposits	110,000	110,000	110,000	110,000
Other security deposits	21,780	28,519	21,780	28,519
	131,780	138,519	131,780	138,519

13. GOODWILL

In line with company policy on goodwill, as at 30 June 2006, total goodwill on acquisition has been reviewed for impairment. See details note 26.

14. SHARES IN CONTROLLED ENTITIES

Michelago (China Exploration) Pty Ltd	-	-	1	1
Michelago (China Mining) Pty Ltd	-	-	1	1
Michelago China (Xinjiang) Pty Ltd	-	-	1	1
Michelago (Hong Kong Limited)	-	-	1	1
Sashmo Pty Ltd	-	-	2	2
Michelago Xinjiang Mining Exploration and Development Limited	-	-	-	-
	-	-	6	6

		Consolidated		Parent	
		2006	2005	2006	2005
		$	$	$	$
15. NON-CURRENT ASSETS – INVESTMENTS					
BioGold					
China BioGold project acquisition costs		-	288,021	-	288,021
Michelago (Hong Kong) Ltd loan		-	-	16,855,983	3,188,096
Shandong MIC BioGold Ltd		-	3,188,096	-	-
BacTech Mining Corporation Ltd Licence fee	(i)	599,336	315,090	599,336	315,090
Total		599,336	3,791,207	17,455,319	3,791,207
ASG					
Sashmo Pty Ltd acquisition costs		1,912,953	1,912,953	1,912,953	1,912,953
Sashmo Pty Ltd loan		-	-	7,347,880	7,347,880
Australian Solomons Gold Pty Ltd		12,391,333	12,391,333	5,043,453	5,043,453
Total	(ii)	14,304,286	14,304,286	14,304,286	14,304,286
15 (a) CASH FLOWS FROM INVESTING ACTIVITIES					
FUNDING OF CONTROLLED ENTITIES					
China					
Michelago (China Exploration) loan		-	9,943	-	641,237
Michelago China (Xinjiang) loan		-	-	-	263,692
Michelago (Hong Kong) Ltd loan		-	-	13,667,886	3,188,096
Sub Total		-	9,943	13,667,886	4,093,025
ASG					
Sashmo Pty Ltd loan		-	-	-	7,347,880
Total		-	9,943	13,667,886	11,440,905
15 (b) CASH FLOWS FROM INVESTING ACTIVITIES					
EQUITY INVESTMENTS					
BioGold					
China BioGold acquisition costs		-	146,114	-	146,114
Shandong MIC BioGold Ltd – purchase	(iii)	13,667,886	3,188,096	-	-
Shandong MIC BioGold Ltd – equity increase		8,180,628	-	-	-
Sub Total		21,848,514	3,334,210	-	146,114
ASG					
Sashmo Pty Ltd acquisition costs		-	588,800	-	588,800
Australian Solomons Gold Pty Ltd (MIC)		-	4,993,453	-	4,993,453
Australian Solomons Gold Pty Ltd (Sashmo)		-	7,347,880	-	-
Sub Total		-	12,930,133	-	5,582,253
Total		21,848,514	16,264,343	-	5,728,367

(i) Under an agreement with BacTech (Barbados) Ltd (BacTech), Michelago was required to pay BacTech the sum of US$472,000 after receipt of a Business Licence to the BioGold joint venture in China but also subject to certain warranties by BacTech having been met. Payment of this amount provides Michelago an exclusive licence (subject to direct, limited usage rights retained by BacTech and Mintek Ltd of South Africa) to the BACOX© technology in China and three other countries until 2009, with an option for a further five years to 2014. The payment for this licence was completed during the financial year after the relevant warranties had been satisfied by BacTech. In March 2005, Michelago provided a loan of C$300,000 (A$315,090) to BacTech and this amount was subsequently offset against the US$472,000 licence fee. All payments in respect of this agreement have been satisfied.

(ii) The investment in ASG is currently carried at cost. Subsequent to the reporting date, on 28 August 2006, ASG listed on the Canadian TSX with a listing share price of C$1.37. It trades under the symbol SGA. Following the IPO, and issue of further shares, MIC currently holds 13.2 million shares or 23.8% of the issued shares in ASG. Based on ASG's post IPO total of 55.0 million shares and 6.6 million warrants on issue, and MIC's estimate of the value of these warrants, the implied market capitalisation of ASG is approximately A$80.7 million, thus valuing the MIC holding at approximately A$19.0 million.

Pursuant to Canadian regulatory requirements covering the disposal of shares by certain persons related to a company undertaking an Initial Public Offering, Michelago entered into an escrow agreement in relation to its interest in ASG.
Under the agreement, 75% of the ASG shares that Michelago beneficially owns are escrowed and will be released on each of the dates that are 6 months, 12 months and 18 months after the listing date or at any time prior to that date with the consent of the applicable regulatory authorities.

(iii) On the acquisition of the Biogold operation on 22 July 2005 the company's cash assets were A$2,092,603 and were acquired as part of the assets.

		Consolidated		Parent	
		2006	2005	2006	2005
		$	$	$	$
CURRENT LIABILITIES					
16. PAYABLES					
Creditors and accruals		6,730,407	271,779	346,803	271,779
Non-interest bearing liability	28 (c)(2)	662,076	662,076	662,076	662,076
		7,392,843	933,855	1,008,879	933,855
Provisions					
Employee entitlements		-	-	-	-
Number of employees at year end		583	-	3	-
17. BANK LOANS					
China Construction Bank	21	10,144,661	-	-	-
Bank of China	21	6,594,029	-	-	-
		16,738,690	-	-	-
18. NOTES PAYABLE					
CITIC	21	3,381,554	-	-	-
Bank of China	21	1,690,776	-	-	-
		5,072,330	-	-	-
LONG TERM LIABILITIES					
19. LONG TERM LOANS					
China Construction Bank	21	6,763,108	-	-	-
Laizhou Finance Bureau	21	649,257	-	-	-
Government Special funds	21	324,629	-	-	-
		7,736,994	-	-	-
20. LONG TERM PAYABLES					
Non-interest bearing liability	28(c)(2)	676,311	662,076	-	662,076
GCRC Loan	21	21,916,800	-	-	-

21. INTERST BEARING LOANS AND BORROWINGS

Details of the loans in notes 17, 18 and 19 above are provided below:

			Consolidated		Parent	
	Effective Interest rate %	Maturity	2006 $	2005 $	2006 $	2005 $
Current						
China Construction Bank	5.85-6.7	various	10,144,661	-	-	-
Bank of China	6.7	5 Jul 2007	6,594,029	-	-	-
CITIC	6.7	3 Sep 2007	3,381,554	-	-	-
Bank of China	6.7	8 Aug 2007	1,690,776	-	-	-
Non-current						
China Construction Bank	5.85 – 6.03	23 May 2008	6,763,108	-	-	-
Laizhou Finance Bureau	2.55	26 Mar 2021	649,257	-	-	-
Government Special funds	0	Ongoing	324,629	-	-	-
GCRC loan	12.5	27 Apr 2008	21,916,800	-	-	-

Bank loans

Bank loans are domiciled in China and secured by mortgage over BioGold land and buildings and Concentrate stockpile Mortgage. The overall loan facility is split into 5 smaller components with various expiry dates, and these smaller loans components are rolled over at each maturity as detailed above. Interest rates on these loans vary, but majority are generally in a range between 5 and 6%, depending on length of loan term and the particular security.

(a) Golden China Resources Corporation Loan

Michelago entered into a Cash Advance Facility Agreement with Golden China, Michelago (Hong Kong) Limited and Sashmo Pty Limited dated 27 April 2006. Under the facility, Golden China has provided Michelago (Hong Kong) Limited a cash advance facility up to C$18 million, drawn in US dollars. The GC facility has been fully drawn by Michelago (Hong Kong). Michelago and Sashmo have agreed to unconditionally guarantee Michelago (Hong Kong)'s obligations.

The key terms of the GC facility are:

Purpose: (a) Loan of US$6.25 million to MIC BioGold to repay certain Chinese working capital facilities
(b) To increase registered capital of MIC BioGold by RMB 50 million (US$6.25 million).
(c) to meet associated transaction and financing costs (including interest)

Interest: is payable on moneys advanced at 12.5% per annum, payable every six months.

Repayment: Michelago (Hong Kong) needs to repay the entire outstanding balance two years after drawdown.

Security: The Cash Advance Facility is secured by:

(a) Mortgage by Michelago over all its shares in ASG and Sashmo (also over shareholder loans)
(b) Mortgage by Michelago over all its shares in Michelago (Hong Kong) Limited (also over shareholder loans)
(c) A first ranking "featherweight" floating charge over all of Michelago's assets and undertaking's other than mortgaged property noted above.
(d) Mortgage by Sashmo over its shares in ASG, excluding those shares covered by the 2.5% option granted to the Everetts (also over shareholder loans)

The total loan is C$18m (A$21,916,800). Whilst only C$15m (A$16,361,256) has been transferred to MIC (HK) Ltd, the full C$18m has been taken up in the accounts of MIC (HK) Ltd as a loan repayable to GCRC. The difference of C$3m has been utilised to cover the financing costs and for provision to cover the future interest costs payable on the loan. The amount held for provision of future interest costs held in the accounts of MIC (HK) Ltd is A$1,958,678 as at 30 June 2006. Periodically, as the loan interest costs fall due, this amount will reduce by those interest payment amounts.

22. CONTRIBUTED EQUITY

	Number	2006 $	2005 $
947,752,114 (2005 – 713,466,400) fully paid ordinary shares	947,752,114	52,671,234	40,757,520

2005

Share issues during the year to 30 June 2005: (for comparison purposes)

	Number	2006 $	2005 $
Ordinary shares			
At the beginning of the 2004-05 financial year (481,750,536)	481,750,536		20,779,256
Share issues during the year to 30 June 2005:			
Issue on 2 August 2004 as a result of conversion of 5 convertible notes	2,750,000		50,000
Issue on 13 September 2004 as a result of exercise 750,000 options	750,000		33,750
Issue on 1 November 2004 as a result of the exercise of 14,285,714 2 cent options	14,285,714		285,714
Issue on 8 November 2004 as a result of a conversion of 2 convertible notes	1,130,150		20,000
Issue on 8 December 2004 as a result of a placement by Austock of 60,850,000 shares	60,850,000		6,085,000
Issue on 13 December 2004 as a result of a placement by Austock of 14,150,000 shares	14,150,000		1,415,000
Issue on 10 January 2005 as a result of a placement by Austock of 125,000,000 shares and 100 million options	125,000,000		12,500,000
Issue on 2 June 2005 following shareholder approval for the issue of 12,800,000 shares for the purchase of Sashmo Pty Ltd	12,800,000		588,800
Transaction costs relating to share issues to raise working capital	-		(1,000,000)
Balance at 30 June 2005	713,466,400		40,757,520

2006

	Number	2006 $	2005 $
Ordinary shares			
At the beginning of the 2005-06 financial year (713,466,400)	713,466,400		40,757,520
Share issues during the year to 30 June 2006:			
Issue on 11 July 2005 as a result of exercise of 10,285,714 2 cent options	10,285,714		205,714
Issue on 9 August 2005 of Tranche 2 to TST's nominees	50,000,000		3,500,000
Issue on 26 September 2005 of first part of $8.2m placement by Austock at 5 cents	115,000,000		5,750,000
Issue on 17 October 2005 as a result of Share Purchase Plan at 5 cents	10,000,000		500,000
Issue on 4 November 2005 as the second part of the $8.2m	49,000,000		2,450,000

placement by Austock at 5 cents		
Transaction costs relating to share issues to raise working capital	-	(492,000)
Balance at 30 June 2006	947,752,114	52,671,234

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share carries one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Subsequent to reporting date, one further share issue has been made, 3,000,000 shares were issued in respect of the exercise of 3,000,000 two cent options. The number of shares on issue as at date of this report is 950,752,114.

Options

The following quoted and unquoted options were outstanding as at 30 June 2006:

Quoted

Code	Number	Exercise Price	Expiry
MICO	100,000,000	15 cents	10 January 2007

Unquoted

Code	Number	Exercise Price	Expiry
MICAK	5,642,858	2 cents	December 2009
MICAM	20,285,714	10 cents	December 2009
MICAQ	5,000,000	8.54 cents	12 November 2009
MICAQ	5,000,000	10.675 cents	12 November 2009
MICAQ	5,000,000	12.81 cents	12 November 2009
MICAS*	3,000,000	11 cents	6 December 2009
MICAU*	5,000,000	8.696 cents	3 November 2010
MICAU*	5,000,000	9.662 cents	3 November 2010
MICAU*	2,500,000	5.134 cents	3 November 2010
MICAU*	2,500,000	5.704 cents	3 November 2010
MICAW*	1,000,000	5.13 cents	18 July 2010
MICAW*	1,000,000	5.77 cents	18 July 2010
MICAW*	1,000,000	6.41 cents	18 July 2010
Total	**61,928,572**		

*Employee Share Options – see further details below

Employee Share Option Plan

A share option plan has been in place since 1994. The options issued under the plan are not quoted on the ASX. Consideration received on the exercise of options is recognised in contributed equity. During the financial year $Nil (2005: $33,750) was recognised in contributed equity following the exercise of options.

Information on the options granted under the plan is as follows:

	2006 Number	2005 Number
Balance at the beginning of the financial year	3,000,000	840,000
Issued	18,000,000	3,000,000
Expired	-	(90,000)
Exercised	-	(750,000)
Balance at the end of the financial year	21,000,000	3,000,000

(a) Options held at beginning of financial year 2006

Series	Number	Grant Date	Expiry Date	Exercise Price
MICAS	2,000,000	6.12.2004	6.12.2009	$0.11
MICAS	1,000,000	6.12.2000	6.12.2009	$0.11

	3,000,000			

(b) Options granted during the financial year

Series	Number	Grant Date	Expiry Date	Exercise Price
MICAU	5,000,000	11.11.2005	3.11.2010	$0.08696
MICAU	5,000,000	11.11.2005	3.11.2010	$0.09662
MICAU	2,500,000	11.11.2005	3.11.2010	$0.05134
MICAU	2,500,000	11.11.2005	3.11.2010	$0.05704
MICAW	1,000,000	11.11.2005	18.7.2010	$0.0513
MICAW	1,000,000	11.11.2005	18.7.2010	$0.0577
MICAW	1,000,000	11.11.2005	18.7.2010	$0.0641
	18,000,000			

(c) Options exercised

During the financial year:

2006

Series	Number	Grant Date	Exercise Date	Expiry Date	Exercise Price	Number of shares Issued	Proceeds from Shares Issued	Fair Value of Shares at Date of Issue
	-				-	-	-	-

2005

Series	Number	Grant Date	Exercise Date	Expiry Date	Exercise Price	Number of shares Issued	Proceeds from Shares Issued	Fair Value of Shares at Date of Issue
MICAI	750,000	6.12.2000	23.9.2004	5.12.2005	$0.045	750,000	$33,750	$71,250

The amount of proceeds received from conversion is calculated on the exercise price of the options. The fair value of shares at the date of their issue is measured as the market value at the close of trade on the date of their issue.

(d) Options expired during the financial year

2006

Series	Number	Grant Date	Expiry Date	Exercise Price
-	-	-	-	-

2005

Series	Number	Grant Date	Expiry Date	Exercise Price
MICAI	90,000	29.3.2000	29.3.2005	$0.20

(e) Options held as at the end of the financial year

(f)

2006

Series	Number	Vested Number	Unvested Number	Grant Date	Expiry Date	Exercise Price
MICAS	3,000,000	3,000,000	-	6.12.2004	6.12.2009	$0.11
MICAU	5,000,000	5,000,000	-	3.11.2005	3.11.2010	$0.08696
MICAU	5,000,000	-	5,000,000	3.11.2005	3.11.2010	$0.09662
MICAU	2,500,000	-	2,500,000	3.11.2005	3.11.2010	$0.05134
MICAU	2,500,000	-	2,500,000	3.11.2005	3.11.2010	$0.05704
MICAU	1,000,000	-	1,000,000	3.11.2005	18.7.2010	$0.0513
MICAU	1,000,000	-	1,000,000	3.11.2005	18.7.2010	$0.0577
MICAU	1,000,000	-	1,000,000	3.11.2005	18.7.2010	$0.0641
Total	21,000,000	8,000,000	13,000,000			

2005

Series	**Number**	**Vested Number**	**Unvested Number**	**Grant Date**	**Expiry Date**	**Exercise Price**
MICAS	3,000,000	-	3,000,000	6.12.2004	6.12.2009	$0.11
	3,000,000	-	3,000,000			

	Consolidated		**Parent**	
	2006	2005	2006	2005
	$	$	$	$
23. OPTIONS EXPENSE RESERVE				
Balance at 1 July 2005	169,811	-	169,811	-
Options transferred to reserve	632,990	-	632,990	-
Balance at the end of the financial year	802,801	-	802,801	-
24. FOREIGN CURRENCY TRANSLATION RESERVE				
Balance at the beginning of the financial year	-	-	-	-
Net gain	273,257	-	-	-
Balance at the end of the financial year	273,257	-	-	-
25. ACCUMULATED LOSSES				
Balance at the beginning of the financial year	16,332,666	12,424,452	16,332,666	12,424,452
Net loss	12,047,193	3,908,214	5,660,370	3,908,214
Balance at the end of the financial year	28,379,859	16,332,666	21,993,036	16,332,666

26. CHANGE IN COMPOSITION OF ENTITY

On 22 July 2005 Michelago Limited, through it's wholly owned subsidiary, Michelago (Hong Kong) Limited, acquired 99% of the issued capital of Michelago Shandong BioGold ("BioGold") from Tarzan Mining Limited. In late May 2006 Michelago (Hong Kong) Limited increased the equity in the BioGold company by RMB 50 million (A$8,180,628) and thereby increased its ownership equity to 99.5%.

The principal activity of Michelago Shandong BioGold is the purchase and processing of gold concentrate and the sale of finished gold and silver product.

The purchase price has been allocated to identifiable tangible and intangible assets acquired and liabilities assumed based on management's estimate of their fair values which largely approximate their carrying values in the books of BioGold.

In connection with the above transaction, the Company issued 50 million shares to TST.com Pty Ltd, a company controlled by director, Peter Secker, as a consequence of the fulfilment of specified conditions. The shares were issued upon completion of the conditions at the prevailing quoted market value of the shares. The total value amounted to $3,500,000.

Acquisition of business operations **The components of the acquisition were:**	Full year ended 30 June 2006 $
Consideration	
Cash paid – deposit	*13,017,961

Shares issued	3,500.000
Acquisition costs	338,021
	16,855,982
Net assets acquired	
Cash	2,067,498
Receivables	4,421,548
Prepayments	12,913,796
Inventory	17,414,870
Investments	862,144
Property Plant & Equipment	14,126,392
Long term prepayments	309,917
Intangibles	1,471,478
Short term loans	(38,775,598)
Other liabilities	(16,744,084)
Total net assets	**(1,932,039)**
Plus exchange rate adjustment	531,982
Plus goodwill on acquisition	18,256,039
Consideration paid	**16,855,982**
Net cash effect	
Cash consideration paid (incl. costs)	16,855,982
Cash included in net assets acquired	-2,067,498
Cash paid for purchase of controlled entities as reflected in the consolidated financial report	**14,788,484**

- *A part of this amount, A$3,188,096 was paid in December 2004 as a deposit on the acquisition.

27. DIRECTORS AND EXECUTIVES DISCLOSURES

1) Details of specified directors and specified executives of Michelago Limited during the year:

a) Specified Directors (same order as directors above)

Stephen C Everett	Director (non-executive) (1.7.05 – 1.3.06)
John P Horan	Chairman (non-executive)
Alan N Roberts	Director (non-executive)
Peter A Secker	Director (executive)
Gregory B Starr	Managing Director

b) Specified executives

Martin Jacobsen	Chief Operating Officer (18.7.2005 – 30.6.06)
Aulis J Keppo	Finance Officer
Heath L Roberts	Company Secretary (1.7.05 – 31.3.06)
Ian K White	Company Secretary (31.3.06 -30.6.06)
Chu Wang	Financial Officer, China
Moya Zhang	Business Development Officer

1) Remuneration of Specified Directors and Specified Executives

(a) Remuneration policy

Directors and executive remuneration packages are reviewed by the Board of Directors and determined with due regard to the current market rates and are benchmarked against comparable industry rates, adjusted in need by a performance factor to reflect changes in the performance of the economic entity.

(b) Remuneration of Specified Directors and Specified Executives

	Primary		**Post Employment**		**Equity**	**Total**
Specified Directors						
30 June 2005	**Salary & Fees $**	**Bonus $**	**Superannuation $**	**Other Benefits $**	**Options $**	**Total $**
S C Everett*	36,000		-	-	-	36,000
J P Horan*	36,000		-	-	-	36,000
A N Roberts	12,800		1,152	-	-	13,952
P A Secker*	170,000		-	-	-	170,000
G B Starr*	227,191		-	-	149,119#	376,310
Total	**481,991**	**-**	**1,152**	**-**	**149,119#**	**632,262**
# Options do not represent cash payments to directors and share options granted may or may not be exercised by the director.						
30 June 2006						
S C Everett*	24,000		-	-	-	24,000
J P Horan*	56,244		-	-	66,258#	122,502
A N Roberts	36,000		3,240	-	44,172#	83,412
P A Secker*	240,000		-	-	-	240,000
G B Starr	275,229	140,000	37,370	-	430,392#	882,991
Total	**631,473**	**140,000**	**40,610**	**-**	**540,822#**	**1,352,905**

* Paid as consulting fees either directly or through an entity in which the director has a controlling interest.
# Options do not represent cash payments to directors and share options granted may or may not be exercised by the director.

	Primary	**Post Employment**		**Equity**	**Total**
Specified Executives					
30 June 2005	**Salary & Fees $**	**Superannuation $**	**Other Benefits $**	**Options $**	**$**
A J Keppo*	162,437	-	-	6,897#	169,334
H L Roberts*	151,057	-	-	13,795#	164,852
D W Sheffield*	172,874	-	-	-	172,874
C Wang*	72,000	-	-	-	72,000
M Zhang*	65,000	-	-	-	65,000
Total	**623,368**	**-**	**-**	**20,692#**	**644,060**
30 June 2006					
M C A Jacobsen	227,631	20,486	-	55,505#	303,622
A J Keppo*	227,120	-	-	12,221#	239,341
H L Roberts*	130,380	-	-	24,442#	154,822
C Wang*	132,000	-	-	-	132,000
I K White**	98,142	-	-	-	98,142
M Zhang*	60,000	-	-	-	60,000
Total	**875,273**	**20,486**	**-**	**92,168#**	**987,927**

* Paid as consulting fees either directly or through an entity in which the executive has a controlling interest.
** Paid to an external third party executive services consulting company
# Options do not represent cash payments to executives and share options granted may or may not be exercised by the executive

2) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits both under shareholder approval and the employee share option plan to certain specified directors and specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at specified exercise prices and within the specified time prior to expiry of the options.

	Vested	**Granted**		**Terms & Conditions for each Grant**		
				Value per option at grant date	Exercise price per share	
Specified Directors						
	No.	**No.**	**Grant date**	**$**	**$**	**Expiry date**
G B Starr	-	5,000,000	3.11.2005	0.03136	0.08696	3.11.2010
G B Starr	-	5,000,000	3.11.2005	0.03045	0.09662	3.11.2010
A N Roberts	-	1,000,000	3.11.2005	0.03566	0.05134	3.11.2010
A N Roberts	-	1,000,000	3.11.2005	0.03485	0.05704	3.11.2010
J P Horan	-	1,500,000	3.11.2005	0.03566	0.05134	3.11.2010
J P Horan	-	1,500,000	3.11.2005	0.03485	0.05704	3.11.2010
Total	**-**	**15,000,000**				
Specified Executives						
M C A Jacobsen	-	1,000,000	18.7.2005	0.03488	0.05134	18.7.2010
M C A Jacobsen	-	1,000,000	18.7.2005	0.03392	0.05776	18.7.2010
M C A Jacobsen		1,000,000	18.7.2005	0.03303	0.06418	18.7.2010
Total	**-**	**3,000,000**				

3) Shares issued on exercise of remuneration options

Nil

4) Option holdings of specified directors and specified executives

	Balance at beginning of period 1.7.05	Granted as Remunera-tion	Options exercised	Net Change Other	Balance at end of period 30.6.06	Not vested & not exercisable	Vested & exercisable
Specified Directors							
G B Starr*	15,000,000	10,000,000	-	-	25,000,000	15,000,000	10,000,000
J H Horan**	-	3,000,000	-	-	3,000,000	3,000,000	-
A N Roberts***	-	2,000,000	-	-	2,000,000	2,000,000	-
	15,000,000	**15,000,000**	**-**	**-**	**30,000,000**	**20,000,000**	**10,000,000**
Specified Executives							
A J Keppo	1,000,000	-	-	-	1,000,000	-	1,000,000
H L Roberts	2,000,000	-	-	-	2,000,000	-	2,000,000
M Jacobsen	-	3,000,000	-	-	3,000,000	3,000,000	-
	3,000,000	**3,000,000**	**-**	**-**	**6,000,000**	**3,000,000**	**3,000,000**

*25,000,000 options of director Greg Starr are exercisable as shown below:

5,000,000 from 13 November 2005 at $0.0854
5,000,000 from 13 November 2006 at $0.10675
5,000,000 from 13 November 2007 at $0.1281

5,000,000 from 1 February 2006 at $0.08696
5,000,000 from 1 February 2007 at $0.09662

**3,000,000 options of director John Horan are exercisable as shown below:
1,500,000 from 3 November 2006 at $0.05134
1,500,000 from 3 November 2007 at $0.05704

***2,000,000 options of director Alan Roberts are exercisable as shown below:
1,000,000 from 3 November 2006 at $0.05134
1,000,000 from 3 November 2007 at $0.05704

5) Shareholdings of Specified Directors
Shares held in Michelago Limited (number)

	Balance 1.7.05	Granted as Remuneration	On exercise of Options	Net Change Other	Balance 30.6.06
Specified Directors					
J P Horan	2,652,500	-	-	-	2,652,500
P A Secker	30,000,000	-	-	15,850,000	45,850,000
G B Starr	1,000,000	-	-	-	1,000,000

6) Loans to specified directors and specified executives
Nil

7) Other transactions and balances with specified directors and specified executives
Refer to Note 28 (c) – transactions with specified directors:
- TST.com Pty Ltd transaction
- Sashmo Pty Ltd transaction

28. RELATED PARTY DISCLOSURES

(a) Equity interests in related parties

(i) controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 34.

(ii) joint ventures

Details of interests in joint ventures are disclosed in Note 29.

(b) Directors Remuneration

The Directors in office during the full year were Mr J P Horan, Mr P A Secker and Mr G B Starr. Details of other persons holding directorships for part of the year are shown in the Director's Report. Details of directors remuneration are disclosed in Note 27.

(c) Transactions with specified directors

The following schedule shows transactions, interests and movements with specified directors or their related entities and the interests and movement in the aggregate holding of quoted shares, unquoted options (Employee Share Option Plan and others) and convertible instruments in the company held by directors as at 30 June 2006:

	J P Horan	*P A Secker*	*G B Starr*	*A N Roberts*
Fully Paid Ordinary Shares at 1 July 2005	2,652,500	30,000,000	1,000,000	-
Aggregate of acquisitions	-	15,850,000	-	-
Aggregate of disposals	-	-	-	-

At 30 June 2006	2,652,500	45,850,000	1,000,000	-
Options under the Employee Share Option Plan *at 1 July 2005*	-	-	-	-
Aggregate of acquisitions	3,000,000	-	-	2,000,000
Aggregate of exercises	-	-	-	-
At 30 June 2006	3,000,000	-	-	2,000,000
Unquoted options (non-Employee Option Scheme) *at 1 July 2005*	-	-	15,000,000	-
Aggregate of acquisitions	-	-	10,000,000	-
Aggregate of disposals	-	-	-	-
At 30 June 2006	-	-	25,000,000	-

Shares, options and convertible notes held by directors include those held by the directors and their director related entities. Attention is directed to Appendix 3X and 3Y and 3Z notices lodged regularly by the company with the ASX.

1) <u>TST.com Pty Ltd transaction</u>

At a General Meeting on 16 July 2003 shareholders approved the issue of a total of 150 million shares to TST.com Pty Ltd (TST) (a company associated with Peter Secker) or its nominee, in consideration for TST assigning to Michelago it's entitlements to certain rights to gold projects in China, and subject to a number of conditions. The first tranche of 50 million shares was issued on 3 September 2003 and a further tranche of 50 million shares issued in August 2005 following the completion of the BioGold acquisition. The Michelago Board on 28 March 2006 amended the milestones for the issue of the third tranche of 50 million Michelago shares to TST (or the TST nominees), the issue of which was then subject to shareholder approval. At a General Meeting on 30 June 2006 shareholders approved the issue of the shares on the business combination of Michelago with Golden China becoming effective. This business combination has been delayed beyond the thirty day period allowed under Listing Rule 10:13 for the issue of these securities. Michelago has applied to the ASX for a waiver of this rule to allow the securities to be issued on completion of the business combination. At the date of this report, the ASX response has not been received. The third tranche of shares has not yet been issued.

2) <u>Sashmo Pty Ltd transaction</u>

At a General Meeting on 2 May 2005 shareholders approved the acquisition of Sashmo Pty Ltd, a company associated with Non-executive director Mr Stephen Everett. As a result, Sashmo become a wholly owned subsidiary of Michelago Limited. At that point in time, Sashmo held 30% interest in Australian Solomons Gold Pty Ltd (ASG) and, subject to an option over 2.5% of ASG shares held by interests associated with Mr Stephen Everett, Michelago then held an effective 47.5% interest in the Gold Ridge Mine in the Solomon Islands (owned by ASG). The holding as at 30 June 2006, was 34.1%, and subsequently reduced to 23.8% following the successful float of ASG on 28 August 2006 and the exercise of the 2.5% option by the Everetts.

The consideration for the purchase of the Sashmo interest in ASG was the following:

(a) Issue of 12,800,000 ordinary shares in Michelago to the Everetts (Mr Stephen Everett and his wife, Mrs Cynthia Everett, the owners of Sashmo) or their nominees.

(b) Payment of US$1 million in cash in two tranches: US$500,000 (A$662,076) on 31 July 2005 and US$500,000 (A$662,076) on the first to occur of commercial production from the mine or 31 July 2006.

(c) Cause Sashmo to grant the Everetts an option to acquire 2.5% of ASG (effectively a "free carried" interest). Full details of this option and this transaction were included in the Notice of General Meeting document dated 2 May 2005.

In conjunction of the IPO of ASG on 28 August 2006 the option to exercise the "free carried interest" was exercised and the 2.5% interest was crystallised, with the effect that Michelago's net holding in ASG is reduced to 23.8% (after the 2.5% interest to the Everetts).

In respect of the payment of the second tranche of US$500,000 to the Everetts -see above in (b), this payment has been deferred to 1 February 2007 by agreement. Interest at 1% per month is payable monthly, from 1 September 2006.

(d) Transactions within wholly owned group

The wholly owned group includes:

(i) The ultimate parent entity in the wholly-owned group and;

(ii) The wholly owned entities.

The ultimate parent entity in the wholly-owned group is Michelago Limited.

During the financial year Michelago Limited provided accounting and administrative services at no cost to the controlled entities and the advancement of interest free loans.

(e) Directors shareholdings

Shareholding of directors and their director-related entities in Michelago Limited:

Directors	Balance 1.7.05	Net changes Number	Balance 30.6.06	Balance held Nominally Number
J P Horan	2,652,500	-	2,652,500	-
P A Secker	30,000,000	15,850,000	45,850,000	-
G B Starr	1,000,000	-	1,000,000	-
A N Roberts	-	-	-	-
	33,652,500	**15,850,000**	**49,502,500**	**-**

Directors and Officers Liability Policy

The directors received a benefit under a Directors and Officers Liability Policy during the financial year. The policy was continued during the year.

29. JOINT VENTURES

Michelago, through its 100% owned subsidiary, Michelago (Hong Kong) Limited, holds a 99.5% interest in the BioGold gold processing facility in Shandong province, China The remaining 0.5% interest is held by the vendor of the facility, Shandong Tarzan Mining Co Limited.

30. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Estimates of material amounts of contingent liabilities not provided for in the accounts arising from:

a) Operating Lease/Licence Commitments

The company has a current obligation under the terms of a sub lease agreement for its Sydney office premises.

	Consolidated		Parent	
	2006	2005	2006	2005
	$	$	$	$
Payable not later than one year	83,732	66,609	83,732	66,609
Payable later than one year but not later than three years	76,754	158,400	76,754	158,400
	160,486	225,009	160,486	225,009

31. FINANCIAL REPORTING BY SEGMENT

The economic entity operates in the resources sector and predominantly in two geographical areas, Australia and Peoples Republic of China (China). It also has an equity investment in the Solomon Islands.

32. FINANCIAL RISK MANAGEMENT AND GOING CONCERN

The Group’s principal financial instruments comprise bank loans, loan from Golden China Resources Corporation, cash and short-term deposits. There are currently no finance leases, hire purchase contracts or similar.

The main purpose of the financial instruments is to raise finance for the Group’s operations, principally in China.

The Group currently has no exposure to derivative transactions, interest rate swaps or forward currency contracts.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short and long term bank debt obligations in China. All loans are currently on variable rates. The situation is reviewed periodically, with a view to evaluate any possible alternatives that would provide a better risk.

Foreign currency risk

The Group's main activities and operations are based in China. The Group's exposure to foreign exchange risk is kept at minimal level as its purchases and sales are predominately denominated in Renimbi Yuan (RMB). There are two recent transactions that differ from normal operations at BioGold:

a) Hellas concentrate purchases from Greece, payment of which is denominated in US Dollars, but linked to the gold price, and thus mitigating any major exchange rate risk.

b) Golden China Resources Corporation loan to BioGold in China (via Michelago (Hong Kong) Limited, denominated in US Dollars and utilised in the BioGold operations in Chinese Renimbi. Prior to the merger of Michelago and Golden China, there is an exchange rate risk for repayment of the loan, maturing in April 2008. However, once the merger is completed the loan becomes an inter-company loan within the merged Golden China, and provides other options for settlement, the repayment over time, refinancing or conversion of loan to share equity in the merged company.

Commodity price risk

The Group's exposure is in fluctuation of the gold price, in the time between purchase of the concentrates, generally purchased as a percentage of the gold price at the time of the purchase, and sale of finished gold and silver at the market rate on day of sale. Over a period of time, the risk is balanced through the upward and downward effects of the gold price, providing both gains and losses.

Credit Risk

Management has a credit policy in place and the exposure to credit risk on receivables is monitored on an ongoing basis. Credit evaluation is performed on all customers requiring credit over a certain amount and credit terms.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in the cash flow.

Golden China has provided a loan of $C18 million to fund the working capital requirements of the BioGold Facility. If Michelago shareholders do not approve the proposed share scheme, it will constitute a "Special Prepayment Event" under the Cash Advance Facility entitling Golden China to declare all sums owing (currently C$18 million) payable on 45 days notice and to require Michelago to issue shares and options to Golden China. Michelago would need to source $C18 million alternative funding during the 45 day period to repay the sums owing.

Going concern

As of the date of this report, the company had $146,000 cash in the bank. As this is insufficient to cover the expected expenditure to complete the business combination the Company is in the process of negotiating with Golden China in relation to funding for the Company's expected expenditures until the completion of the business combination (expected to be some A$2.3 million). The funding will be via direct loans from Golden China or assistance in raising new funds from a new equity issue. While there is a risk that suitable arrangements will not be made with Golden China, the Company's directors believe that in the current equity environment the company could raise new equity to finance on going expenditure.

China Construction Bank Working Capital Facility security risk

As a result of the Inventory write down at BioGold, the value of security for China Construction Banks loan has reduced. BioGold has planned discussions with China Construction Bank regarding this change. BioGold is also in the process of arranging addition security to be provided by Shandong Tarzan Mining Co Limited, the vendor of the project, in the event China Construction Bank requires additional security to replacing the written down inventory. If suitable arrangements cannot be made with Shandong Tarzan Mining Co Limited or China Construction Bank do not accept Shandong Tarzan Mining Co Limited security, China Construction Bank may demand repayment of a portion or all of the loan that is not adequately secured.

33. FINANCIAL INSTRUMENTS

(a) **Forward Foreign Currency**

As at 30 June 2006 the consolidated entity does not have any outstanding forward foreign currency contracts.

(b) Forward Interest Rate Contracts

As at 30 June 2006 the consolidated entity does not have any outstanding forward interest rate contract.

(c) Interest rate risk exposure

The following table details the exposure to interest rate risk at the reporting date. Non-interest bearing instruments have not been disclosed.

Year ended 30 June 2006	**< 1 year**	**>1 < 2 years**	**Total**	**Interest Rate**
CONSOLIDATED				
Fixed Rate				
GCRC Loan		(21,916,000)	(21,916,000)	12.5%
Floating rate				
Cash assets	14,144,080		14,144,080	
Bank loans	(16,738,690)	(7,736,994)	(24,475,684)	5-6%
Notes payable	(5,072,330)		(5,072,330)	5-6%
GCRC Loan		(21,916,800)	(21,916,800)	12.5%

PARENT				
Floating rate				
Cash assets	406,630		406,630	

Year ended 30 June 2005	**< 1 year**	**>1 < 2 years**	**Total**	**Interest Rate**
CONSOLIDATED				
Floating rate				
Cash assets	7,649,274		7,649,274	

PARENT				
Floating rate				
Cash assets	7,649,268		7,649,268	

Net fair value of financial assets and liabilities, on-balance sheet
The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the company approximates their carrying value.

34. CONTROLLED ENTITY

Name of entity	Country of Incorporation	Ownership Interest 2006	2005
Parent entity			
Michelago Limited	Australia		
Controlled entity			
Michelago (China Exploration) Pty Ltd	Australia	100%	100%
Michelago (China Mining) Pty Ltd	Australia	100%	100%
Michelago China (Xinjiang) Pty Ltd	Australia	100%	100%
Sashmo Pty Ltd	Australia	100%	100%
Michelago (Hong Kong) Limited	Hong Kong	100%	100%
Shandong MIC BioGold Limited	PRC	99.5%	-
Michelago Xinjiang Mining Exploration and Development Limited	PRC	100%	100%

DIRECTORS DECLARATION

The Directors of the company declare that:

1. the financial statements and notes as set out on pages 13 to 45, are in accordance with the *Corporations Act 2001*:

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

   (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and economic entity.

2. the Managing Director, Chief Operating Officer and Finance Officer have each declared that:

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

   (b) the financial statements and notes for the financial year comply with the Accounting Standards;

   and

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

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

This declaration is made in accordance with a resolution of the Board of Directors, made pursuant to Section 295 (5) of the Corporations Act 2001.

J P HORAN
Director

A N ROBERTS
Director

Sydney, Australia
13 September 2006

BARNES DOWELL JAMES

CHARTERED ACCOUNTANTS

Partners
C H Barnes FCA
A J Dowell CA
M W James CA
B Kolevski (Affiliate ICAA)

Associate
M A Nakkar CA

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Manly
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AJD:KG

30 August 2006

The Directors
Michelago Limited
Suite 5
Level 14, 189 Kent Street
SYDNEY NSW 2000

Dear Sirs,

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MICHELAGO LIMITED

In relation to our audit of the financial report of Michelago Limited for the financial year ended 30 June, 2006, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Yours faithfully
BARNES DOWELL JAMES

....
A.J. DOWELL
Partner

INDEPENDENT AUDITOR'S REPORT

To the members of Michelago Limited

Scope

We have audited the financial report of Michelago Limited and controlled entities for the financial year ended 30 June 2006 as set out on pages 13 to 46.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

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

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

Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 46 has not changed as at the date of providing our audit opinion.

Audit opinion

In our opinion, the financial report of Michelago Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2006 and it's performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements **in Australia**.

BARNES DOWELL JAMES
Chartered Accountants
Level 13, 122 Arthur St
NORTH SYDNEY NSW 2060

ANTHONY DOWELL
Partner
13 September 2006

SHAREHOLDER INFORMATION

Information relating to shareholders at 8 September 2006

SUBSTANTIAL SHAREHOLDERS

Peter Secker	45,850,000	4.82%

DISTRIBUTION OF SHAREHOLDERS

Number of ordinary shares held			*Number of Holders*	*Ordinary Shares*
1	—	1,000	44	13,850
1,001	—	5,000	94	382,518
5,001	—	10,000	286	2,594,643
10,001	—	100,000	1,515	71,142,109
100,001	—	and over	698	876,618,994
			2,637	950,752,114

As at 14 September 2005 there were 465 shareholders with an unmarketable share parcel of less than 10,000 shares.

TOP 20 SHAREHOLDERS OF ORDINARY SHARES AS AT 8 SEPTEMBER 2005

		%
ANZ Nominees Limited <Cash Income A/c>	113,444,688	11.932
Westpac Custodian Nominees Limited	80,542,220	8.471
J P Morgan Nominees Australia Limited	59,230,600	6.230
National Nominees Limited	48,209,149	5.071
HSBC Custody Nominees (Australia) Limited	40,629,596	4.273
Mr Peter Secker <Escrow A/c>	30,000,000	3.155
Wuudee Australia Pty Ltd	26,499,288	2.787
Citicorp Nominees Pty Limited	17,026,778	1.791
TST Com Pty Ltd <Secker S/F A/C>	15,850,000	1.667
FHZ Pty Ltd	12,857,143	1.352
Prima Group Holdings Pty Ltd <Superannuation Fund A/c>	10,000,000	1.052
Prima Group Holdings Pty Ltd	9,285,715	0.977
Mrs Jacqueline Anne Thomas	9,000,000	0.947
Ms Moyu Zhang	8,804,000	0.926
HSBC Custody Nominees (Australia) Limited – GSCO ECA	8,000,000	0.841
Gibbs International Pty Ltd	7,770,000	0.817
Capital Pro International Inc	6,548,722	0.689
Mr Stephen Everett	6,400,000	0.673
Ms Cynthia Anne Everett	6,400,000	0.673
Northcliffe Holdings Pty Ltd	6,400,000	0.673
Total of top 20 holdings	522,897,899	54.998
Other holdings	427,854,215	45.002
	950,752,114	**100.00**

SHAREHOLDER INFORMATION

DISTRIBUTION OF OPTIONS HOLDERS

Number of Options held			*Number of Holders*	*Options*
10,001	—	100,000	43	2,819,500
100,001	—	and over	83	97,180,500
			126	100,000,000

TOP 20 OPTION HOLDERS AS AT 8 SEPTEMBER 2005

		%
Equity Trustees Limited <SGH PI Smaller Co'S Fund>	20,000,000	20.000
Westpac Custodian Nominees Limited	15,000,000	15.000
HSBC Custody Nominees (Australia) Limited	7,633,500	7.633
Calex Nominees Pty Limited	4,975,000	4.975
National Nominees Limited	4,866,500	4.867
Mr Michael Safar	2,600,000	2.600
Capital Pro International Inc	2,500,000	2.500
Mr John Darroch	1,713,000	1.713
Mr Simon Thomas O'Loughlin	1,547,450	1.547
Palm Tree Group Pty Ltd	1,500,000	1.500
Mr Andrew Fox	1,500,000	1.500
Mrs Wendy East	1,200,000	1.200
Starwide Investments Pty Ltd	1,100,000	1.100
Mr Luke Charles Anderson <LC & SE Anderson Family A/c>	1,015,000	1.015
Mr John Anthony Hoyes-Cock & Mr Peter William Thorp <Hoyes-Cock Super Fund A/c>	1,000,000	1.000
Suvale Nominees Pty Ltd	1,000,000	1.000
Idec Pty Ltd	1,000,000	1.000
Mr Luke Anderson <LC & SE Anderson Family A/c>	1,000,000	1.000
Mr James Leslie Campbell	1,000,000	1.000
Mr Tino Isnardi	1,000,000	1.000
Health Solutions (WA) Pty Ltd	1,000,000	1.000
Bikini Atoll Investments Pty Limited	1,000,000	1.000
Mr Daniel Patrick Milsom	1,000,000	1.000
Mr Derrick James Lunney & Mrs Marita Catherine Lunney	1,000,000	1.000
Total of top 20 option holdings	77,150,450	77.150
Other holdings	22,850,000	22,850
	100,000,000	**100.00**

Voting rights

There are no restrictions on voting rights. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. Where a member holds shares which are not fully paid, the number of votes to which that member is entitled on a poll in respect of those part paid shares shall be that fraction of one vote which the amount paid up bears to the total issued price thereof. Option holders have no voting rights until the options are exercised.

Registered Office and Share Registry

The registered office and telephone number of the Company and details of its share registry are provided in the Corporate Directory.

History

- For centuries China stood as the world's leading civilization, outpacing the rest of the world in the arts and sciences.
- In the 19th and early 20th centuries, China was beset by civil unrest, major famines, military defeats, and foreign occupation.
- The Last Emperor lost his throne in 1906.
- After World War II, the Communist Party under Mao Zedong established a regime that, while ensuring China's sovereignty, imposed strict controls over everyday life.
- After 1978, Deng Xiaoping gradually introduced market-oriented reforms and decentralized economic decision making. Output quadrupled by 2000.
- Economic controls continue to be relaxed and China is growing at an extraordinary rate, rapidly opening to foreign investment and hosting the 2008 Olympic Games.

Growth

- China's population was 50 million people in the year 50 AD and is estimated at 1.5 billion by 2050 AD.
- GDP is growing at the average rate of approximately 10% per annum.
- China has approximately 40M cars and this number is expected to grow by 15% per annum.
- On average, each Chinese person is estimated to own 0.1g of gold. By 2050 this figure is estimated to be 15g.
- China currently produces 6.8M ounces of gold per annum, largely through small scale operations. By 2020 annual gold production is estimated to be 8 million ounces, with 75% sourced from complex refractory ores.
- Chinese internal demand for resources is estimated to grow by 6% per annum.

Michelago

- In 2005 the Michelago became the largest foreign gold producer operating in China through its ownership of 82% of the 150,000 ounce/year BioGold joint venture. This has been further increased to 99.5% in May 2006.

- Is scheduling to increase the production to 230,000 ounces/year by 2008 of 99.99% gold from the BioGold Facility.
- Holds the exclusive Bacox© processing technology licence for China and three other countries, up to 2014.
- Currently has approximately 3,000 square km of exploration, mining tenure and entitlements
- which are prospective for gold and base metal mineralisation.

What is Refractory Gold?

An estimated 70% of China's gold resources are refractory and environmentally challenging to process.

Refractory gold is a term commonly used to describe gold which is locked into a chemical matrix, usually of sulphide compounds, rendering its extraction via traditional means inefficient, expensive and usually having an environmental impact.

Why is it so important to Michelago?……

- China is currently the world's fourth largest gold producer.
- Total gold production in 2004 is estimated at 6.8 million ounces.
- Gold production is estimated to be growing at close to 10% per annum.
- An estimated 70% of China's gold resources are refractory, and
- By 2010 an estimated 75% of China's gold production will be from refractory ores, as near surface, metallurgically 'simple' ores are mined out.

Due to the increasing significance of refractory gold ores in China, Michelago has focussed on securing a cornerstone position in the Chinese refractory gold resource extractive market, by acquiring a 99.5% interest in the BioGold Facility, Shandong Province, and securing the rights in China, Mongolia, Korea and Siberia to the Bacox© technology, which can extract refractory gold in a cost effective and environmentally sustainable manner.
The BioGold Facility is the only Bacox © Facility in China and one of the most modern in the world.

What is BACOX© Technology?

Bacox© technology has been patented by BacTech Mining Corporation of Toronto, Canada.

The technology operates by using patented, living organisms (bacteria), which eat the surrounding sulphide matrix encapsulating the refractory gold, liberating the gold for recovery. The bacteria live at a temperature range between 38 and 45 degrees Celcius and operate at an acidic pH of 1.5.

Importantly, Bacox© technology allows arsenic to be liberated from arsenopyrite refractory ores in the form of ferric arsenate. This product is environmentally friendly and the use of Bacox© technology can result in a significant reduction in environmental pollutant levies. In fact, these ferric arsenates can be stored in conventional tailings compounds which are subsequently rehabilitated by conventional methods.

This technology is licensed to Michelago in China, Mongolia, Korea and Siberia until 2009 with an option for a further five years to 2014.

You can read more about Bacox© technology at the website: www.bactech.com

MICHELAGO INFORMATION