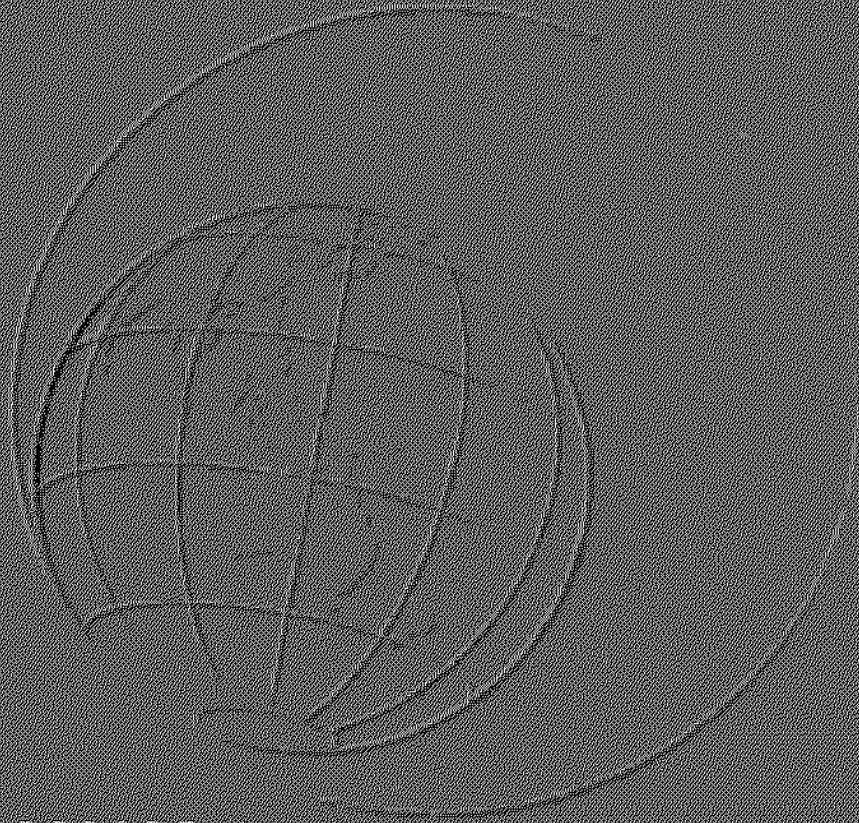


# Sipa Resources International NL

ABN 29 008 449 080



ANNUAL REPORT 2003

# DIRECTORY

## DIRECTORS

Peter Ian Blair Pearce ACSM F AusIMM (Chairman)  
Michael Glen Doepel MSc DIC M AusIMM (Managing Director)  
David John Williams LL.B, FAICD  
Dalton Leslie Gooding B.BUS, FCA (appointed 01.05.2003)

## SECRETARY

Daryl John Gore FCPA FCIS FAICD Dip

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45 St George's Terrace  
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## SOLICITORS

Williams and Hughes  
1st Floor  
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## TAX ADVISERS

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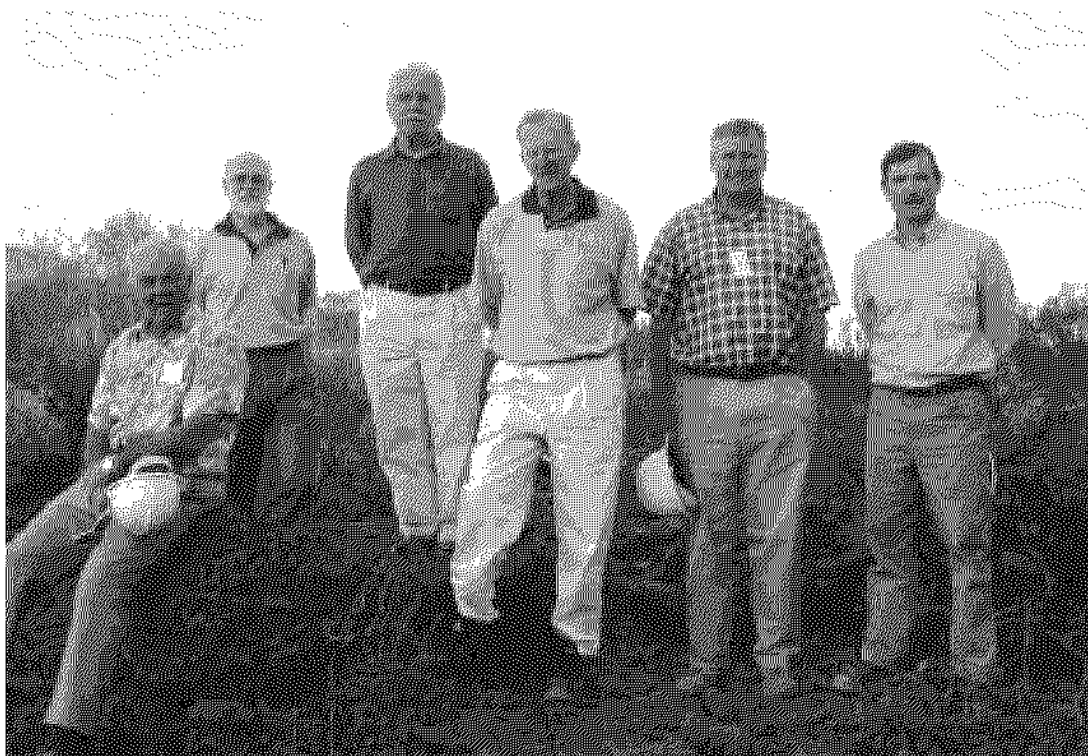
# Chairman's Address

Dear Shareholders

Following the acquisition of 100% of the Paraburdoo Gold Project in November 2001, the past 18 months has been very active for Sipa. Cashflow from this operation has provided funds to make a return to shareholders, allowed intensive exploration at the mine site, the continuation of our active exploration programmes elsewhere and the opportunity to gain access to additional very exciting exploration ground.

At Paraburdoo, ore from the high grade Waugh Deposit blended with the low grade stockpile should see the plant operational through until at least the middle of 2004, - exploration at Paraburdoo has focussed around the Mount Olympus deposit. Success in identifying new peripheral resources, combined with an increase of over \$100/oz in the gold price since the oxide part of the deposit was mined, has provided optimism that project life will be significantly extended and continue to produce cashflow and profits.

In recent times large resource companies have significantly reduced exploration budgets, or in some cases abandoned exploration altogether, demonstrating an acceptance that the large company approach to exploration



*Daryl Gore, Ian Pearce, Mike Doepel, Henry Crawford, Dalton Gooding and David Williams photographed on Mount Olympus*

has had little success. The individual and committed approach by smaller companies has proved more successful. In this report the Managing Director, Mike Doepel, has outlined the aims and concepts behind Sipa's exploration. We believe that focussing on these objectives will ultimately provide considerable wealth to shareholders.

At the 2002 Annual General Meeting (AGM) shareholders approved a Return of Capital of five cents a share, with two cents payable in early June 2003 and three cents in early October 2003. Shortly after the AGM we applied to the Australian Tax Office ("ATO") for a class ruling, and as at the time of printing no clarification had yet been given. The Company has been frustrated and embarrassed by this response by the ATO but unfortunately has been unable to speed up the process.

With the higher grades at the Waugh Mine not being accessed until April of this year it has meant that the majority of the profit coming from the project will be accounted for in the 2003/2004 financial year. Net Profit was \$2 million (after depreciation and amortisation of \$1.2 million).

# Chairman's Address

In July 2003 our inaugural Chairman Henry Crawford retired after 16 years as Chairman of the Board. Mike Doepel in his report details the invaluable contribution Henry made to the company during his time. We wish Henry a long and well deserved retirement.

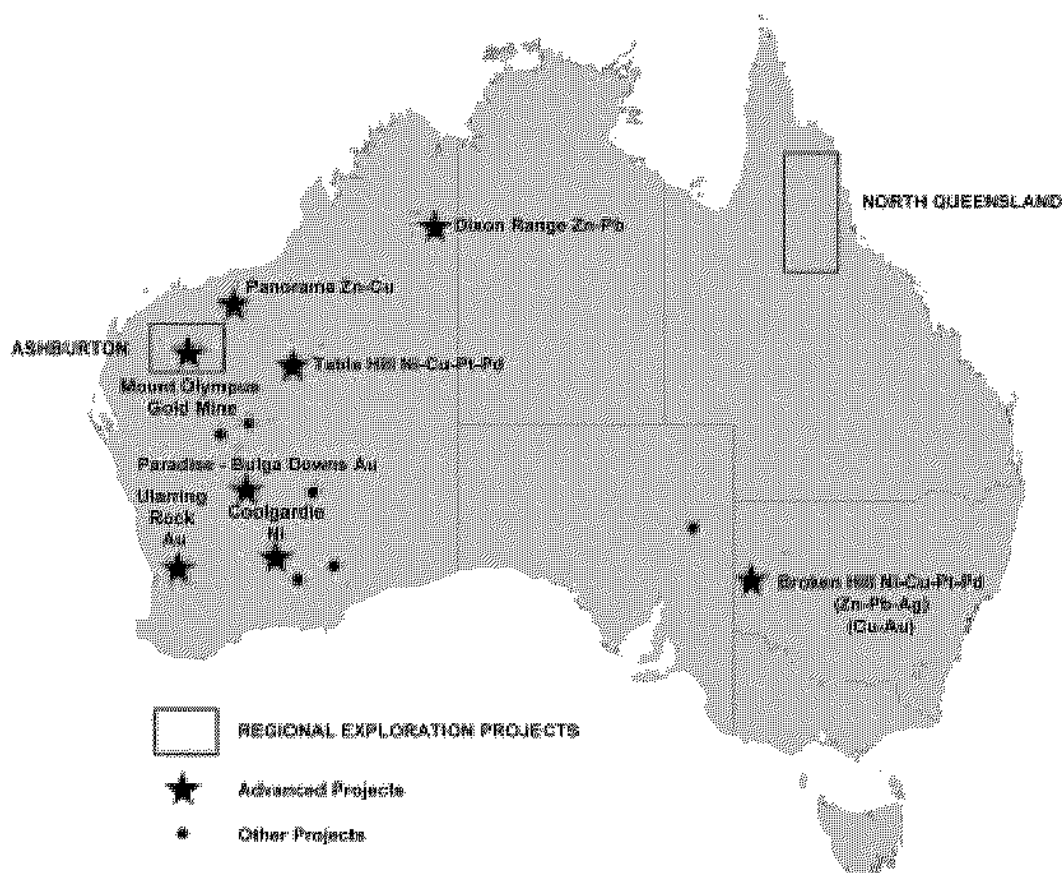
I welcome Dalton Gooding to our Board. His many years as a Chartered Accountant in the Perth corporate and business sector will be of great benefit to Sipa.

The quality and commitment of Mike Doepel and his workforce in the Perth Office, at Paraburdoo and in the field has resulted in a successful year and gives confidence that this success will continue. I would particularly like to thank Daryl Gore the Company Secretary who has provided considerable expertise and balance to the company.

Yours sincerely  
SIPA RESOURCES INTERNATIONAL NL



P I B Pearce  
Chairman  
24 September 2003



*Figure 1 - Sipa's Exploration Projects*

# Managing Director's Report

- 2002 - 2003 has been a very special year for Sipa:
  - We have consolidated our 100% ownership at the Paraburdoo Gold Project and proved our credentials as a mid-sized gold producer.
  - The Waugh Mine has been brought in to production. Oxide resources and reserves within the Project have been increased and we are optimistic of a future from exploitation of the Sulphide Resource.
  - We have created a strong cashflow from Paraburdoo that has allowed us, for the first time, to return funds to shareholders, whilst retaining cash reserves that should see us remain as one of the most active, and hopefully innovative and successful mineral explorers in Australia.
- My intent in this report is to set out clearly:
  - What our Objectives are and what our Strategy to achieve those Objectives is.
  - What Commodities we are looking for and why.
  - Why we believe we can achieve our Objectives.
  - The Geological Concepts behind our existing Projects.
- We firmly believe that Sipa has been, and is, positioned in a very unusual situation at this time. It is one of little exploration by the Majors and even less by the Juniors. Sipa has had the cashflow to take advantage of this lull in competitor activity and has acquired excellent Projects either by joint venture or application prior to the present surge in interest in the resource sector of the ASX. Supporting this position:
  - We have a Board of Directors with commitment to increasing shareholders wealth through a belief in mineral discovery in preference to acquisition, based on the knowledge that leverage on discovery is generally orders of magnitude greater than from an acquisition. We will, however, continue to assess purchase opportunities and vigorously pursue any that could significantly increase shareholder wealth.
  - We have a group of technical people with wide and complimentary abilities, backed up by very experienced commercial and administrative expertise.
  - This mix of technical and support people has been proved successful through field exploration discoveries, mine management and sound company administration.
- *I sincerely hope that shareholders and potential investors will read the following document and understand the Passion, Abilities and Strategy behind the company and its people, along with our future potential.*
- In closing, I would like to make a personal statement of appreciation upon the recent retirement of our inaugural Chairman, Henry Crawford. I believe that Sipa shareholders should recognise a great contribution by Henry. He was not only an excellent Chairman and provider of commercial and managerial advise, but also very practically:
  - Introduced the Sulphur Springs Prospect, which was found by his prospector mate Denis O'Meara, to Sipa (this became the Panorama Project).
  - Introduced Denis Hodges, who was invaluable to me during the early years as our first ASX-listed Company Secretary (1987 - 1992), and later when Denis wished to retire;
  - Introduced Daryl Gore, our present Company Secretary, whom we may thank for many contributions including successful commercial deals like Panorama with Outokumpu and Paraburdoo with Mt King - Arcadia Minerals.
- Thank you Henry and best wishes from all of us here at Sipa.

Mike Doepel  
Managing Director

# Executive Summary

## **CORPORATE STRATEGIES AND OBJECTIVES**

Sipa's clear Objective is to continue to be a Profitable Mining Company and a Successful Explorer, in order to reward shareholders through:

- Share price growth.
- Continuing monetary returns.

Extend our positive contributions to:

- Our employees safety and professional development.
- Environmental responsibilities.
- Our involvement with all the Communities that we work with and near to.

**We intend to achieve these Objectives by:**

- Extending the life of our Paraburdoo Gold Project Operation and its cashflow, through:
  - Finding more oxide-ore to feed the Mount Olympus gold treatment plant, in the short term.
  - Discovering a metallurgical process to unlock the value of the gold in the significant refractory resources at Mount Olympus and at other sulphide deposits in the vicinity, in the medium term.
  - Participating in any major gold discoveries in the Ashburton Gold Province made by our joint venture partner Newcrest Mining Limited, in the longer term.
- Continuing to make major new mineral discoveries through our active exploration programmes in carefully selected regions of Australia, as shown in Figure 1, including:
  - Gold exploration properties in the emerging Ashburton Gold Province in the Pilbara Region of Western Australia where Sipa and our joint venture partner Newcrest hold a commanding land position, along with projects in the highly prospective terrains of the Archaean Yilgarn Block of Western Australia and in far North Queensland.
  - The world class Nickel Sulphide Province of the Eastern Goldfields of Western Australia where we are presently exploring for high grade nickel deposits at our Coolgardie Nickel Project.
  - Very close to the giant Broken Hill base metal deposit in NSW. This area has considerable potential for new Broken Hill-Style deposits as well as very high grade Nickel-Copper-Platinum Group Metal (PGM) deposits and iron oxide Copper-Gold ore bodies.
  - The Kimberley Region of Western Australia and in far North Queensland where large land positions have been established to explore for gold and base metals based on information gained from the Sipa-Gaia-Rio Tinto Data Licensing Agreement.
  - The Officer Basin of Western Australia where a new and very exciting grassroots exploration play has been identified to explore for an analogue of the giant Noril'sk Nickel-Copper-PGM deposits of Russia.
- Unlocking value for our shareholders from the Panorama Basemetals Project in the Pilbara. Next year we intend to reinstitute exploration under our sole management for the first time in eight years in a Province where we strongly believe world class deposits can still be found.

## [ OVERVIEW ]

### OPERATIONS

The development of the Waugh Gold mine has formed the basis for a strong operational performance at the Paraburdoo Gold Operation in the Pilbara region of Western Australia. Blending of the high grade ore from Waugh with low grade stockpiles has resulted in the production of 57,000 ounces of gold over the past 12 months (Table 1). Looking forward, continued strong production is forecast through to mid-2004.

Results of near mine exploration and resource development programmes have been successful in defining resources and reserves that are expected to significantly extend the projects mine life - see Table 2.

### EXPLORATION

Sipa is currently well placed to take advantage of the general downturn within the exploration industry and has

acquired excellent ground positions either through joint venture or application. These Projects have been carefully selected in highly prospective Mineral Provinces within Australia and are aimed towards mineral deposits that can be found and profitably developed by a company the size of Sipa.

Sipa's current exploration portfolio, including new and existing Projects, represents a balance in terms of commodity, geographic distribution and technical risk.

### EMPLOYEES

Sipa firmly believes that the future growth of the company is in the safe hands of our employees. Our belief is that bureaucratic rigidity in decision-making must be avoided and that our highly talented personnel should be challenged to utilise their knowledge and skills at all times and across all facets of the business. The aim is to retain a timely, flat decision-making structure to optimise the benefits from opportunities as they arise.

# Executive Summary

## OCCUPATIONAL HEALTH AND SAFETY

Sipa accepts the responsibility for, and values the safety and health of our entire workforce. With the commitment of the Board our aim is to provide an environment that is free from accident and industrial disease. This will be achieved through a process of continuous improvement that will raise the level of awareness and to set up a consultative approach to safety issues through the workforce.

## ENVIRONMENTAL MANAGEMENT

Sipa has a demonstrated commitment to minimising adverse environmental impact in the areas that we operate in and to maximising the positive rehabilitation of areas that we disturb during any of our activities.

## COMMUNITY RELATIONS

Sipa mines and explores in remote areas throughout Australia, generally on land subject to Native Title Claim and often close to Aboriginal Communities. Over the years we have had close contact with some of these

Communities and entered into Compensation Agreements to develop the Paraburdoo Gold Project, as well as numerous Land Access and Heritage Agreements which have allowed for tenements to be granted and for exploration to proceed.

We believe that there should be mutually beneficial outcomes from our interaction with communities nearby to any of our operations. Examples include contributions for training of Aboriginal nurses, sporting groups, educational foundations from towns we operate near and the Royal Flying Doctor Service and the State Emergency Service.

# Review of Operations

## ASHBURTON GOLD PROJECTS

### Paraburdoo Gold Project

#### INTRODUCTION

The past year has seen a very strong operational performance from the Paraburdoo Gold Project with nearly 57,000 ounces of gold produced at a cash cost of A\$334 per ounce. The key to this performance has been the successful development of the Waugh Gold Deposit, combined with the over-performance of the medium grade and low grade stockpiles. The result of this has been the generation of very strong cashflows for the company. Looking forward, these excellent production levels are currently scheduled through to mid-2004.

Extending the mine life beyond mid-2004 has been the obvious driver for aggressive programmes of exploration and resource development work within the 20 square kilometres of Sipa's 100%-owned Mining Leases. This work has resulted in a significant increase in the Project's identified mineral resources much of which ultimately should be converted into a reserve classification. It is a clear aim to ensure continuity of production well past mid-2004.

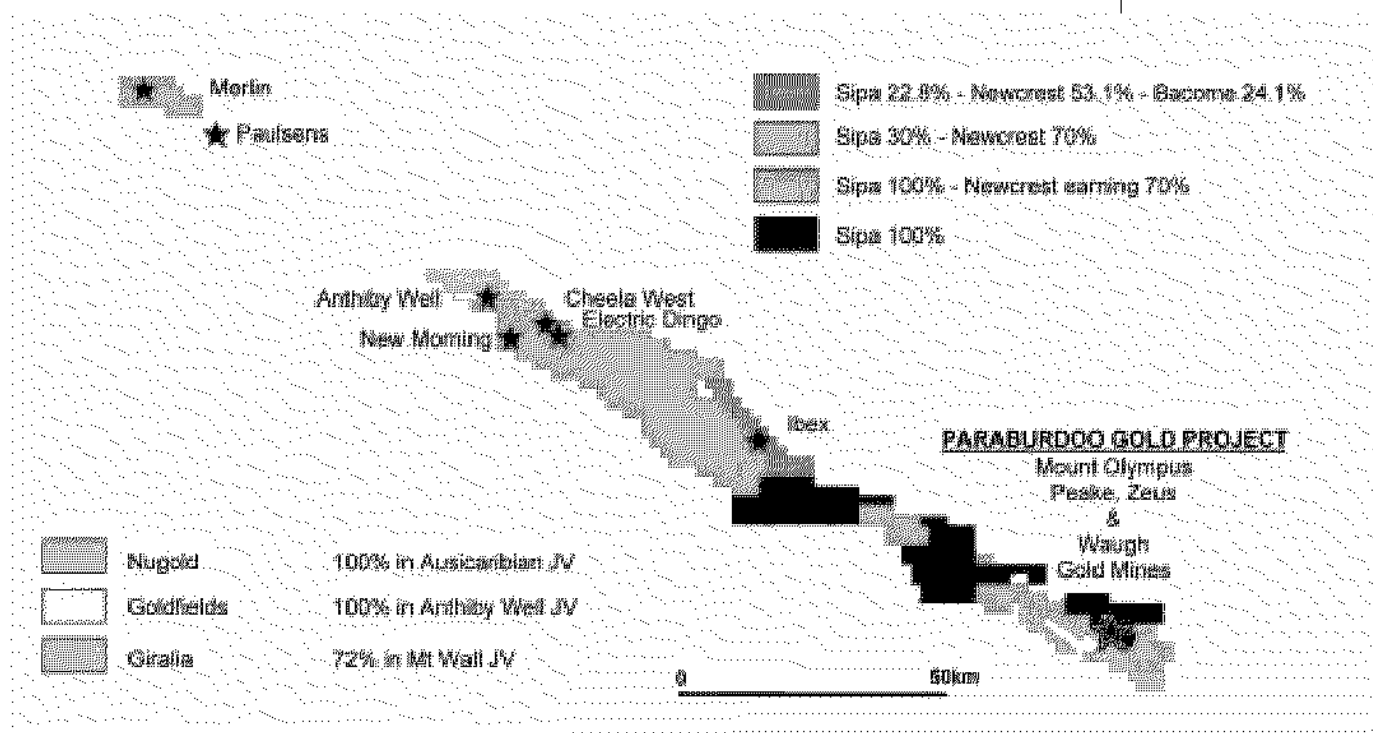


Figure 2 - Sipa's Ashburton Gold Projects

In parallel to these programmes of exploration and resource development, metallurgical testwork has been progressing on the sulphide mineralisation beneath the current base of the Mount Olympus Open Pit. The aim of this work is to determine the best technology to commercially exploit this substantial resource.

Throughout 2003/2004 the continued development of safety systems and the establishment of a strong safety culture has progressed well. This progress has been achieved in a cooperative environment involving all Sipa and Contract personnel and those involved are fully commended. However, despite these efforts accidents do continue to occur, clearly highlighting how critical it is that we remain vigilant and never become complacent.

Sipa has continued to play an important role within the local community. Close relationships have been maintained with Aboriginal Communities and success has been gained in working with a group of trainees at the Paraburdoo Gold Project to develop skills that will provide them long term benefits within the wider resources industry. Also important to us is the establishment of a group of Sipa employees and their families who now reside in the township of Paraburdoo.

# Review of Operations

## DEVELOPMENT AND PERFORMANCE OF THE WAUGH GOLD MINE

The high grade Waugh Gold Deposit was discovered in November 2001 within weeks of Sipa taking 100% ownership of the Paraboroo Gold Project. Following the completion of resource and reserve estimations and the approval of the Notice of Intent to Mine, development commenced with waste removal in August 2002, about 10 months after discovery.

With a large proportion of the overburden waste stripping complete, the higher grades at Waugh were not accessed until April of this year. Development of the open pit has now reached the bottom of the Stage (2) Pit, with the remainder of the deposit to be mined in the Stage (3) Cutback. Mining is due for completion by the end of October 2003.

The performance of Waugh to date has seen a consistent under-production in tonnage, however this has been offset by significantly higher grades in the very high grade central core of the deposit. Looking forward the expectations are that similar trends will be observed for the remainder of the deposit.

## FULL YEAR PRODUCTION

In the year to 30 June 2003 the Paraboroo Gold Operation recorded the production figures shown in Table 1:

TABLE 1 – 2002/2003 GOLD PRODUCTION

MINED TONNES	GRADE (G/T)	RECOVERY (%)	OUNCES (GOLD)	CASH COSTS (\$/OZ)
660,500	2.82	94.7	56,712	\$334

## RESOURCE DEVELOPMENT AND NEAR MINE EXPLORATION

Exploration at Paraboroo has focussed around the previously mined Mount Olympus deposit within the company's 100% owned Mining Leases. This focus has been based on both the prospectivity of the area as defined by recent compilations of all available mining, resource and exploration data and the ability to rapidly schedule any newly defined resources into ore reserves and mining schedules.

This work has been successful in delineating additional resources in the following areas (see Table 2 for a full summary):

- The walls and base of the existing Mount Olympus Open Pit including the Atlas Zone in the north wall.
- Extensions to the existing Peake Open Pit.
- The walls and base of the West Olympus Open Pit.
- New modest positions at the Zoe Prospect and Zeus Pits 3 and 4.

In programmes of wider exploration the aim has been to identify new targets that have the potential to become stand-alone deposits. This has largely involved detailed geochemical surface sampling, geological mapping and rock chip sampling, RAB drilling and in some cases reverse circulation drilling. Results have been encouraging, with two notable Prospects being Astroboy and Dinosaur where ore grade intersections have been returned from initial drilling. Exploration will continue to work on defining new targets and to advance existing Prospects.

## PRODUCTION OUTLOOK

The successful identification of the new peripheral resources to the Mount Olympus Open Pit, combined with an increase of over \$100/oz in the gold price since the deposit was mined, has provided optimism that Project life will be significantly extended and as such continue to produce cashflow and profits beyond the currently forecast mid-2004 time frame.

On those current forecasts, production is scheduled to mid-2004 based on treatment of the high-grade Waugh ore blended with low grade stockpiles. Mining is presently scheduled for completion by the end of October 2003. Production beyond this point will be premised on the economic conversion of existing resources into reserves, mainly from the Mount Olympus Open Pit, and the discovery of new positions through continuing programmes of exploration within trucking distance of the mill.



A full summary of Sipa's Identified Mineral Resources and Ore Reserves are provided in Table 2 and 3. These tables should be read in the context of the accompanying explanatory notes.

**TABLE 2 - IDENTIFIED MINERAL RESOURCES (GOLD)**

DEPOSIT	COG	MEASURED			INDICATED			INFERRED			TOTAL		
		Tonnes	g/t	Oz	Tonnes	g/t	Oz	Tonnes	g/t	Oz	Tonnes	g/t	Oz
Waugh	0.9	253,000	8.3	67,500	136,000	4.8	21,000	100,000	2.9	9,300	489,000	6.2	97,800
Low Grade Stockpiles	0.6	491,000	1.2	18,900	-	-	-	-	-	-	491,000	1.2	18,900
Mount Olympus Oxide	0.9	361,000	3.4	39,500	203,000	2.5	16,500	173,000	2.1	11,600	737,000	2.9	67,600
West Olympus Oxide	0.9	290,000	2.8	26,100	64,000	2.9	6,000	23,000	2.1	1,500	377,000	2.8	33,600
Peake Oxide	0.9	-	-	-	25,000	4.3	3,500	-	-	-	25,000	4.4	3,500
Zeus Oxide	0.9	-	-	-	-	-	-	20,000	1.5	950	20,000	1.5	950
Zoe Oxide	0.9	-	-	-	-	-	-	46,000	2.9	4,300	46,000	2.9	4,300
Paradise Bore (Bulga Downs Project)	1.0	-	-	-	-	-	-	400,000	2.8	36,000	400,000	2.8	36,000
<b>TOTAL OXIDE RESOURCES</b>		<b>1,395,000</b>	<b>3.4</b>	<b>152,000</b>	<b>428,000</b>	<b>3.4</b>	<b>47,000</b>	<b>762,000</b>	<b>2.6</b>	<b>63,650</b>	<b>2,585,000</b>	<b>3.2</b>	<b>262,650</b>
Mount Olympus Sulphide	0.9	651,000	3.5	73,000	848,000	3.1	85,000	2,306,000	3.2	236,500	3,805,000	3.2	394,500
West Olympus Sulphide	0.9	189,000	3.2	19,500	195,000	3.0	18,600	409,000	4.4	57,500	793,000	3.7	95,600
<b>TOTAL SULPHIDE RESOURCES</b>		<b>840,000</b>	<b>3.4</b>	<b>92,500</b>	<b>1,043,000</b>	<b>3.1</b>	<b>103,600</b>	<b>2,715,000</b>	<b>3.4</b>	<b>294,000</b>	<b>4,598,000</b>	<b>3.3</b>	<b>490,100</b>
<b>TOTAL RESOURCES</b>		<b>2,235,000</b>	<b>3.4</b>	<b>244,500</b>	<b>1,471,000</b>	<b>3.2</b>	<b>150,600</b>	<b>3,477,000</b>	<b>3.2</b>	<b>357,650</b>	<b>7,183,000</b>	<b>3.3</b>	<b>752,750</b>

(COG = Cut-off grade)

**TABLE 3 - ORE RESERVES (GOLD)**

DEPOSIT	OWNERSHIP	PROVED			PROBABLE			TOTAL		
		Tonnes	g/t	Oz	Tonnes	g/t	Oz	Tonnes	g/t	Oz
Waugh	Sipa 100%	-	-	-	181,000	10.8	62,800	181,000	10.8	62,800
Waugh - Joint Venture	Limerick Hill JV	-	-	-	16,000	6.3	3,250	16,000	6.3	3,250
Low Grade Stockpiles	Sipa 100%	491,000	1.2	18,950	-	-	-	491,000	1.2	18,950
<b>TOTAL RESERVES</b>		<b>491,000</b>	<b>1.2</b>	<b>18,950</b>	<b>197,000</b>	<b>10.4</b>	<b>66,050</b>	<b>688,000</b>	<b>3.8</b>	<b>85,000</b>

## NOTES TO ACCOMPANY IDENTIFIED MINERAL RESOURCE and ORE RESERVE STATEMENT for June 30 2003

### PARABURDOO GOLD PROJECT

#### 1. WAUGH DEPOSIT

- The mineralisation that makes up the Waugh Deposit consists entirely of oxide material and is hosted within siltstones of the Mount McGrath Formation, the rock unit that also hosts the previously mined nearby Mount Olympus, Zeus and Peake gold deposits.
- Programmes of metallurgical test work and recent production from Waugh demonstrate that recoveries will be between 90% and 95%. Reported ounces are contained ounces.
- Below the 400m RL the Waugh mineralisation is subject to the Limerick Hill Joint Venture agreement.

# Review of Operations

- The Waugh resources have been estimated using the method of Multiple Indicator Kriging (MIK) with block support adjustment reported as a recoverable resource above the given cut-off grade. This modelling technique estimates resources into panels with dimensions of 10m by 10m by 5m. The estimates are constrained by the present pit surface and extend to approximately 120m below the surface.
- Optimisation studies were based on A\$560 per ounce gold price.

## 2. LOW GRADE STOCKPILES

- Tonnages for the low-grade stockpile are based on surveyed volumes. The basis for the grade is from a series of extended batch treatment trials and production over the past 9 months.

## 3. MOUNT OLYMPUS and WEST OLYMPUS OXIDE

- These oxide resources are based on information taken from historical mining data, new geological mapping and from a recently completed programme of reverse circulation drilling. The defined mineralisation is largely present in the base and floor of the existing open pits.
- The resources have been estimated using the method of MIK with block support adjustment reported as a recoverable resource above the given cut-off grade. This modelling technique estimates resources into panels with dimensions of 20m by 20m by 5m. The estimates are constrained by the present surveyed base of the pit surface down to the base of oxidation.
- The base of oxidation is established on an interpreted surface based upon Leachwell assay data where recoveries drop below 70%. The position of this surface is based on drilling data and will vary in detail.
- Based on Leachwell assay data the recoveries are expected to range between 80% and 95%.
- Preliminary optimisations of the Mount Olympus resource at current gold prices demonstrate the viability of converting a large part of this resource into a reserve category. Similar optimisations on the West Olympus resource indicates that a higher gold price will be required for conversion of resources into reserves.

## 4. PEAKE OXIDE

- The defined Peake Oxide resource relates to the eastern extension of the previously mined open pit. Geological mapping identified outcropping mineralisation which was subsequently defined by close space reverse circulation drilling down to the base of oxidation. The mineralisation remains open to the east where it extends onto the Limerick Hill Joint Venture. The resource is currently limited to the 100% owned Sipa ground.
- The resource was estimated using the IDW3 function in the MICROMINE SOFTWARE within a >0.3g/t grade shell. Estimation was into blocks of 10m by 1m by 2.5m to fit the model into the drill spacing and the ore thickness to minimise block variance.
- Based on Leachwell assay data and on previous mining of the Peake open pit, recoveries are expected to be approximately 90%.
- Preliminary optimisations of the resource at A\$530 per ounce demonstrate the viability of converting a large part of this resource into a reserve category.

## 5. ZEUS OXIDE

- The Zeus Oxide resource was defined from a review of existing data, geological mapping and a small programme of reverse circulation drilling. It encompasses largely remnant positions in the base and ends of the existing open pits and reflects that the previous open pits were optimised on a significantly lower gold price.
- The resource was estimated using the Ordinary Kriging (OK) function in the MICROMINE SOFTWARE and encompassed a distinct geological domain. Estimation was into blocks of 2.5m by 2.5m by 2m to reflect the drill spacing and represent the geometry of the ore lodes.
- Based on Leachwell assay data and on previous mining of the Zeus open pits, recoveries are expected to be approximately 90%.

## 6. ZOE OXIDE

- The Zoe resource was delineated originally by geological mapping and sampling of outcropping high grade mineralisation. Subsequent reverse circulation drilling has identified a narrow, steeply dipping zone of shear/zone-hosted mineralisation above the base of oxidation.
- A simple estimation was undertaken using the IDW2 function in the SURPAC SOFTWARE into a >0.9g/t grade shell. Block size is 2.5m by 2.5m by 2.5m.
- Preliminary optimisations at current gold prices indicate only a modest potential to convert the resource into a reserve category.

## **7. MOUNT OLYMPUS and WEST OLYMPUS SULPHIDE**

- The sulphide resources are defined as all refractory mineralisation beneath the interpreted base of oxidation. Based on Leachwell assay data and some metallurgical testwork, gold recoveries range anywhere from 10% to 70%.
- The resources have been estimated using the method of MIK with block support adjustment reported as a recoverable resource above the given cut-off grade. This modelling technique estimates resources into panels with dimensions of 20m by 20m by 5m.
- Current programmes of metallurgical testwork are providing sufficient encouragement to indicate that a commercial treatment option for these resources is achievable.

## **OTHER RESOURCES**

### **1. PARADISE BORE - BULGA DOWNS PROJECT**

- The mineralisation at Paradise Bore is typically supergene in nature and hosted by clays and strongly weathered rock. Narrow high-grade primary mineralisation associated with a shear zone through a predominantly mafic rock and interflow sediment package has been intersected in drilling beneath the oxide mineralisation.
- Reverse circulation drilling is wide spaced on a 50m by 25m grid over a strike length of 300 metres.
- A recoverable resource model was developed using the MIK technique with a block support adjustment. The resource was then estimated into panels of 25m by 25m by 5m.
- The resource is reported as contained gold. Preliminary testwork has been undertaken, and recoveries are expected to be in the mid to high 90% range.

### **2. SULPHUR SPRINGS – PANORAMA PROJECT**

- The resources and reserves reported in this report are taken from a Feasibility Study undertaken by Outokumpu Zinc Australia Pty Ltd in May 2002.
- The series of deposits, including Sulphur Springs and Kangaroo Caves, that make up the Panorama Project are typical Zinc-Copper VMS-style deposits. The area has been subject to a number of highly regarded geological studies and the geological environment and controls on mineralisation are held to be well understood.
- Resource estimation was undertaken using the Inverse Distance Squared technique and was based on a grade-sulphide envelope equating to >1.11% Zn and/or >0.43% Cu.
- The reported Probable Reserve is based on detailed mining and treatment studies undertaken by Outokumpu as part of the Feasibility Study. The reserves are based on a zinc price of US\$1.035 per lb and a copper price of US\$0.625 per lb. At current commodity prices, modelling of the Project indicates that it is cashflow positive, however it will not will not pay back the capital costs of the Project.
- Metallurgical testwork indicates that recoveries of 93% should be achieved for both zinc and copper.

## **COMPETENT PERSONS STATEMENT**

The estimates of the Mineral Resources and Ore Reserves were prepared in accordance with the standards set out in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (September 1999) as published by the Australasian Institute of Mining and Metallurgy, the Australasian Institute of Geoscientists and the Minerals Council of Australia, and accepted by the Australian Stock Exchange Ltd.

Mineral resource and ore reserve data is based on information compiled by persons who are members of the Australasian Institute of Mining and Metallurgy and who have the relevant experience as "Competent Persons" as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves in relation to the mineralisation being reported upon.

The Competent Person involved in the preparation of the June 2003 Resource and Reserve Statement and who consents to the inclusion of this information in the form and context in which it appears is Mr Peter Langworthy (B.Sc (Hons), MAusIMM). Mr Langworthy is a full time employee of Sipa Resources International NL .

# Review of Operations

## SULPHIDE MINERALISATION EVALUATION

Since acquiring 100% ownership of the Paraburdoo Gold Project in 2001 Sipa has demonstrated an excellent ability to realise hidden value from within the assets. For some time now work has focussed on the sulphide mineralisation that extends beneath the base of the Mount Olympus Open Pit. Currently a resource of 4.6mt @ 3.3g/t for 490,100 ounces has been defined. This mineralisation is recognised as holding potential to form the basis of a longer term mining operation. The work currently being undertaken, or already complete, includes;

- Establishing a robust resource model that includes all available information.
- Defining within the wider resource model distinct geological and weathering domains that may have important controls on the level of gold recovery.
- Drilling programmes to provide samples for metallurgical test work.
- Establishing flotation characteristics of the sulphide mineralisation to form a concentrate.
- Determining the actual refractory characteristics of the gold contained in sulphide minerals by diagnostic leach testwork.
- Completing studies to determine the likely capital and operating costs of building and operating a sulphide Concentrator Plant.

The results of this work have generally been encouraging and have given good indications that commercial treatment of this large resource will be viable at some time in the future.

## Sipa – Newcrest Joint Ventures

### INTRODUCTION

Sipa and Newcrest Operations Limited (Newcrest), with Newcrest as Manager, are involved in a number of Joint Ventures across the Ashburton Gold Province (see Figure 2). The main Joint Ventures are Limerick Hill where Newcrest may earn a 70% interest by spending \$3.5 million and the Ashburton Regional in which Newcrest has recently completed its obligations by spending \$5.0 million to earn a 70% interest. An additional, four Joint Ventures are also active on land owned by others where Sipa and Newcrest participate 30% and 70% respectively in earning interests by exploration expenditure and/or by Option payments.

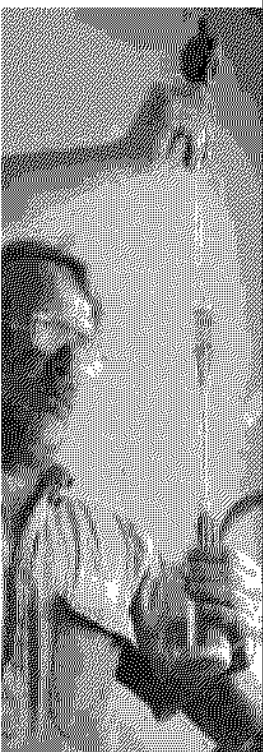
The exploration effort in the Ashburton is in part being driven by a geological concept based on the geological setting of gold in the so-called “Carlin Trend” of Nevada in the USA. This style of mineralisation is characterised by bulk-mineable sediment-hosted deposits with combined stratigraphic and structural controls that have very distinctive types of alteration and trace element signatures. The type-area in northeastern Nevada is a 60-plus kilometre long belt of deposits, which contains more than 110 million ounces of gold reserves and past production.

There are certain characteristics of the Ashburton mineralisation that fit well with the Carlin-style, including host rocks, alteration, structural setting and trace element signatures.

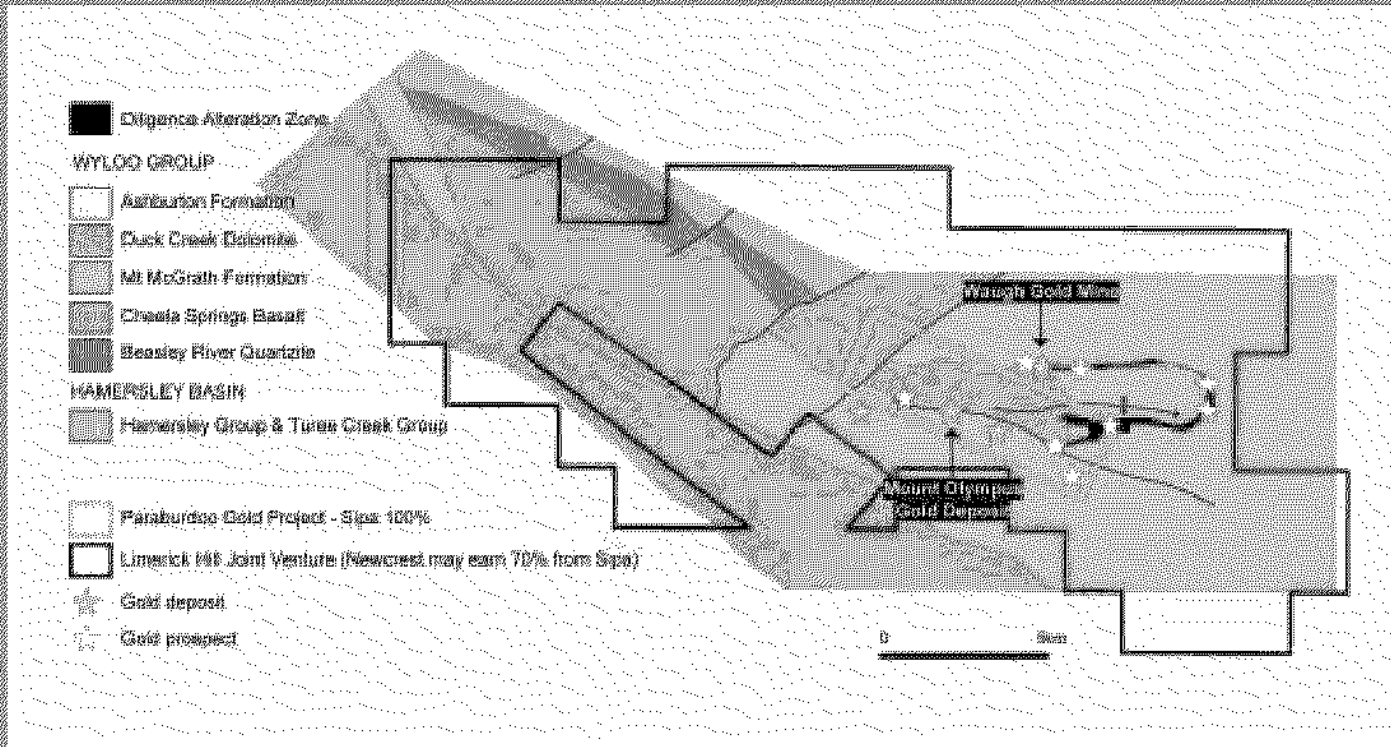
### LIMERICK HILL JOINT VENTURE

The Limerick Hill Joint Venture involves the ground immediately surrounding Sipa’s 100% owned mining leases and amongst other features covers the key structural and stratigraphic elements referred to as the Diligence Dome (Figure 3 and 4). Importantly, the majority of economic mineralisation discovered to date at the Paraburdoo Gold Project is associated close to, or within, this geological feature.

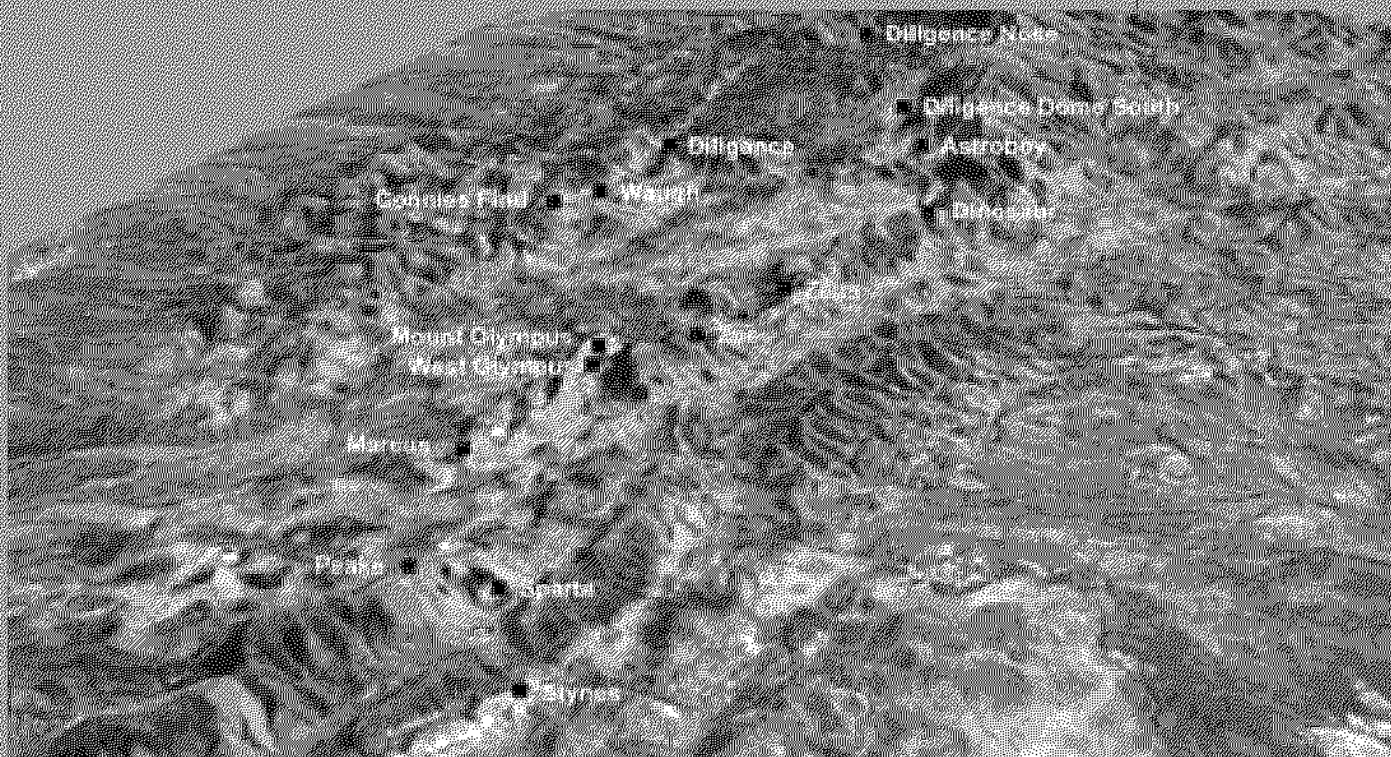
Exploration during 2003/2004 has largely focussed in two areas. Initially, exploration by Newcrest targeted several positions around the margins of the Diligence Dome that exhibited similar surface characteristics to the Waugh Deposit. These targets included the Diligence, Connies Find and Diligence South Prospects. The results of this work, although considered by Sipa to be very encouraging, were rightly deemed by Newcrest not to have the potential to host the size target they considered met their minimum criteria. On this basis, Newcrest’s attention moved to more regional testing of geological trends they considered had similarities with those at Electric Dingo (see next section) within the Ashburton Regional Joint Venture.



Sean Allen



**Figure 3 - PGP & Limerick Hill JV  
Geological Map**

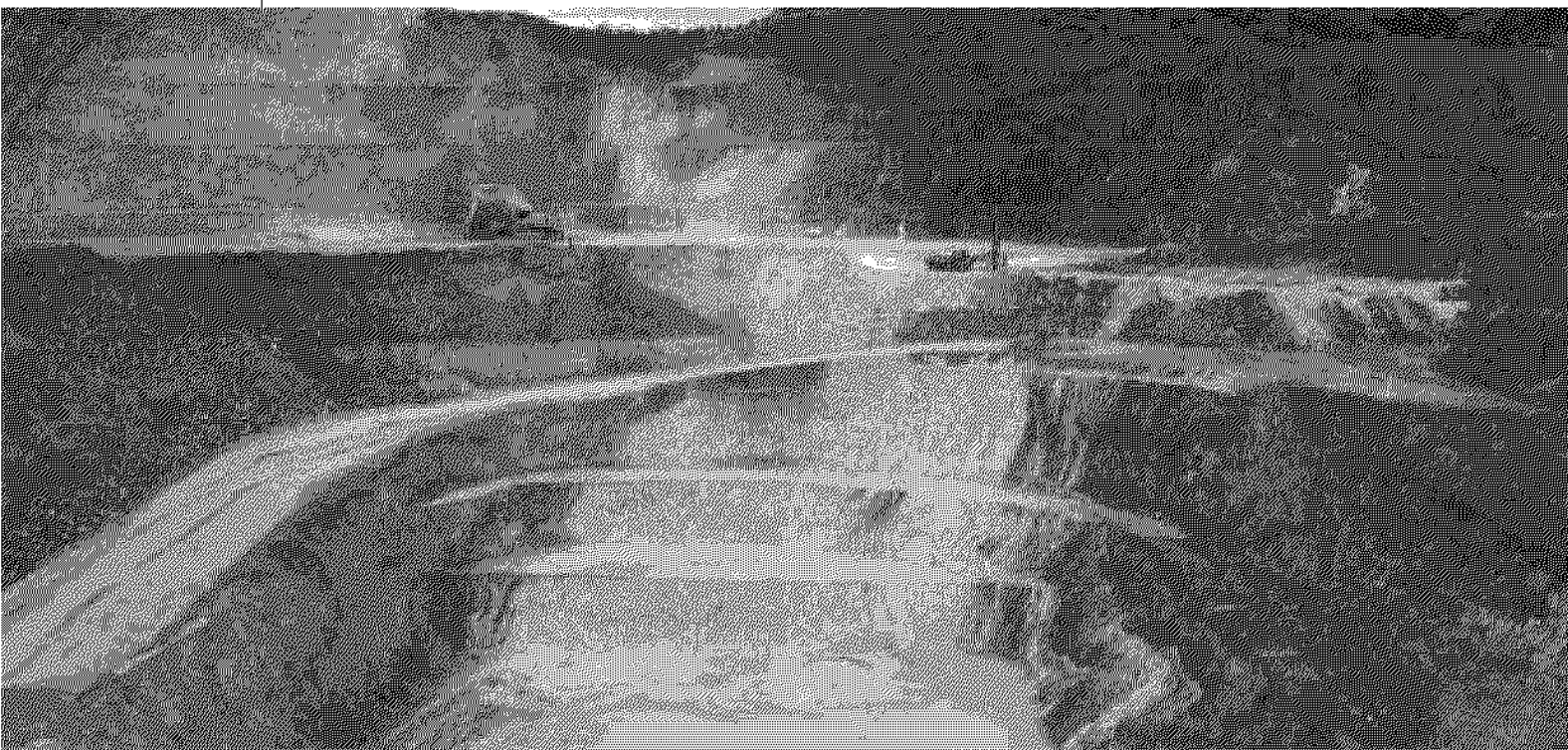


**Figure 4 - PGP & Limerick Hill JV  
Gold-in-Soil draped on Digital Terrain Model**

# Review of Operations

In terms of Sipa's position it is very clear that great potential remains to discover gold deposits within the Limerick Hill Joint Venture that have the capacity to extend the mine life of the Paraburdoo Gold Project, and to generate significant cashflows. Prospects that present as advanced targets include:

- Diligence which is located one kilometre east of the Waugh Open Pit. Wide spaced drilling has intersected high grade mineralisation that may extend from surface to a depth of approximately 120 metres over a 400 metre strike length. Results to date include 5 metres @ 16.7g/t Au from 5 metres and 5 metres @ 5.4g/t from 165 metres.
- Connies Find which is located 0.5 kilometres west of the Waugh Open Pit. High grade rock chip sample results in this location has identified a mineralised zone that extends over an area of 50 metres by 30 metres. Of the three holes drilled, two encountered significant mineralisation near the surface.
- The Peake Trend extending to the east of the existing Open Pit and remaining resources. Mapping and outcrop sampling have identified extensions to the mineralisation over a further 150 metre strike length.



Waugh Goldmine

- The Sparta Anomaly which is located approximately 400 metres to the south of the Peake Deposit. This is a very strong coincident gold-arsenic-antimony anomaly that has been defined over a strike length of at least 200 metres. Rock chip sampling has returned results up to 29g/t Au. There has been no drilling at Sparta.

## ASHBURTON REGIONAL JOINT VENTURE

Exploration over the past 12 months has started to focus on testing bedrock controls underlying the large, near surface weathered bedrock (saprolite) gold anomalies defined in the original wide spaced regional RAB and aircore drilling programmes of the last four years. The purpose of this work is to define the structural controls of the mineralisation in the underlying bedrock and determine whether a significant primary feeder structure can be identified.

The most advanced target within the Joint Venture is the Electric Dingo Prospect where a strong zone of near-surface gold mineralisation has been identified with thickness of up to 44 metres and grades over 1g/t Au associated with what is interpreted from magnetic and gravity data to be an area of structural complexity. Of critical importance are the first indications from recent drilling of primary mineralisation within the unweathered dolomitic rock units and the recognition that it may be indicative of proximity to a primary feeder structure. This information will now allow for more precise testing of these positions at depth

#### OTHER JOINT VENTURES

There are four Joint Ventures owned by others where Sipa and Newcrest participate 30% and 70% respectively in earning interests by exploration expenditure and/or by Option payments. Newcrest are Managers. These are Anthiby Well, Rocklea, Ausicaribian and Mt Wall. During the year Sipa and Newcrest jointly withdrew from the House Creek Joint Venture with Ashburton Gold Mines NL. The Joint Ventures are summarised in Table 4, and their locations are shown in Figure 2.



*Manny Fermo, Jimmy Hetterich and Ross McMillan*

**TABLE 4 - SIPA-NEWCREST ASHBURTON JOINT VENTURES**

JV NAME	CURRENT OWNERSHIP	INTEREST THAT MAY BE EARNED
Ashburton Regional	Sipa 30%, Newcrest 70%	Newcrest earn-in complete.
Limerick Hill	Sipa 100%	Newcrest 70%
Anthiby Well	Goldfields Exploration 100%	Sipa 30%, Newcrest 70%
Rocklea	Sipa 22.76%, Newcrest 53.10%, Bacombe 24.14%	Contributing joint venture.
Ausicaribian	Nugold Hill Mines 100%	Sipa 30%, Newcrest 70%
Mt Wall	Giralia NL 100%	Sipa 21.6%, Newcrest 50.4%

Exploration activities across the Joint Venture Projects has comprised of programmes of reverse circulation drilling, extensive RAB drilling, ground magnetic surveys and geological mapping. Most of this work has remained focussed on assessing the first pass potential of the wider Ashburton Province for large Carlin-style mineralised systems.

# Review of Operations

## EXPLORATION PROJECTS

### EXPLORATION STRATEGY

It is Sipa's aim to find major ore deposits in Australia by utilising our demonstrated skills of project generation, advanced data management, and high quality field-based exploration. Success over the past 14 years has already been demonstrated by the discovery of two new Mineral Provinces - namely the Ashburton Gold Province and the Panorama VMS Copper-Zinc Province, both in the Pilbara.

- Our major effort is aimed towards discovering mineral deposits that can be found and profitably developed by a Sipa-sized company. Those are:
  - *Moderate to high grade gold deposits* like those we have already proven we can find and exploit at Paraburdoo.
  - *High grade nickel sulphide deposits* that a number of small Western Australian companies have proven are able to be found by modern exploration and be subsequently profitably developed.



- Our secondary efforts are directed towards discovering *very large base metal deposits* (which we recognise would almost certainly require the eventual introduction of a Major, vertically integrated mining - smelting-refining company) of the following classes:
  - Volcanogenic Massive Sulphide (VMS) deposits (for example, Kidd Creek in Canada and Mt Lyell in Tasmania).
  - Broken Hill-Style silver-lead-zinc deposits (for example, Broken Hill in NSW).
  - Sediment-hosted deposits including the giant Mt Isa-Century styles in Queensland and the carbonate-hosted styles like the giant Navan deposit in Ireland.

To support this exploration effort Sipa has developed skills that provide us with what is believed to be a strategic advantage compared to our competitors. This support includes:

- Our strong exploration culture, centred around a belief that ore deposits are found by a "Boots-in-the-Field" approach.
- Creation of the most extensive and instantly accessible geoscientific database in Australia.
- A proven ability to deal with Native Title and Heritage issues.

## EXPLANATION OF TYPES OF OREBODIES SOUGHT

### GOLD

Gold deposits of the types we are looking for span a broad spectrum of styles, some of which are illustrated in Figure 5, ranging for example from:

- Giant deposits in world class Camps like the Carlin Trend in Nevada (110 Moz of past production and present reserves) and the Telfer Deposits in Western Australia (34 Moz of past production and present reserves), through;
- Modest sized disseminated deposits like Wiluna in Western Australia (5 Moz grading 5 g/t), to;
- Narrow, high grade veins like Hishikari in Japan (9 million ounces [Moz] of past production and present reserves at the very high grade of about 60 g/t) and Vera Nancy in Queensland (7 million tonnes [mt] @ 14g/t for 2.8 Moz).

The deposits range vastly in age and their geological settings from;

- Carlin at 25 million to 40 million years old and Telfer at 680 million years old, both of which are hosted by sedimentary rocks, through;
- Wiluna which is 2,700 million years old and hosted by altered volcanic rocks, to;
- Hishikari which is hosted by a very recent volcanic terrain.

Sipa boasts Projects covering ground prospective for each type of deposit described above.

### NICKEL – COPPER – PLATINUM GROUP METALS (PGM's)

Nickel and Copper sulphides, with or without significant PGM's (platinum, palladium, rhodium, iridium and ruthenium) tend to occur in certain dark and dense rocks – called mafic or ultramafic rocks – worldwide.

- The most impressive accumulation of Ni-Cu-PGM's occurs in the giant Noril'sk group of deposits in northeast Russia (1,500 mt grading about 2% Ni, 4% Cu and 12g/t Pt-Pd) which are some 250 million years old. A cartoon explaining their setting and formation is shown in the description of the Table Hill Project.
- Locally, Western Australia's Yilgarn Block hosts the worldclass 2,700 million year old Kambalda Nickel Camp, where some 30 million tonnes of ore grading 3% Ni has been mined since its discovery in 1964. A cross-section through a typical Kambalda ore shoot is shown in Figure 7.
- Both Noril'sk and the Kambalda also contain some individual ore bodies with very high grades:
  - At Noril'sk these grades can be in excess of 4% Ni, 5% Cu and 20g/t PGM's.
  - Whilst at Kambalda individual deposits have had grades mined in excess of 5% Ni.
- It is worth noting that at current Australian metal prices 3% Nickel is equivalent to about 25g/t Gold.
- Sipa's present portfolio includes:
  - The relatively advanced Coolgardie Project where Kambalda-grade nickel sulphides (>3%) had been intersected in the past.
  - The very high grade Mulga Springs (and other) Prospect at Broken Hill where 2 metres grading 4.5% Ni, 6% Cu, 13g/t Pt and 24 g/t Pd was intersected in a 1972 drillhole.
  - The grassroots Table Hill Project where we are exploring for an analogue of Noril'sk based on very sound field work and scientific argument developed by our joint venture partner AusQuest.



# Review of Operations

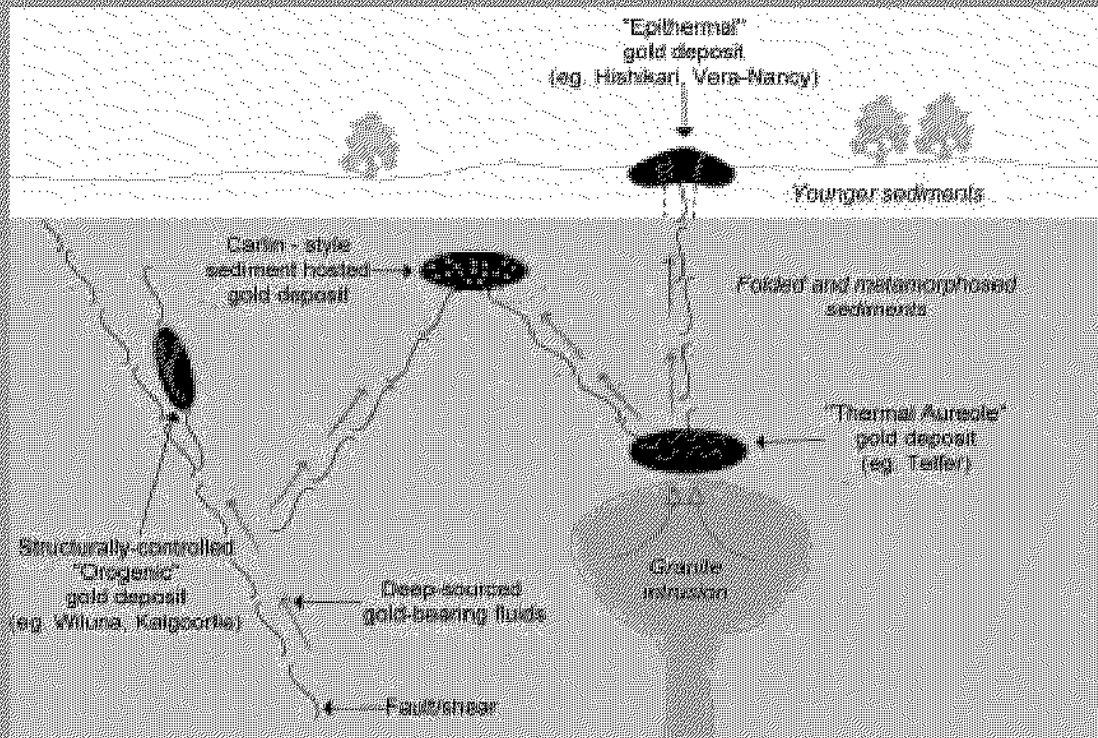


Figure 5 - Schematic Geological Settings of Large Gold Deposits

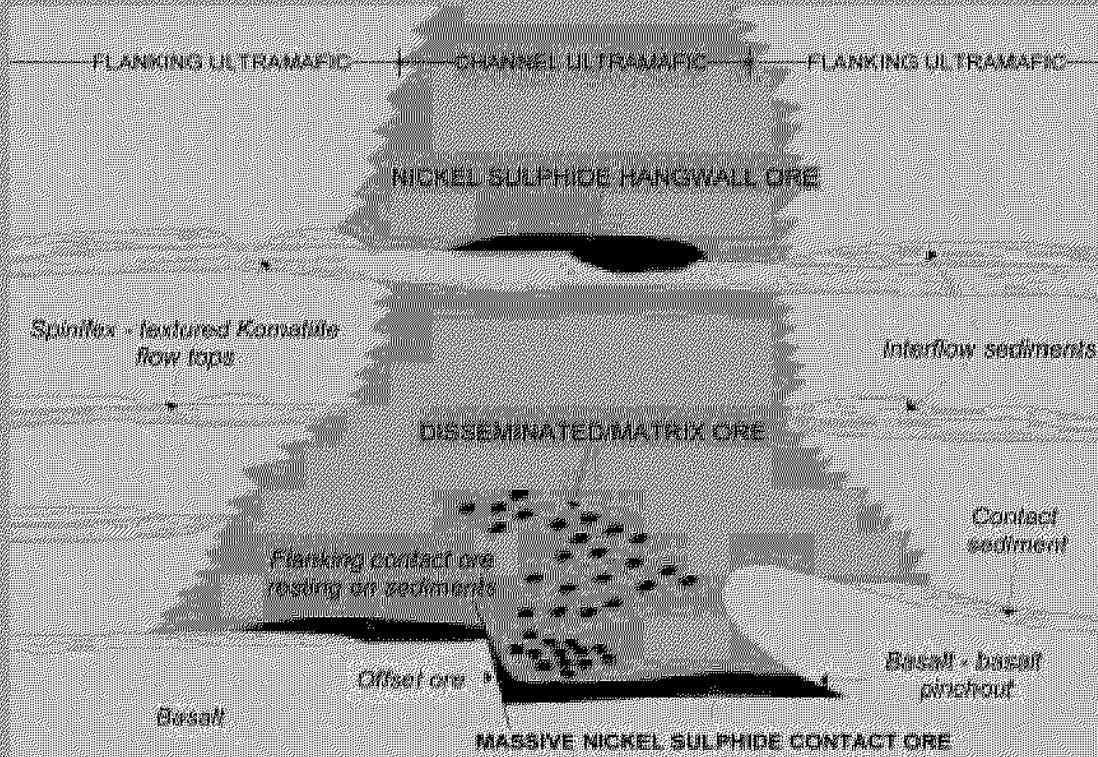


Figure 6 - Schematic Cross-section through Typical Kambalda-Eastern Goldfields Nickel Sulphide Deposit

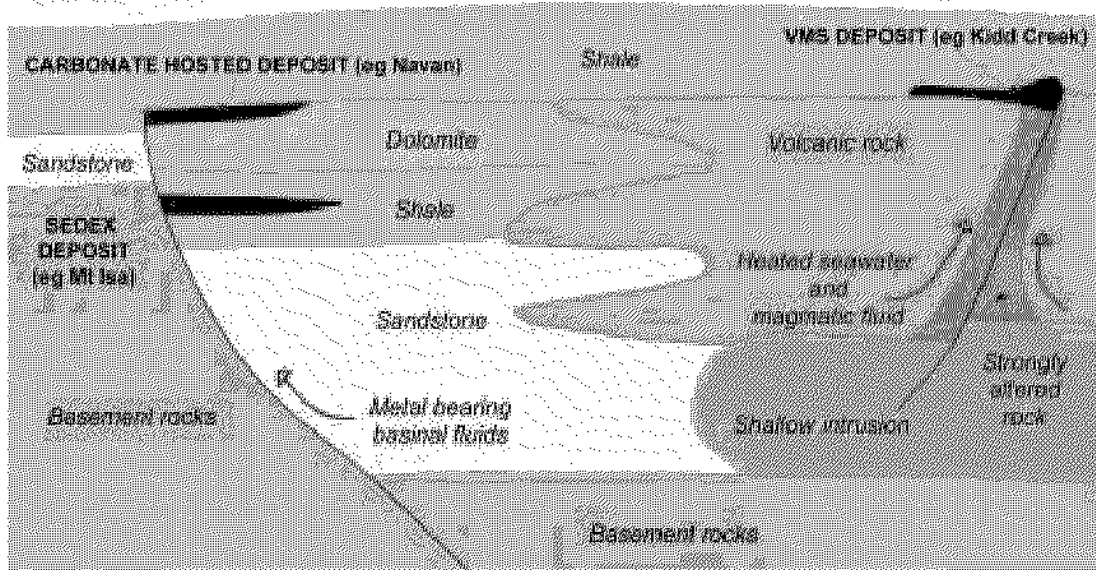


Figure 7 - Schematic Geological settings of Large Basemetals Deposits

### BASEMETALS

Worldclass basemetal deposits have formed the basis for the creation and growth of some of the world's Major mining companies (for example; BHP (Broken Hill) and Texas Gulf Sulphur (Kidd Creek)). Examples of these types of ore bodies and their diverse geological setting and age are provided below;

- The 1,900 million years old Broken Hill Deposits in NSW (200mt of 8%Pb, 5%Zn and 40g/t Ag) is hosted by metamorphosed sedimentary and volcanic rocks.
- Navan in Ireland (80mt of 10% Zn and 3%Pb) is hosted by limestone and is 350 million years old.
- Kidd Creek in Canada (150mt of 2.5% Cu and 4.5% Zn) is 2,700 million years old and is hosted by volcanic rocks.

Whilst considerable variation exists, certain features are common to all significant deposits, reflecting variations on a theme of leaching of low concentrations of metals from parent rock, transport of those metals in fluids and finally deposition and upgrading to ore concentrations in favourable trap sites as shown in Figure 7.

Sipa currently has three major projects exploring for these types of deposits.

### SIPA'S EXPLORATION PORTFOLIO

GOLD	NICKEL – COPPER-(PGM'S)	BASEMETALS
Ashburton Gold Projects	Coolgardie	Panorama
Paradise –Bulga Downs	Broken Hill	Dixon Range
Ularring Rock	Table Hill	Broken Hill
North Queensland	(Killaloe)	(North Queensland)
Banjo Well		(Mt Freeling)
Fraser Range		
Laverton		
(Broken Hill)		

# Review of Operations

## PROJECT DESCRIPTIONS – GOLD

### ASHBURTON GOLD

The Ashburton Gold Projects, including the Paraburdoo Gold Project mining and treatment operations, have been extensively described earlier in this report.

### PARADISE – BULGA DOWNS

Sipa has been exploring for gold at the Bulga Downs Project located about 300 kilometres northwest of Kalgoorlie since early 1990's with the most notable success being the outlining of a modest resource at Paradise Bore:

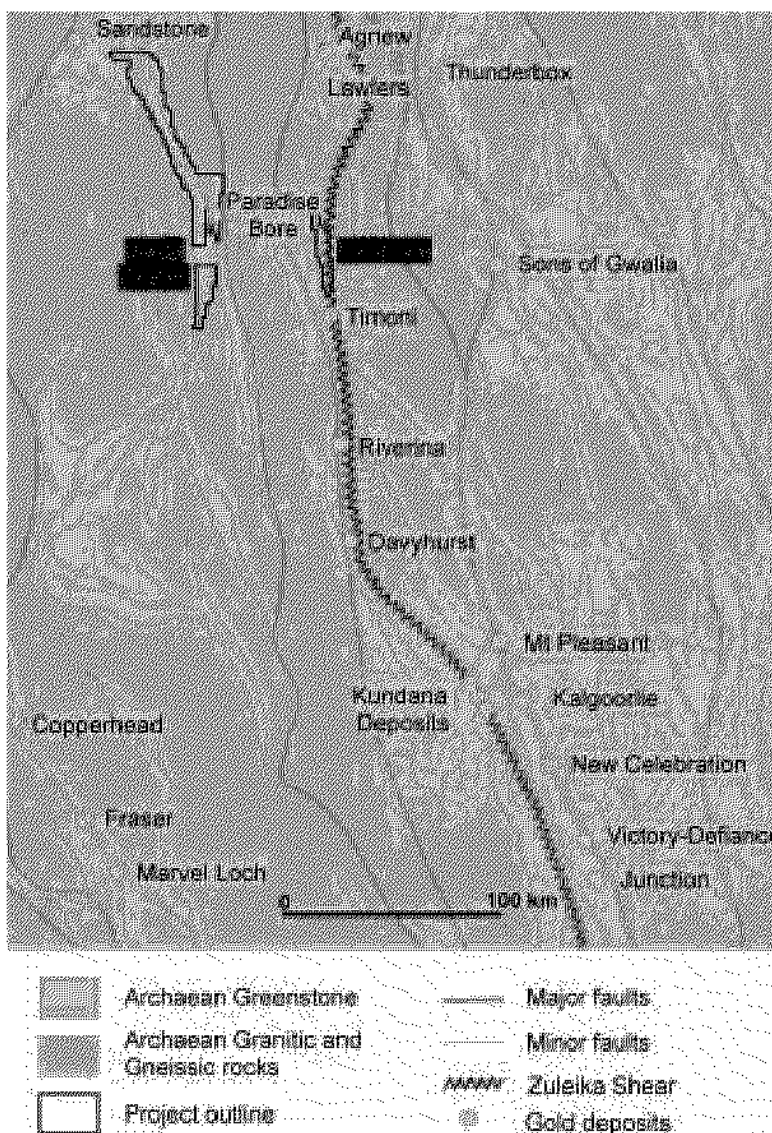
- 400,000 tonnes grading 2.8g/t Au containing about 36,000 ounces in an Inferred Resource.

Drilling in 2002 beneath Paradise Bore returned a number of significant drill intersections (like 4m @ 6.3g/t, including 0.6m @ 31.1g/t at about 160m below the surface) from 10 drillholes spread over about 200 metres of strike and between about 150 metres and 250 metres below surface as reported in last years Annual Report.

In addition, a number of other Prospects with significant gold intersections occur along strike to the north and south, as does an untested gold-in-soil anomaly called Cassowary located 5 kilometres to the south.

Sipa's view last year was however, that although significant mineralisation is present at and near Paradise Bore, the potential target size was likely less than our Corporate Objective and we decided to look at ways to unlock value for shareholders by sale, or possibly a new IPO. A new wholly owned subsidiary of Sipa's (Paradise Gold Limited) was incorporated and a Sipa Consultant was asked to advance the Project towards one or other of the stated aims.

Over the last six months Paradise Gold has applied for new tenements to the north of Bulga Downs and has entered into a number of new Farm-in and Option Agreements. The land package now covers some 1,300 square kilometres of prospective terrain in the northeast Goldfields of Western Australia as shown on Figure 8.



**Figure 8 - Paradise-Bulga Downs Gold Project Greenstone Belts & Large Gold Deposits of the Eastern Goldfields of W.A.**

In particular, a farm-in Agreement through Paradise Gold with Barra Resources NL about 50 kilometres east of Paradise Bore covers about 40 kilometres of strike of the interpreted northern extension of the Zuleika Shear to the north of the old Timoni Gold Mine which historically produced 265,000 ounces of gold at about 16 g/t. Further to the south, the Zuleika Shear hosts very significant higher grade gold deposits like Raleigh and Frogs Legs which are presently being mined by Auriongold Ltd and COGEMA respectively.

The Barra Farm-in also includes the recently mined modest resources at Forrest Belle and Boudie Rat (total past production 13,000 ounces) where there are some significant drillhole intersections beneath the old pits that require deeper follow-up drilling like;

- 33m @ 3.6 g/t at 92m including 3m @ 39.5 g/t beneath Forrest Belle, and
- 12m @ 9.2 g/t at 37m including 3m @ 16.2 g/t beneath Boudie Rat.

The 40 kilometres of strike north of Forrest Belle-Boudie Rat has little outcrop, being covered by thin sands, but virtually no systematic modern exploration has been undertaken through those sands for gold or nickel. A recent detailed airborne magnetic survey flown for Barra shows that ultramafic rock units known to be nickel bearing 20 kilometres to the south at Kurrajong are likely to be present beneath the sands.

Paradise Gold now presents an impressive regional gold exploration play for Sipa.

#### **ULARRING ROCK**

The Ularring Rock Gold Project is located about 120 kilometres east of Perth and covers a 70 kilometre strike of what appears to be a large mineralised gold system with a strong association with highly anomalous copper, tungsten and bismuth. This metal association has similarities to the very large Boddington gold deposit located approximately 150 kilometres to the south.

The Project resulted from Sipa's field checking of results of a 1980's geochemical survey. Significant gold assays from Sipa's surface rock sampling at what is now known as the Centre Forest Prospect led to soil sampling, RAB and Aircore drilling, followed by some deeper Reverse Circulation drilling in late 2002. In 2002-2003 Sipa drilled 71 RAB holes for 2058 metres, 20 aircore holes for 703 metres and 10 Reverse Circulation holes for 792 metres.

Results to date have been very encouraging, with a northerly striking, 20 metre to 50 metre thick zone of mineralisation identified over at least 700 metres of strike in both the oxide and fresh rock zones. Better intersections from the drilling include:

- 16m @ 2.3 g/t Au
- 61m @ 0.8 g/t Au

Overall, the zone averages about 0.7g/t Au with 0.2% Cu, 30ppm W and 50 ppm Bi. The mineralisation in fresh rock comprises sparsely disseminated pyrite and chalcocopyrite in mafic granulite rocks.

An Induced Polarisation geophysical survey was completed in mid 2003 and anomalies were detected, perhaps related to a greater concentration of sulphides at depth and hence higher gold grades (?). These targets await drilling.

#### **NORTH QUEENSLAND**

Sipa-Gaia holds applications and granted Exploration Permits (EPM's) covering about 1,300 square kilometres in North Queensland. The tenements cover land prospective primarily for gold, but also for basemetals. The original EPM's were applied for in 2000 to cover occurrences of gold grains observed from heavy mineral concentrates resulting from diamond sampling. More recent applications resulted from gold and pathfinder geochemical anomalies detected after Sipa-Gaia commissioned a very large open-file database compilation of all stream sediment and soil samples in the region.

A land access agreement was concluded on one EPM (Angore Creek) in 2002. Talks have been held that hopefully will result in access for reconnaissance exploration over substantial areas in the next field season.

Reconnaissance sampling has already lead to results of up to 15g/t gold, 390ppm bismuth and 16ppm tellurium from near Chillasoe and another epithermal vein system has returned assays up to 32g/t from near the Palmer River.



# Review of Operations

## FRASER RANGE

The Fraser Range Project comprises one granted Exploration Licence and two applications. Work has been restricted to the granted EL where previous explorers had defined a major gold-in-calcrete anomaly (Torquata Prospect) extending over more than 3 kilometres by 1 kilometre. Peak values are in excess of 1g/t Au. Three previous drilling campaigns had yielded rare intercepts associated with quartz veins in Proterozoic gneisses of the Albany-Fraser complex together with more widespread anomalous gold within unconformably overlying mudstones and sandstones of the Eucla Basin.

In April 2003 Sipa conducted an infill auger calcrete survey of 660 samples. This delineated several extensions to the previous anomaly and returned a maximum value of 270ppb Au. Compilation of previous drilling indicated all previous bedrock intercepts occurred along a north-south striking structure marked by an abrupt increase in cover depth. Several new calcrete anomalies positioned along this feature suggested a possible untested bedrock source.

An Aircore drilling program of 37 holes for 2,419 metres was completed mid 2003 targeting this position. No ore grade intersections were however returned and reassessment of the Project is in progress.

## BANJO WELL

Sipa has an Exploration Licence application of 215 square kilometres covering about 30 kilometres of strike of the Meekatharra greenstone belt commencing about 15 kilometres north of the Paddy's Flat Gold Camp. Paddy's Flat, and other mining centres for over 30 kilometres to the south, have produced more than 5 millions ounces of gold since the late 1800's.

Whilst there has been considerable modern exploration, including surface and RAB geochemical sampling, over much of Sipa's tenement, there is a 10 kilometre long gap where little drilling has been done due to fairly thick (60 metres to 100 metres) cover deposits of sands and clays in an old river channel obscuring the prospective greenstone rocks. A Paddy's Flat-sized mineralised system could easily remain concealed within this gap in the drilling.

## GRANITE WELL

Three Exploration Licence applications by Sipa-Gaia total 65 square kilometres and cover about 25 kilometres of strike of greenstones about 15 kilometres east of Laverton township. The applications contain a multi-element geochemical anomaly perhaps indicative of a gold mineralising system.

## PROJECT DESCRIPTIONS – NICKEL-PGM'S

### BROKEN HILL

The Broken Hill District in NSW is considered one of the world's great Mineral Provinces. It is host to the world class 'Broken Hill Line of Lode' silver-lead-zinc deposits and there are now clear indications that the area is prospective for unusually high grade nickel-copper-PGM sulphide deposits and for iron-oxide copper-gold mineralisation.

Whilst there has been extensive exploration over the last 100 years this work largely focussed on near surface expressions of Broken Hill-style base metal deposits. It is now recognised that little exploration has been completed in areas of fairly shallow transported sands and clays and there has been surprisingly little systematic exploration to follow-up of indications of high grade Ni-Cu-PGM sulphides or of iron oxide copper-gold, as shown on Figure 9.

The key components for the Broken Hill Project include:

- The presence of high grade Nickel-Copper-PGM-sulphide drill intersections within Sipa's Joint Venture with Golden Cross Resources Ltd (2m @ 4.5% Ni, 6% Cu, 13g/t Pt and 24g/t Pd), indicating the potential for extremely high value deposits.

- The consolidation and control of exploration over some 1,000 square kilometres closely surrounding Broken Hill, through earning majority interests in four joint ventures – with Golden Cross, PlatSearch NL & Eaglehawk Pty Ltd, PlatSearch, Eaglehawk & Triako NL and one with Gravity Capital Limited (GCAP).
- Exposure to state-of-the-art airborne gravity exploration technology (Falcon™) through a restricted joint venture with GCAP over 12 nominated target areas. As part of this joint venture GCAP have flown the first ever airborne gravity survey in Australia for base metal deposits which has covered nearly 50% of the Sipa-controlled ground. This technology is capable of detecting:
  - Substantial bodies of unexposed rock types capable of hosting the high grade Ni-Cu-PGM deposits that may only have a minimal surface expression.
  - Broken Hill-style deposits beneath relatively thin transported cover, and to depths potentially of several hundred metres.
  - Dense Iron-Oxide Copper-Gold deposits similar to Ernest Henry in Queensland.

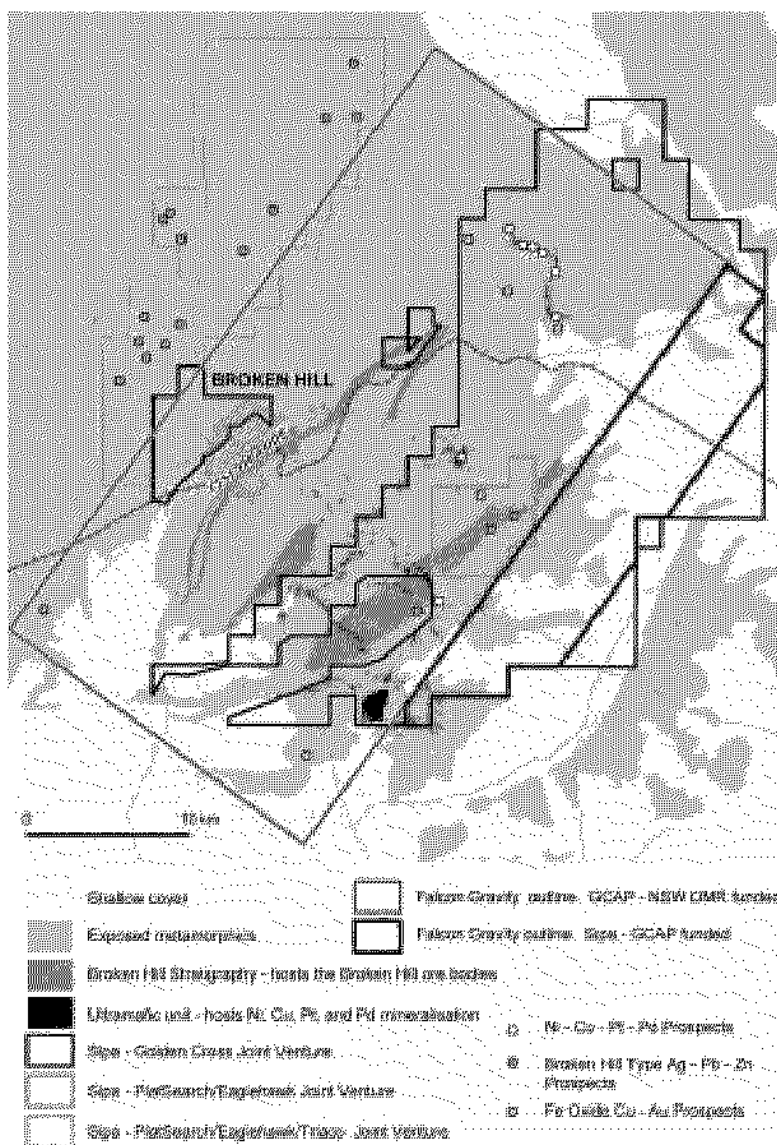


Figure 9 - Broken Hill Projects

Sipa is now committed to a programme of systematic exploration, that subject to results, is expected to last for at least several years. Exploration has commenced utilising our historically successful methods of field geological mapping and prospecting and data compilation, traditional ground and down-hole geophysical surveying now augmented by a new and potentially very significant geophysical prospecting method - Falcon™.

- Exploration over the last 12 months has included:
  - Geological mapping and prospecting, particularly within the Copper King Joint Venture and along the 9 kilometre trend of ultramafics within the Golden Cross Joint Venture where three new gossans have been discovered.
  - Falcon™ airborne gravity survey over some 550 square kilometres.
  - Low level detailed airborne magnetic surveys over 35 square kilometres at Copper King and 25 square kilometres at the Golden Cross Joint Venture.

# Review of Operations

- Ground magnetic and electromagnetic surveys covering some four square kilometres at five Ni-Cu-PGM prospects in the Golden Cross Joint Venture.
- Reverse Circulation drilling of 980 metres in 6 holes at four prospects in the Golden Cross Joint Venture (best intersection 3 metres at 2 g/t Pt and Pd).

## **COOLGARDIE NICKEL PROJECT**

Sipa has for a number of years recognised the great value of high grade nickel sulphide deposits as they represent a commodity that companies the size of Sipa have been able to find, develop and maintain control over to generate handsome profits.

Exploration over the past two years has focussed on the Killaloe Project near Norseman. However, more recently a new Project has been developed through a Joint Venture with Austminex NL and an Option to Purchase with Fleetdale Pty Ltd near Coolgardie as shown on Figure 11. It was identified based on the following concepts:

- The Eastern Goldfields is a highly endowed Nickel Province. It is host to Kambalda, one of the worlds great nickel sulphide 'Camps' (17 deposits aggregating 30mt @ 3%Ni), along with many other high grade deposits and very large, low grade deposits, like for example Mt Keith (470mt grading, 0.6%Ni).
- In recent times, the application of systematic modern exploration techniques in areas historically heavily explored has been very successful. These new discoveries include Silver Swan (MPI), Cosmos (Jubilee Mines), Emily Anne (LionOre) and Amorac (LionOre/ Datrymple).
- The proximity to the mined out Nepean Deposit (1mt @ 3%Ni) demonstrates the ultramafic rock-types in the Coolgardie area are prospective for the occurrence of high grade nickel sulphides.
- The Coolgardie Project has never been the subject of modern systematic exploration techniques. Most notably only 20% of the Joint Venture tenement holdings have been subject to any electromagnetic surveys. This technique has been integral in the majority of recent nickel sulphide discoveries.
- The proximity of the Coolgardie Nickel Project to established infrastructure provides flexible options for exploitation.

Initial exploration has commenced and the results have confirmed our confidence in the quality of the Project. Already a number of prospects with strong surface indications of nickel sulphide mineralisation (that is gossan samples and Ni-Cu-PGM soil anomalies) have been identified and named as Deano's and Bill's Prospects. Drilling beneath Deano's in the 1970's is reported to have intersected nickel sulphides of 'Kambalda grade', however, no assay data is available and the intersection was evidently not followed up with any electromagnetic surveying (according to geologists we have spoken with who worked on the project in the early 1970's).

## **TABLE HILL NICKEL PGM PROJECT**

The Table Hill Project encompasses 13 Exploration Licences extending over approximately 2,800 square kilometres of the Officer Basin of Western Australia. Sipa has entered into an agreement with AusQuest Limited to earn a 70% interest by providing a Bankable Standard Feasibility Study after first completing a minimum exploration commitment of \$350,000 within 12 months.

The attraction of the Project to Sipa is based on what is considered leading-edge research and conceptual thinking by AusQuest. Their work has identified poorly exposed mafic intrusive rocks that appear to have the key signatures of those associated with large nickel, copper and PGM deposits elsewhere in the world (notably Noril'sk in Russia).

The work by AusQuest has involved collaboration with researchers at the Australian National University and access to world-class Canadian analytical facilities to obtain highly precise PGM assays. Analyses were completed on surface rocks and samples collected from re-logging cores drilled by petroleum explorers and stored within the Geological Survey of Western Australia core library.

The first phase of exploration which has just been completed involved reconnaissance mapping and wide-spaced ground electromagnetic surveys. This programme is aimed at establishing the characteristics of a number of targets already interpreted from airborne magnetic data to represent favourable geological environments for the deposition of nickel, copper and PGM mineralisation.

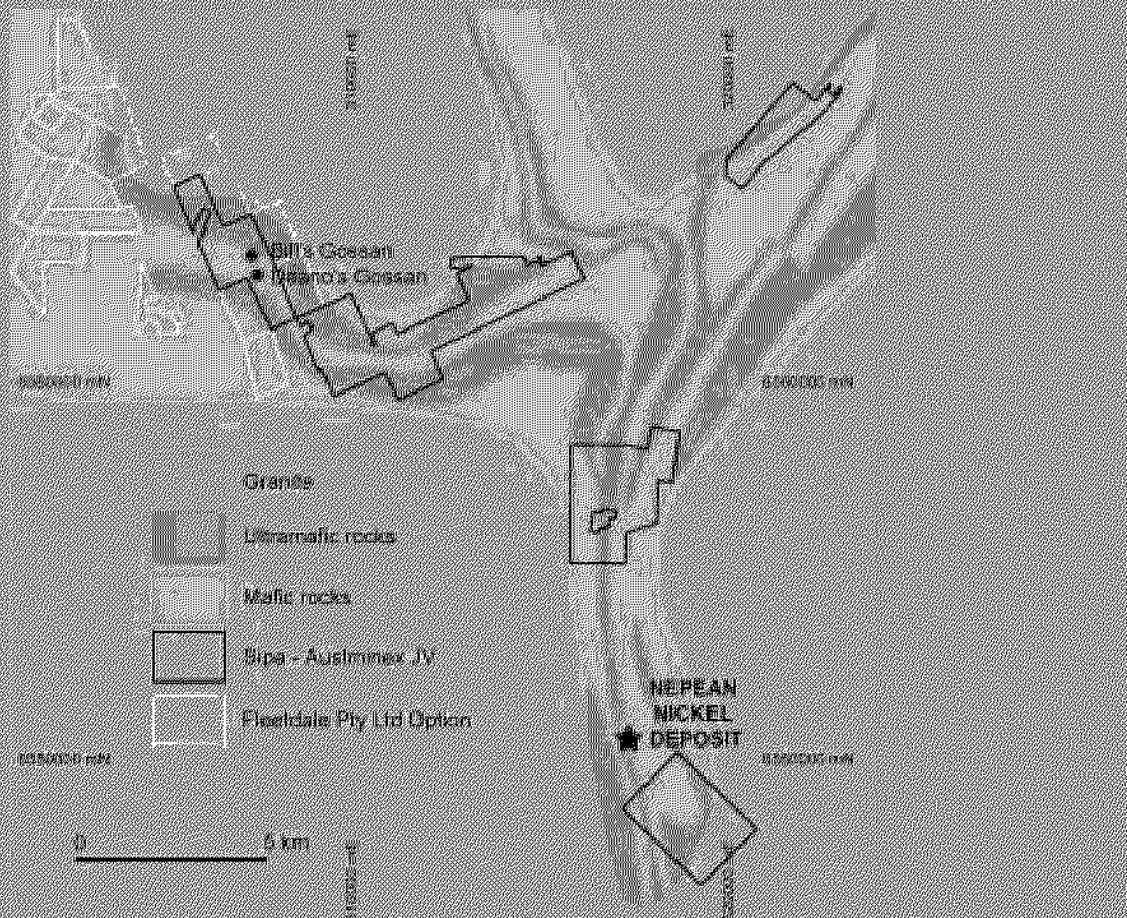


Figure 10 - Coolgardie Nickel Project - Geological Setting

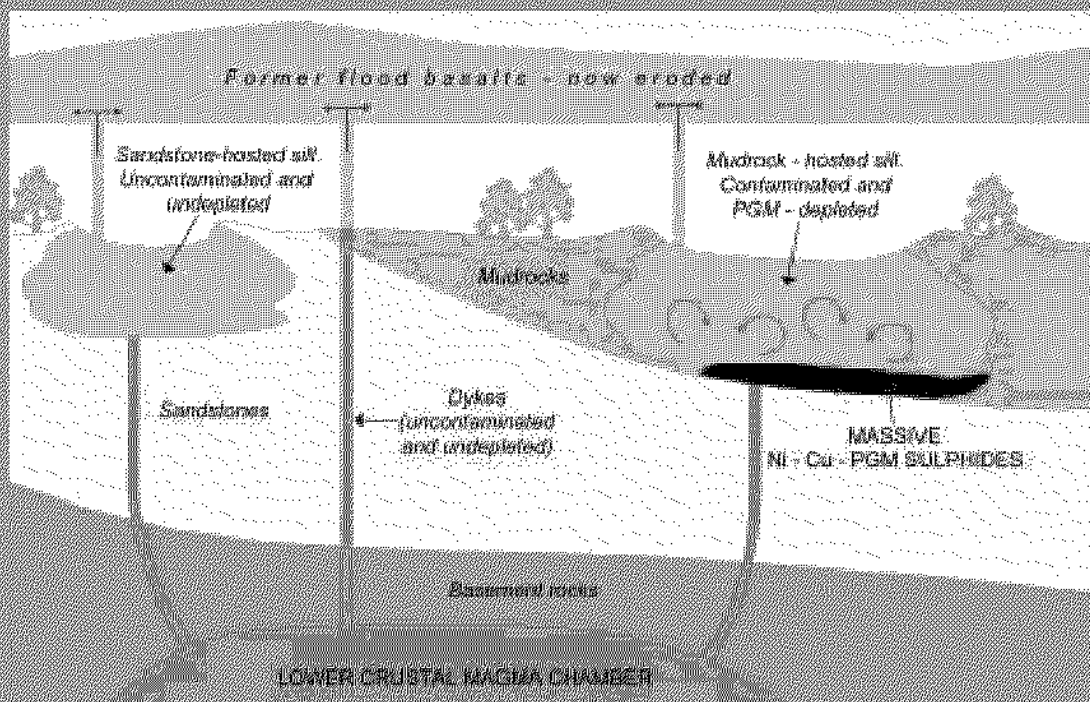


Figure 11 - Schematic Explanation of Table Hill Geological Concept

# Review of Operations

Results of this work will form the basis for drilling programmes in 2004 that will aim to either establish the viability of the exploration concept or directly intersect mineralisation.

## **KILLALOE NICKEL**

The Killaloe Project is located 25 kilometres northeast of Norseman in Western Australia. Sipa has been exploring at this location since late 2001 where we had the right to earn a 70% interest in the nickel, copper and related PGM rights from Cullen Resources NL.

Our interest was predicated on the presence of ultramafic rocks over a 30 kilometre strike length that are interpreted to be the same rocks that host the Kambalda nickel deposits 100 kilometres to the north. Importantly the 'basal contact' (where the nickel sulphides bodies are generally located) of the ultramafic rocks at Killaloe, does not outcrop and no old drilling had tested this position.

Work completed by Sipa included detailed geological mapping and prospecting, 25 strike kilometres of electromagnetic geophysical surveying, drilling of 77 RAB holes for 2,363m, 27 Reverse Circulation holes for



*Leigh Bettenay and Jim Thornett at Table Hill*

2,195m and drilling of 11 combined Reverse Circulation and diamond core holes for 2,402m. In all, 14 targets were tested. No nickel sulphides were encountered, but barren iron sulphides and graphitic rock, both of which explained the geophysical 'conductors' tested, were found. No very high MgO rocks (>35% MgO) which form the 'immediate' host rocks to the Kambalda deposits were detected.

Sipa decided to withdraw from the farm-in agreement with Cullen in September 2003

## PROJECT DESCRIPTIONS - BASEMETALS

### PANORAMA PROJECT

Sipa commenced exploration at Panorama south of Port Hedland in the Pilbara Region of Western Australia in 1989. This work was done in joint venture with Burmin Exploration and Development PLC (through its subsidiary Ashling Resources NL). By early 1993 some \$5 million had been spent on exploration, resulting in the identification of six base metal prospects where subsequent drilling of the prospects returned ore grades and widths of copper and zinc. At this point Sipa decided to involve a Major mining and smelting company as a partner.

Sipa introduced Finnish Mining-Smelting-Manufacturing House Outokumpu to the Project in June 1993. Since that time Outokumpu's sole-funding has totalled some \$20 million. Identified Mineral Resources have been established at the Sulphur Springs, Kangaroo Caves and Bermts deposits and a Feasibility Study was completed at Sulphur Springs. The Sulphur Springs and Kangaroo Caves Resources and the Sulphur Springs Feasibility Study Ore Reserve are tabled below.

<b>Sulphur Springs Mineral Resources and Ore Reserve</b>						
<b>IDENTIFIED MINERAL RESOURCES</b>						
	<b>CATEGORY</b>	<b>TONNES</b>	<b>ZN%</b>	<b>CU%</b>	<b>ZN-METAL</b>	<b>CU-METAL</b>
Sulphur Springs	Measured	445,000	3.4	2.5	15,000	11,000
	Indicated	4,820,000	5.6	2.0	270,000	96,500
	Inferred	1,540,000	6.1	1.6	93,900	24,600
Kangaroo Caves	Inferred	1,700,000	9.8	0.6	167,000	10,200
<b>TOTAL</b>		<b>8,505,000</b>	<b>6.4</b>	<b>1.7</b>	<b>545,900</b>	<b>142,300</b>
<b>MINING ORE RESERVE</b>						
	<b>CATEGORY</b>	<b>TONNES</b>	<b>ZN%</b>	<b>CU%</b>	<b>ZN-METAL</b>	<b>CU-METAL</b>
Sulphur Springs	Probable	4,390,000	5.6	1.8	246,000	79,000
<b>TOTAL</b>		<b>4,390,000</b>	<b>5.6</b>	<b>1.8</b>	<b>246,000</b>	<b>79,000</b>

Sipa is currently negotiating formal documentation with Outokumpu with the aim of consolidating its 100% ownership of Panorama following Outokumpu's withdrawal from mining and exploration worldwide. We believe that it may be possible to increase the size of the presently known resources and, based on sound scientific work done at Panorama over the last 14 years, we firmly believe that the Panorama Province is capable of hosting a giant VMS deposit, like Kidd Creek in Canada.

Fieldwork, guided wholly by Sipa for the first time in eight years, should recommence next field season.

### DIXON RANGE

Sipa-Gaia has been conducting exploration for gold and basemetals to the east of the town of Halls Creek in Western Australia's Kimberly Region. Over the last two field seasons the focus has been directed towards extensive, but previously unknown, lead and zinc anomalies in streams, soils and rocks associated with iron and zinc sulphides and very minor copper sulphide mineralisation in carbonate rocks of the Neoproterozoic Elliot Range Dolomite Formation. Specific prospects have been developed and have been drilled at two main localities about 70 kilometres apart - Yellow Dog and Herculese Morse in the north and Ruby Plains in the south.

Reverse Circulation drilling at the northern prospects late in 2002 resulted in intersections of weathered and weakly mineralised dolomite at more than 100 metres depth. The intersections were typically 5 metres to 15 metres thick with generally hundreds (rarely thousands) of parts per million lead and zinc and weakly anomalous silver and cadmium. Sixteen holes were drilled for 1401 metres. RAB drilling at Ruby Plains in mid 2003 targeted surface gossans at the relatively shallow depths of 15 metres to 50 metres and again confirmed the highly basemetal-anomalous nature of the mineralisation but did not intersect a 'core zone' to the system. 15 holes were drilled for 1,107 metres.



Carl Brauhart

# Review of Operations

At Dixon Range Sipa-Gaia has discovered a new and very large mineralised system, perhaps pointing to a new Mineral Province, with many characteristics of the Carbonate-hosted environment hosting major base metal deposits like those of Navan in Ireland described in the early part of this report or the nearby Lennard Shelf deposits of the Kimberley. Evaluation of the Project continues.

## **MT FREELING**

The Mt Freeling Exploration Licence covers Neoproterozoic sediments of the Adelaidean Geosyncline, exposed at the northern extremity of the Flinders Ranges in South Australia. The main exploration targets are major gold or base metal deposits, possibly associated with widespread hydrothermal talc mineralization like that being currently exploited on numerous mineral claims within the EL. Narrow but high-grade secondary zinc mineralization (10% to 12% Zn) is known to occur in old copper prospects near the talc occurrences. Ground access has not yet been negotiated with Native Title Claimants, and work has focussed on the possibility of identifying mineralization from remote sensing data.



*Refuelling in the desert*

## **SIPA COMPANY POLICIES**

### **SAFETY & HEALTH POLICY**

Sipa accepts the responsibility for, and values the safety and health of all our employees, contractors, and visitors to our sites.

Our aim is to provide an environment that is free from accident and industrial disease.

We believe this can be achieved by:

- Clarity of policy and strength of leadership.
- Involvement of employees and contractors in the formulation and implementation of practical, understandable and robust practices.
- Adoption of these practices as part of our culture.

The culture will be formed on the bases of:

- The commitment of the Board Members to this Policy, with supportive funding.
- The belief by all of us that all accidents are preventable and all industrial health hazards are controllable with foresight, relevant training, purposeful attitude, appropriate equipment and proper tools.
- The accountability of management with the support of all employees to ensure that the workplace and the practices comply with statutory requirements and industry best practice as a minimum standard.

The Sipa Board, Management, Employees, Contractors and Visitors all have a Duty of Care to themselves and to each other to adhere to this Policy, which is by definition, dynamic and requires continuous improvement. It will be reviewed at least every two years on its anniversary in consultation with the involvement of all personnel.

### **EMPLOYEE & COMMUNITY RELATIONS POLICY**

We have a responsibility to conduct our business for the maximum benefit of all involved - that is, our shareholders, employees and contractors and for all people within the wider community that our activities effect.

That responsibility includes a corporate, communal and statutory duty to provide a safe, healthy and considerate environment for all who work on our mine, exploration and office sites. The results of this duty should exceed expectations of regulations and industry best practice.

Our mining and exploration activities throughout Australia are conducted within traditional Aboriginal lands - much of which is presently subject to Native Title Claim.

We are committed to ensuring that all issues relating to Aboriginal Culture and Heritage are dealt with in consultation with Traditional Owners and relevant Land Councils from a position of openness and flexibility with Claimants and within the Legislative framework.

We believe that our operations should involve mutually beneficial contributions to nearby communities - particularly if it is possible to assist in the education of children and adolescents and the wellbeing of the elderly, as well as participation in community social and recreational activities.

### **ENVIRONMENTAL POLICY**

One inevitable consequence of mining and of some aspects of mineral exploration is disturbance of the environment.

Sipa commits:

- to minimise adverse environmental impact in areas that we operate, and
- to maximise positive environmental rehabilitation of areas that we have disturbed in our activities.

We believe this commitment is a natural responsibility, not a burden imposed by regulatory authorities - hence we believe our efforts and results should exceed statutory and best industry practices.

# Review of Operations

## MINING TENEMENTS AS AT 30 JUNE 2003 HELD BY CONTROLLED ENTITIES

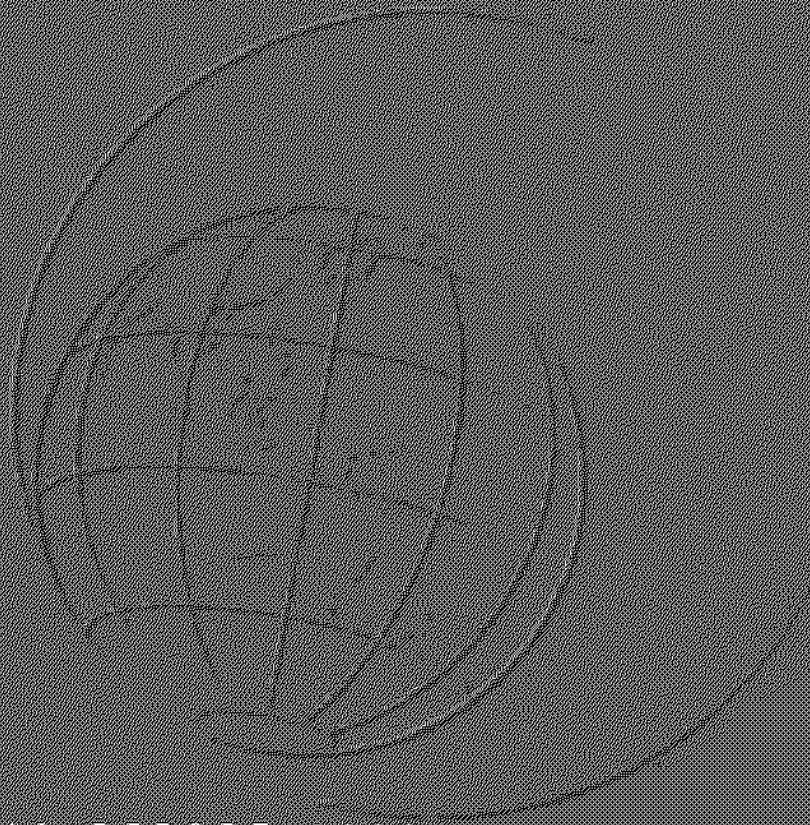
PROJECTS	TENEMENTS	INTEREST
<b>Western Australia</b>		
Panorama	M45/494,587,653	40%
	E45/1852,2029	40%
Ashburton	E08/821,825,831,951-953	100%
	E47/825	100%
	E52/1077,1085-1086,1148-1150	100%
Mount Olympus	M52/734-735	100%
	M52/639-640	100%
Bulga Downs	L52/76-77	100%
	E29/117,279	59.3%
Ularring Rock	E29/138,370	100%
	E70/2337	100%
Gregory Range	E45/2225	100%
Dixon Range	E80/2597,2810-2811,2814-2815,2896	100%
Mad Hatters	E45/1291,1478,1853,2167	100%
	P45/2459	100%
Baring Downs	M45/586	100%
	E47/1086	100%
Lake Harris	E08/1213	100%
	E28/1238	100%
Richenda	E04/1175-1176	100%
Paterson	E45/2263-2265,2303-2304	100%
Newcrest Areas	E08/941,994,1095,1106	0% *
	E52/812	0% *
Killaloe	E63/722,765	0% *
	P63/1131-1133,1172-1174	0% *
Paradise Gold	E29/459	0% *
Coolgardie	P15/2986-2988,3001,3070-3071,3138-3139,3252-3253,	0% *
	3354,3427,3753,3943,4092-4095	0% *
	M15/384,515,632,709,761,791,871,1374,1422	0% *
<b>Queensland</b>		
	EPM1332	100%
	EPM13879,13880,13881	100%
<b>South Australia</b>		
Mt Freeling	EL2945	100%
<b>New South Wales</b>		
Broken Hill	EL2038,5479,5632,6063,5772,5784,5919,6048,6049,	0% *
	6050,6072	0% *
	MC159	0% *

\* Interest being earned



**Sipa Resources International NL**

AGM 20 000 143 000



FINANCIAL REPORT 2003

# Directors' Report

Your Directors submit the annual financial report of Sipa Resources International NL and its controlled entities for the financial year ended 30 June 2003.

## DIRECTORS

The names of Directors in office during or since the end of the financial year are:

Peter Ian Blair Pearce A.C.S.M. F AusIMM (Chairman from 11.07.2003)

William Henry Crawford BA FCA FCIS FAICD (retired 11.07.2003)

Michael Glen Doepel MSc DIC MAusIMM (Managing Director)

Dalton Leslie Gooding B BUS, FCA (appointed 01.05.2003)

David John Williams LL.B, FAICD

## PRINCIPAL ACTIVITIES

The principal activities of the companies in the Group were the acquisition and exploration of mineral tenements in Australia and the 100% interest in the Paraburdoo gold mining operation at Mount Olympus.

## DIVIDENDS

No dividend has been paid or declared by the parent entity in respect of the financial year ended 30 June 2003 and the directors do not recommend the payment of a dividend in respect of the financial year.

## RETURN OF CAPITAL

A two cent per share return of capital was made to the shareholders in June 2003 based on a record date of 30 May 2003 and as approved by shareholders on the 14th November 2002.

## REVIEW OF OPERATIONS

The Company continued gold mining operations at the Mount Olympus Goldmine in the Ashburton region of Western Australia and with exploration activities on its mineral tenements within Australia.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the consolidated entity.

## FUTURE DEVELOPMENTS

The consolidated entity intends to continue its current operations of tenement acquisition and mineral exploration with a view to commercial development.

Likely developments that are included elsewhere in this report or the financial statements will, amongst other things, depend upon the success of the exploration and development programs.

## SHARE OPTIONS

Particulars of unissued shares under option at the date of this report include:

(a) Under the Company's Employee Incentive Scheme:

Date of Issue	Number of Participants	Options	
15-11-01	1	200,000	exercisable @ 10¢ by November 15, 2006
20-12-00	8	532,500	exercisable @ 10¢ by December 20, 2005
01-08-02	1	200,000	exercisable @ 26¢ by August 1, 2007
14-11-02	12	2,275,000	exercisable @ 24.5¢ by November 14, 2007
21-07-03	2	250,000	exercisable @ 23.5¢ by July 20, 2008
	<u>24</u>	<u>3,457,500</u>	

There were 1,287,500 employee options exercisable at 10¢ exercised during the year and a further 2,725,000 options were issued.

(b) Vendor Consideration

2,500,000	exercisable @ 40¢ by December 31, 2003
1,500,000	exercisable @ 60¢ by December 31, 2003
1,000,000	exercisable @ \$1.00 by December 31, 2003
<u>5,000,000</u>	

## PARTICULARS OF DIRECTORS

### **Peter Ian Blair Pearce - Director (appointed Chairman 11.07.2003)**

#### **ACSM F AusIMM**

Mr Pearce is a mining engineer with some 30 years of experience in gold and base metals project evaluation, development and management. Mr Pearce is a member of the compensation committee.

### **William Henry Crawford - Chairman (retired 11.07.2003)**

#### **BA FCA FCIS FAICD**

A chartered accountant and company Director with over thirty years commercial experience, particularly in the gold mining industry. Mr Crawford was a member of both the compensation and audit committees.

### **Michael Glen Doepel - Managing Director**

#### **MSc DIC M AusIMM**

Mr Doepel is a West Australian geologist with over thirty years involvement in mineral exploration.

### **Dalton Leslie Gooding - Director (appointed 1.05.2003)**

#### **B.BUS, FCA**

Mr Gooding is a chartered accountant with over 25 years experience within the corporate and business sector including 14 years as a partner of Ernst & Young before starting his own practice of Gooding & Pervan in 1998. Mr Gooding is a member of the audit committee.

### **David John Williams**

#### **LL.B, FAICD**

Mr Williams is a commercial lawyer with 30 years experience advising in resources, corporate and business matters. He is a senior partner with the West Perth law firm of Williams & Hughes. Mr Williams is a member of the audit committee.

## DIRECTORS' SHAREHOLDINGS

Directors	Fully Paid Ordinary Shares	Share Options	Options Issued During The Year
M G Doepel	4,803,177	400,000	300,000
W H Crawford	445,001	100,000	NIL
P I B Pearce	300,000	200,000	NIL
D L Gooding	NIL	NIL	NIL
D J Williams	NIL	NIL	NIL

# Directors' Report

## DIRECTORS' AND EXECUTIVES REMUNERATION

Name	Office	Salary	Directors Fees	9% Super Guarantee Levy	Total Benefits Paid	Value Given To Options+
W H Crawford*	Non-Executive Director	-	53,942	4,885	58,827	-
M G Doepel	Executive Director	192,673	-	17,341	210,014	6,000
D L Gooding	Non-Executive Director	-	5,833	525	6,358	-
P I B Pearce	Non-Executive Director	19,950	34,327	4,885	59,162	-
D J Williams	Non-Executive Director	-	34,327	3,089	37,416	-
D J Gore	Company Secretary	171,934	-	13,471	185,405	6,000
P J Langworthy	General Manager	167,474	-	15,073	182,547	4,000

\* Mr Crawford also becomes entitled to a lump sum payment upon retirement on 11 July 2003 in accordance with the approved Directors Retirement Scheme. The current entitlement is \$165,000.

+ The Board has used the Black & Scholes Option pricing model as it is one of the few models available to approximate the value of options.

• Consulting services to Company.

## DIRECTORS' ATTENDANCE AT MEETINGS

	Total Meetings Attended (Held)	Board Attended (Held)	Audit Committee Attended (Held)	Compensation Committee Attended (Held)
W H Crawford	16 (16)	12 (12)	2 (2)	2 (2)
M G Doepel	12 (12)	12 (12)	-	-
P I B Pearce	14 (14)	12 (12)	-	2 (2)
D L Gooding	2 (2)	2 (2)	-	-
D J Williams	14 (14)	12 (12)	2 (2)	-

## CORPORATE GOVERNANCE

Sipa's Corporate Governance policies have been formulated to ensure that it is a responsible corporate citizen. The Board is responsible to shareholders for the overall Corporate Governance of the Sipa Group including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

### Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least four directors and should maintain a majority of non-executive directors;
- the chairperson must be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board should meet at least quarterly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in the office at the date of this statement are

<b>Name</b>	<b>Position</b>
P I B Pearce	Chairperson, Non-Executive Director
M G Doepel	Managing Director
D L Gooding	Non-Executive Director
D J Williams	Non-Executive Director

**(i) Audit Committee**

The Board has established an audit committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting record, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility of the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

The members of the Audit Committee are Messrs D L Gooding (Chairman) and D J Williams.

**(ii) Compensation Committee**

The role of the Compensation Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the senior executives. The committee meets as and when required and is able to obtain independent advice, at the Company's expense, as to the appropriateness of remuneration packages.

The members of the Compensation Committee are Messrs P I B Pearce (Chairman) and D J Williams.

Currently no employee's remuneration has a direct incentive component.

**(iii) Nomination Committee**

The full Board (four members) has taken on the role of the Nomination Committee as to the continuity of current Board members and the level of business activity has not necessitated having a separate charter.

The Board, however, is conscious of the need to maintain a broad range of expertise attributed to its business and will continue to review its needs as business activities dictate.

Each Director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which would not be unreasonably withheld.

**(iv) Board Responsibilities**

As the Board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the chief executive officer and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the chief executive and executive team.

# Directors' Report

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- Board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operation plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- establishment of committees to report on environmental issues and concerns, and occupational health and safety;
- procedures to allow directors, in the furtherance of their duties, to seek independent advice at the company's expense.

## **(v) Independence of Directors**

We detail the status of directors as non-executives or independent, together with their skills, experience, expertise as well as their current term of office on page 33 of this report.

General Company has broadly adopted the guidance given in the CGC Recommendations.

Independent directors are non-executives, who

- Hold less than 5% of the Company's securities; and
- Have not been employed by the organisation or in the last 3 years; and
- Have not been a principal of a material professional advisor or material consultant to the company within the last 3 years. This extends to employees who are or have been materially associated with the service provided to the company, such as senior members of the external auditing team.
- Have no material relationship with the organisation as a supplier, customer or contractually which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the company. Materiality is determined on a case by case basis

## **INDEMNIFYING OFFICER OR AUDITOR**

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

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

With the exception that during the financial year a controlled entity has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the parent entity or a controlled entity in the consolidated entity, other than conduct involving a wilful breach of duty in relation to the consolidated entity.

## **ENVIRONMENTAL REGULATIONS**

In the course of its normal mining and exploration activities the consolidated entity promotes an environmentally responsible culture and adheres to environmental regulations of the Department of Industry and Resources, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The consolidated entity has complied with all material environmental requirements up to the date of this report.

**EVENTS SUBSEQUENT TO BALANCE DATE**

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors.



**P I B PEARCE**  
Director

DATED 24 September 2003

# Statement of Financial Performance

	Note	Consolidated		Company	
		2003	2002	2003	2002
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003		\$	\$	\$	\$
Gold sales	2	30,951,875	24,492,055	-	-
Cost of sales	2	(21,737,548)	(16,906,400)	-	-
Gross profit		9,214,327	7,585,655	-	-
Other revenue from ordinary activities	2	423,365	1,882,869	-	-
Exploration expenditure		(6,405,616)	(3,310,421)	-	-
Administrative expenses		(1,232,919)	(820,609)	(286,354)	(286,160)
Profit (loss) from ordinary activities before income tax expense		1,999,157	5,337,494	(286,354)	(286,160)
Income tax expense relating to ordinary activities	3	(483,065)	(361,975)	-	-
Net profit (loss) after income tax	16	1,516,092	4,975,519	(286,354)	(286,160)
Total changes in equity other than those resulting from transactions with owners as owners		1,516,092	4,975,519	(286,354)	(286,160)
		Cents	Cents		
Basic earnings per share	17	0.7	2.5		
Diluted earnings per share	17	0.7	2.4		

Notes to the financial statements are included on pages 41 to 60

# Statement of Financial Position

	Note	Consolidated		Company	
		2003	2002	2003	2002
AS AT 30 JUNE 2003		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	18(a)	7,458,163	10,547,916	-	-
Receivables	5	538,255	729,535	-	3,913
Inventories	6	2,139,999	935,516	-	-
Other financial assets	4	669,761	3,096,789	-	-
Prepayments		119,660	318,705	-	14,898
<b>TOTAL CURRENT ASSETS</b>		<b>10,925,837</b>	<b>15,628,461</b>	<b>-</b>	<b>18,811</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	66,367	11,356	10,060,296	13,002,069
Investments	9	171,000	300,000	171,009	300,004
Other financial assets	4	1,390,100	1,341,245	-	-
Intangibles	7	31,250	93,750	-	-
Deferred tax asset		350,183	750,716	-	-
Plant and equipment	10	2,634,325	2,655,668	-	-
Mining tenements	11	1,388,982	2,879,102	-	-
Mine development	11	5,810,288	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,842,495</b>	<b>8,031,837</b>	<b>10,231,305</b>	<b>13,302,091</b>
<b>TOTAL ASSETS</b>		<b>22,768,332</b>	<b>23,660,298</b>	<b>10,231,305</b>	<b>13,320,884</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	4,064,329	2,225,729	1,194,194	-
Current tax liability		-	361,975	-	-
Provisions	13	360,808	407,094	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,425,137</b>	<b>2,994,798</b>	<b>1,194,194</b>	<b>-</b>
<b>NON-CURRENT LIABILITIES</b>					
Provisions	14	1,596,233	1,548,240	-	-
Deferred tax liability		861,745	750,716	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,457,978</b>	<b>2,298,956</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>6,883,115</b>	<b>5,293,754</b>	<b>1,194,194</b>	<b>-</b>
<b>NET ASSETS</b>		<b>15,885,217</b>	<b>18,366,544</b>	<b>9,037,111</b>	<b>13,320,884</b>
<b>EQUITY</b>					
Contributed equity	15	66,531,863	70,529,282	66,531,863	70,529,282
Accumulated losses	16	(50,646,646)	(52,162,738)	(57,494,752)	(57,208,398)
<b>TOTAL EQUITY</b>		<b>15,885,217</b>	<b>18,366,544</b>	<b>9,037,111</b>	<b>13,320,884</b>

Notes to the financial statements are included on pages 41 to 60

# Statement of Cash Flows

	Note	Consolidated		Company	
		2003	2002	2003	2002
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Proceeds from sale of gold		33,378,903	25,868,703	-	-
Interest received		418,820	538,300	-	-
Expenditure on exploration interests		(6,307,496)	(3,238,405)	-	-
Payments to suppliers and employees		(14,961,104)	(14,536,695)	(128,750)	(185,705)
Security deposits		(55,011)	37,084	-	-
Other income		4,545	25,366	-	-
<b>Net cash from/(used in) operating activities</b>	18.0(b)	12,478,657	8,694,353	(128,750)	(185,705)
<b>Cash flows from investing activities</b>					
Proceeds on ceasing of Joint Venture, net of cash disposed		-	(147,140)	-	-
Acquisition of plant, equipment and furniture		(1,285,448)	(432,893)	-	-
Payment for investments		-	(300,000)	(5)	(300,000)
Mine development expenditure		(11,382,653)	-	-	-
Payment for PGP plant, working capital and sole right to mine		-	(3,619,041)	-	-
Exploration evaluation		(90,684)	(1,756,810)	-	-
<b>Net cash from/(used in) investing activities</b>		(12,758,785)	(6,255,884)	(5)	(300,000)
<b>Cash flows from financing activities</b>					
Proceeds from issuance of shares		128,750	1,051,000	128,750	1,051,000
Return of capital payment		(2,938,375)	-	(2,938,375)	-
Advances (to)/from related entities		-	-	2,938,380	(565,295)
<b>Net cash from/(used in) financing activities</b>		(2,809,625)	1,051,000	128,755	485,705
<b>Net increase/(decrease) in cash held</b>		(3,089,753)	3,489,469	-	-
Cash at the beginning of the year		10,547,916	7,058,447	-	-
<b>CASH AT THE END OF THE YEAR</b>	18.0(a)	7,458,163	10,547,916	-	-

The above statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Accounts

## 1.0 STATEMENT OF ACCOUNTING POLICIES

### 1.1 Basis of Accounting

The financial report is a general-purpose financial report which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, the Corporations Act 2001 and complies with other requirements of the law.

The financial report has been prepared on the basis of historical costs and does not take into account changes in money values or, except where specifically stated current valuations of non-current assets. The accounting policies have been consistently applied.

### 1.2 Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Sipa Resources International NL (the chief entity) and all of its controlled entities, a list of which is contained in Note 19 to the financial statements.

All inter-company balances and transactions between companies in the consolidated entity have been eliminated in full on consolidation.

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

### 1.3 Deferred Development

#### *Exploration and Evaluation*

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each prospect area.

The consolidated entity has a policy of writing off all exploration expenditure in the financial year in which it is incurred, unless its recoupment out of revenue to be derived from the successful development of the prospect, or from sale of that prospect, is assured beyond reasonable doubt.

#### *Mine Development*

Mine development represents the accumulation of all development expenditure incurred by the entity in relation to areas of interest in which mining of a mineral resource has commenced.

Amortisation of costs is provided on the unit-of-production method with separate calculations being made for each resource. The unit-of-production method results in an amortisation charge proportional to the depletion of the economically recoverable ore reserves.

The net carrying value of each development is reviewed regularly and to the extent to which this value exceeds its recoverable amount is written off in the financial year in which this is determined.

### 1.4 Plant and Equipment

Plant and equipment is carried at cost less depreciation at rates based upon its expected useful life using the straight-line method.

#### *Depreciation*

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in calculations of depreciation:

- Plant and equipment 2 – 15 years

### 1.5 Recoverable amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected cash flows have not been discounted to their present value.

### 1.6 Income Tax

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense or benefit for the year is matched with the accounting profit or loss after allowing for permanent differences.

Future tax benefits from accumulated losses are not brought to account unless realisation of the asset is virtually certain. To the extent that future tax benefits resulting from timing differences exist, these are not brought to account unless realisation of the asset is beyond any reasonable doubt.

# Notes to the Accounts

## **1.7 Joint Ventures**

The consolidated entity's interest in joint ventures has been brought to account by including in their respective classification categories the consolidated entity's share of joint assets, liabilities and expenses. Details of the consolidated entity's interests are shown in Note 21.

## **1.8 Employee Benefits**

Provision is made for amounts expected to be paid to employees of a controlled entity in respect of their entitlement to annual leave and long service leave arising from services rendered by employees to the reporting date. Employee entitlements expected to be settled within one year arising from wage and salaries and annual leave have been measured at the rates of pay expected when the liability is expected to be settled. Long service leave 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. Under the terms of the Directors' Retirement Scheme, approved by a meeting of shareholders, provision has been made for the retirement or loss of office of eligible non-executive Directors of Sipa Resources International.

## **1.9 Investments**

Investments are recorded at the lower cost and recoverable amount.

## **1.10 Receivables**

Trade receivables and other receivables are recorded at amounts less any allowance for doubtful debts.

## **1.11 Accounts Payable**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

## **1.12 Financial Instruments Issued by the Company**

### ***Debt and Equity Instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangements.

### ***Interest and Dividends***

Interest and dividends are classified as expenses or as distributions of profits consistent with the statement of financial position classification of the related debt or equity instrument.

## **1.13 Inventories**

Ore stockpiles and gold in circuit are physically measured or estimated and valued at the lower of cost and net realisable value.

Inventories of mine stores and consumables are valued at the weighted average costs. Obsolete or damaged inventories of such items are valued at net realisable value.

## **1.14 Revenue Recognition**

Revenue from the sale of goods other than gold and disposal of other assets is recognised when the economic entity has passed control of the goods or other assets to the buyer. Gold is recognised at net market value upon delivery to the refinery.

## **1.15 Provision for Rehabilitation**

Rehabilitation costs necessitated by mining activities are accrued at the time of those activities on a unit-of-production basis. Estimates of future costs are reassessed at least annually. Changes in estimates of costs relating to producing areas are dealt with prospectively over the remaining mine life.

## **1.16 Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) Where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For receivables and payables which are recognised inclusive of GST.

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

Cash flows are included in the statement of cash flows on a gross basis.

The GST component of cash flows arising from investing and financing activities which is recoverable from the, or payable to the taxation authorities is classified as operating cash flows.

### 1.17 Changes in Accounting Policy

In accordance with Accounting Standard AASB 1028 'Employee Benefits', on 1 July 2002 the consolidated entity changed its policy for recognising provisions for annual leave. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate that applies at reporting date.

### 1.18 Comparative figures

Comparative figures are, where appropriate, reclassified as to be comparable with the figures presented for the current financial year.

During the year ended 30 June 2002 a refund of \$359,000 was received in relation to stamp duty and offset against administrative expenses. To ensure comparability of administrative expenses in the current financial year the stamp duty refund has been shown in other income and the administrative expenses adjusted accordingly.

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>2.0 PROFIT / (LOSS) FROM ORDINARY ACTIVITIES</b>				
The profit/(loss) from ordinary activities has been determined after including the following items of revenue and expense.				
<b>REVENUE</b>				
Gold sales	30,951,875	24,492,055	-	-
Interest received - other persons	418,820	538,300	-	-
Royalties	-	960,203	-	-
Other income	4,545	384,366	-	-
	31,375,240	26,374,924	-	-
<b>EXPENSES</b>				
Depreciation of plant and equipment	1,306,791	468,445	-	-
Amortisation of tenements	1,580,805	1,246,062	-	-
Amortisation of mining development costs	5,572,365	564,435	-	-
Amortisation of licence agreement	62,500	62,500	-	-
Administration fee - controlled entity	-	-	30,000	90,000
Auditors' remuneration - auditing financial report	55,485	51,825	-	5,200
Transfer to provision for annual leave	4,397	25,235	-	-
Transfer to provision for long service leave	(55,720)	16,000	-	-
Transfer to provision for rehabilitation	-	80,182	-	-
Rental expenses on operating lease	175,202	79,336	-	-
Royalty to state government	773,986	673,995	-	-
Exploration expenditure	6,307,495	3,238,405	-	-
Write down to recoverable amount of inter-company advances	-	-	-	107,376
Write down of inventory	-	166,000	-	-
Write down to recoverable amount of investments	129,000	-	129,000	-

# Notes to the Accounts

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>3.0 INCOME TAX</b>				
(a) The prima facie income tax expense/benefit on pre-tax accounting profit/(loss) is reconciled to the income tax expense/benefit provided in the financial statements as follows:				
<b>Profit/(loss) from ordinary activities</b>	1,999,157	5,337,494	(286,334)	(286,160)
Income tax expense credit calculated at 30% of operating profit	599,747	1,601,249	(85,900)	(85,848)
Add tax effect of:				
- Writedown of investment	-	-	38,700	32,213
- Non-assessable income	-	(71,608)	-	-
- Non-deductible costs	57,517	73,723	13,514	498
- Losses transferred out	-	-	-	93,763
- Future income tax benefit not brought to account	-	-	33,686	-
- Future income tax benefit not previously recognised	(174,199)	(1,241,389)	-	(40,626)
<b>Income tax expense</b>	<b>483,065</b>	<b>361,795</b>	<b>-</b>	<b>-</b>
(b) Future income tax benefits not brought to account as assets:				
- Tax losses - revenue	108,775	761,588	33,692	235,986

The benefit will only be obtained if the consolidated entity:

- (i) derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) continues to comply with the conditions for deductibility imposed by law; and
- (iii) there are no changes in tax legislation affecting the Company realising the benefit.

#### (c) Tax Consolidation

At the time of printing this report, the consolidated entity has not yet decided whether they will be consolidating for tax purposes in the following income year. Based on high level review to date of the tax consolidations regime for the consolidated entity, currently it is expected that there will not be a significant impact on the carrying tax timing balances of the consolidated entity from entering into tax consolidations.

#### 4.0 OTHER FINANCIAL ASSETS

##### Current:

Gold at refinery	669,761	3,096,789	-	-
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##### Non Current:

Cash reserved for rehabilitation	1,390,100	1,341,245	-	-
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The bank has given a guarantee to the Department of Minerals and Energy in respect of performance bonds totalling \$810,631 for rehabilitation of Paraburdoo Gold Project Mining Leases tenements for which the bank has a lien on an equivalent amount within the company's cash at bank classified as other financial assets.

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>5.0 CURRENT ASSETS – RECEIVABLES</b>				
Trade receivables	538,255	729,535	-	3,913
	538,255	729,535	-	3,913
<b>6.0 CURRENT ASSETS - INVENTORIES</b>				
Gold on hand – at cost	543,417	-	-	-
Gold in circuit - at cost	704,442	302,964	-	-
Mine stores - at cost	892,140	632,552	-	-
	2,139,999	935,516	-	-
<b>7.0 NON - CURRENT ASSETS – INTANGIBLES</b>				
Licence agreement	250,000	250,000	-	-
Less: accumulated amortisation	(218,750)	(156,250)	-	-
	31,250	93,750	-	-
<b>8.0 NON-CURRENT ASSETS – RECEIVABLES</b>				
Security deposits	66,367	11,356	-	-
Advances to controlled entities:				
- Sipa Resources Limited	-	-	6,637,142	6,637,142
- Sipa Exploration NL	-	-	10,063,689	13,002,069
- Sipa - Gaia NL	-	-	1,103,090	1,103,090
- Sipa Management Pty Ltd	-	-	1,008,797	1,012,190
- Ashling Resources NL	-	-	518,218	518,218
	66,367	11,356	19,330,936	22,272,709
Less: adjustment to recoverable amount	-	-	(9,270,640)	(9,270,640)
	66,367	11,356	10,060,296	13,002,069
<b>9.0 NON – CURRENT ASSETS - INVESTMENTS</b>				
Shares in listed entity at cost	300,000	300,000	300,000	300,000
Shares in controlled entities at cost	-	-	9	4
Less: recoverable amount write down	(129,000)	-	(129,000)	-
	171,000	300,000	171,009	300,004

# Notes to the Accounts

<b>Consolidated</b>		
	2003 \$	2002 \$
<b>10.0 NON-CURRENT ASSETS - PLANT AND EQUIPMENT</b>		
Gross carrying amount at beginning of year	3,657,024	1,129,302
Additions	1,285,448	2,907,328
Disposals	-	(379,606)
Balance at end of year	4,942,472	3,657,024
<b>Accumulated depreciation/amortisation</b>		
Carrying amount at beginning of year	1,001,356	912,517
Depreciation/amortisation expense	1,306,791	468,445
Disposals	-	(379,606)
Balance at end of year	2,308,147	1,001,356
Net book value at beginning of year	2,655,668	216,785
Net book value at end of year	2,634,325	2,655,668

<b>Consolidated</b>			
	Exploration and Evaluation Expenditure \$	Mine Development Expenditure \$	Total \$
<b>11.0 NON-CURRENT ASSETS - MINING TENEMENTS AND DEVELOPMENT</b>			
Gross carrying amount at 30 June 2002	10,549,152	-	10,549,152
Additions	90,684	11,382,653	11,473,337
Disposals	-	-	-
Balance at 30 June 2003	10,639,836	11,382,653	22,022,489
<b>Accumulated amortisation</b>			
Balance at 30 June 2002	7,670,049	-	7,670,049
Amortisation expense	1,580,805	5,572,365	7,153,170
Disposals	-	-	-
	9,250,854	5,572,365	14,823,219
<b>Net book value</b>			
As at 30 June 2003	1,388,982	5,810,288	7,199,270
As at 30 June 2002	2,879,102	-	2,879,102

The value of the mining tenements is dependent upon the discovery of the commercially viable reserves and the successful development or alternatively sale, of the respective tenements. The consolidated entity's exploration properties may at some future time be subject to claims under the native title or contain sacred sites or sites of significance to Aboriginal people. In the event of any such claim being made and The National Native Title Tribunal ratifying such claim, the consolidated entity's exploration properties or areas within the tenements may be subject to exploration and/or mining restrictions or compensation.



# Notes to the Accounts

## 15.0 CONTRIBUTED EQUITY continued

### OPTIONS

#### *Employee Incentive Scheme Options*

	2003 No.	2002 No.
Balance at the beginning of the financial year (i)	2,020,000	3,540,000
Issued during the financial year (i)	2,475,000	400,000
Exercised during the financial year (ii)	(1,287,500)	(510,000)
Lapsed/terminated during the financial year (iii)	-	(1,410,000)
<b>Balance at the end of the financial year (i)</b>	<b>3,207,500</b>	<b>2,020,000</b>

#### (i) Options outstanding

Date of Issue	Balance at 30 June 2002	Balance at 30 June 2003	
15-11-01	400,000*	200,000	exercisable @ 10¢ by November 15, 2006
20-12-00	1,620,000	532,500	exercisable @ 10¢ by December 20, 2005
01-08-02		200,000#	exercisable @ 26¢ by August 1, 2007
14-11-02		2,275,000#	exercisable @ 24.5¢ by November 14, 2007
	<b>2,020,000</b>	<b>3,207,500</b>	

\* Issued during the financial year ended 30 June 2002

# Issued during the financial year ended 30 June 2003

#### (ii) Options exercised

Number of Options	Date Issued	Exercise Date	Expiry Date	Exercise Price	Proceeds from shares issued \$	Fair value of shares issued at date of issue \$
<b>Exercised During Financial Year Ended 30 June 2003</b>						
200,000	20.12.00	03.07.02	20.12.05	10 cents	20,000	14,000
100,000	20.12.00	23.12.02	20.12.05	10 cents	10,000	7,000
45,000	20.12.00	04.02.03	20.12.05	10 cents	4,500	3,150
100,000	20.12.00	26.02.03	20.12.05	10 cents	10,000	7,000
642,500	20.12.00	16.05.02	20.12.05	10 cents	64,250	44,975
200,000	15.11.01	16.05.02	16.11.06	10 cents	20,000	18,800
<b>1,287,500</b>						
<b>Exercised During Financial Year Ended 30 June 2002</b>						
510,000	20.12.00	07.01.02	20.12.05	10 cents	51,000	35,700
<b>510,000</b>						

#### (iii) Lapsed or Terminated Options

During the financial year ended 30 June 2002 1,370,000 options issued on 20 December 2000 lapsed on 18 March 2002 and a further 40,000 options were terminated.

The Employee Incentive Scheme provides for free options to be issued to Participants, as determined by the directors in their absolute discretion based on various factors including length of service and the contribution that the participant will have to the long term performance of the Company.

Options issued under the Scheme shall not be exercised immediately and are restricted to 25% becoming exercisable in each of the first four years from the date of issue. The term of the options must not exceed five years. In the event of an employee leaving the Company, the options held are terminated.

The exercise price fixed by the directors shall not be less than the last sale price for the shares quoted by the ASX on the date upon which the directors resolve to grant the options.

Employee options currently on issue represent less than 2% of the issued capital.

#### Vendor options

Outstanding vendor options:

30 June 2002	30 June 2003	
2,500,000	2,500,000	exercisable @ 40¢ by December 31, 2003
1,500,000	1,500,000	exercisable @ 60¢ by December 31, 2003
1,000,000	1,000,000	exercisable @ \$1 by December 31, 2003
<u>5,000,000</u>	<u>5,000,000</u>	

There were no vendor options exercised during the year.

The market price of the Company's shares at 30 June 2003 was 22 cents.

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>16.0 ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the financial year	(52,162,738)	(57,138,257)	(57,208,398)	(56,922,238)
Net Profit/(Loss)	1,516,092	4,975,519	(286,354)	(286,160)
Accumulated losses at the end of the financial year	<u>(50,646,696)</u>	<u>(52,162,738)</u>	<u>(57,494,752)</u>	<u>(57,208,398)</u>
<b>17.0 EARNINGS PER SHARE</b>				
Basic earnings per share	0.7	2.5		
Diluted earnings per share	0.7	2.4		
<b>Basic earnings per share</b>				
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:				
Earnings (a)	<u>1,516,092</u>	<u>4,975,519</u>		

# Notes to the Accounts

	Consolidated	
	2003 No.	2002 No.
<b>17.0 EARNINGS PER SHARE continued</b>		
Weighted average number of ordinary shares (b)	205,416,609	202,258,403
(a) Earnings used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:		
	2003 \$	2002 \$
Net profit	1,516,092	4,975,519
(b) The employee and vendor options are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share (refer below).		
<b>Diluted earnings per share</b>		
The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings (a)	1,516,092	4,975,519
	2003 No.	2002 No.
Weighted average number of ordinary shares and potential ordinary shares (b), (c), (d)	206,361,609	203,771,604
(a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:		
	2003 \$	2002 \$
Net profit	1,516,092	4,975,519

**Consolidated**

	2003 No.	2002 No.
<b>17.0 EARNINGS PER SHARE continued</b>		
(b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:		
Weighted average number of ordinary shares used in the calculation of basic EPS	205,416,609	202,258,403
Shares deemed to be issued for no consideration on respect of:		
December 2005 employee options	319,500	876,198
Vendor options exercised during the year	-	268,991
November 2006 employee options	120,000	216,345
Employee options exercised during the year	505,500	151,666
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	206,361,609	203,771,604
(c) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary share used in the calculation of diluted EPS.		
\$0.40 December 2003 vendor options	2,500,000	2,500,000
\$0.60 December 2003 vendor options	1,500,000	1,500,000
\$1.00 December 2003 vendor options	1,000,000	1,000,000
\$0.20 Vendor options expired in September 2001	-	1,000,000
\$0.20 Vendor options expired in December 2001	-	1,300,000
\$0.53 Employee options expired in March 2002	-	1,370,000
\$0.25 November 2007 options	2,475,000	-
\$0.26 August 2007 options	200,000	-
	7,675,000	8,670,000
(d) Weighted average number of converted lapsed or cancelled potential ordinary shares used in the calculation of diluted EPS are as follows:		
Vendor options exercised	-	268,991
Employee options exercised	625,500	151,666
	625,500	420,657

# Notes to the Accounts

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>18.0 STATEMENT OF CASH FLOWS</b>				
a) Reconciliation of cash				
For the purposes of this statement of cash flows, cash includes:				
i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and	7,458,163	4,456,152	-	-
ii) deposits with less than 30 days to maturity	-	6,091,764	-	-
	7,458,163	10,547,916		-
b) Reconciliation of profit from ordinary activities to net cash flows from operations:				
Profit from ordinary activities	1,516,092	4,975,519	(286,354)	(286,160)
Depreciation of plant and equipment	1,306,791	468,445	-	-
Amortisation of mining tenements	1,580,805	1,246,062	-	-
Amortisation of development	5,572,365	564,435	-	-
Amortisation of licence agreement	62,500	62,500	-	-
Write down of inventory	-	166,000	-	-
Write down to recoverable amount of inter-company advances	-	-	-	107,376
Write down to recoverable amount of mining tenements	-	-	-	-
Write down of investments	129,000	-	129,000	-
<b>Changes in assets and liabilities net of the effect of sale of subsidiaries</b>				
Receivables	2,618,308	(72,822)	3,913	(1,238)
Inventories	(1,204,483)	1,920,521	-	-
Prepayments	199,045	(125,181)	14,898	(4,683)
Provisions	1,707	89,395	-	-
Trade payables	650,806	(1,310,993)	6,400	-
Accrued expenses	-	348,497	3,393	(1,000)
Security deposits	(55,011)	-	-	-
Other financial assets	(48,855)	-	-	-
Income tax payable	(361,975)	361,975	-	-
Deferred tax balances	511,562	-	-	-
	12,478,657	8,694,353	(128,750)	(185,705)

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>18.0 STATEMENT OF CASH FLOWS continued</b>				
c) During the financial year ended 30 June 2002, the consolidated entity disposed of its 65% interest in the Paraburdoo Gold Project. Details of the disposal are as follows:				
<b>Consideration</b>	-	431,907	-	-
<b>Book value of net assets disposed</b>				
Cash	-	579,047	-	-
Inventory	-	334,137	-	-
Receivables	-	116,833	-	-
Payables	-	(598,110)	-	-
<b>Net cash flow on disposal</b>	-	431,907	-	-
Cash	-	431,907	-	-
less: cash balances disposed	-	(579,047)	-	-
	-	(147,140)	-	-
d) During the financial year ended 30 June 2002, 100% of PGP was acquired. Details of the acquisition are as follows:				
Consideration				
Cash	-	3,619,041		
<b>Fair value of net assets acquired</b>				
<b>Current assets:</b>				
Inventory	-	2,046,802		
Prepayments	-	66,600		
<b>Non-current assets:</b>				
Cash reserved for rehabilitation	-	526,516		
Other assets	-	74,000		
Plant and equipment	-	2,500,000		
Sole rights to mine tenements	-	2,000,000		
<b>Current liabilities:</b>				
Trade payables	-	(2,799,586)		
Employee provisions	-	(268,775)		
Provision for rehabilitation	-	(526,516)		
Net assets acquired	-	3,619,041		
<b>Net cashflow on acquisition</b>				
Cash consideration	-	3,619,041		

# Notes to the Accounts

## 19.0 PARTICULARS OF CONSOLIDATED ENTITY

### Contributions to Consolidated Profit/(Loss)

	% Owned		Book Value of Investment		Contributions to Consolidated Net Profit/(Loss) after Income Tax	
	2003	2002	2003	2002	2003	2002
			\$	\$	\$	\$
<b>Parent entity</b>						
Sipa Resources International NL			-	-	(286,354)	(286,161)
<b>Controlled entities of Sipa Resources International NL:-</b>						
Paradise Gold (WA) Ltd	100	-	5	-	(74,983)	-
Sipa Resources Limited	100	100	-	-	(38,284)	(67,077)
Sipa Exploration NL	100	100	1	1	4,267,986	5,292,986
Sipa Management Pty Ltd	100	100	2	2	(2,001,947)	(1,008,630)
Sipa - Gaia NL	100	100	1	1	(1,484,880)	(1,162,059)
Ashling Resources NL	100	100	1,588,493	1,588,493	(1,040)	-
Topjest Pty Limited	100	100	100	100	-	-
Sipa - Wysol Pty Ltd	100	100	2	2	25,049	279,048
			1,588,604	1,588,599	405,547	3,048,107
Add/(Less) balances arising on consolidation			(1,588,604)	(1,588,599)	1,110,545	1,927,412
			-	-	1,516,092	4,975,519

All subsidiary companies are incorporated in Australia

## 20.0 COMMITMENTS FOR EXPENDITURE

### 20.1 Exploration Expenditure Commitments

The consolidated entity has minimum statutory commitments as conditions of tenure of certain mining tenements. In addition it has commitments to perform and expend funds towards retaining an interest in formalised agreements with joint venture and prospective joint venture partners. To maintain the existing areas of interest the Directors estimate the minimum expenditure commitment for the ensuing twelve months to be \$4,056,783 (2002: \$1,746,642). The consolidated entity agreements with various joint venture partners will ensure that commitments, totalling \$20,854 (2002: \$1,061,365) will be met by joint venture partners. This estimate may be varied as a result of the granting of applications for exemption.

### 20.2 Operating Lease

A controlled entity Sipa Management Pty Ltd has obligations under the terms of the lease of its office premises. The parent entity is guarantor.

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Due not later than one year	49,079	50,750	-	-
Due later than one year and not later than two years	9,034	33,833	-	-
Due later than two years and not later than three years	-	-	-	-
	58,113	84,583	-	-

**20.0 COMMITMENTS FOR EXPENDITURE** continued

**20.3 Commitment to Controlled Entities**

The parent entity has advised its controlled entities that it will continue to provide funds to meet those entities' working capital requirements for at least the next twelve months.

**21.0 INTERESTS IN JOINT VENTURES**

The consolidated entity has an interest in the following Joint Ventures:

Joint Venture	Principal Activities	Percentage Interest (excluding minorities)	
		2003	2002
Bulga Downs (WA)	Gold Exploration	59.30	59.30
Ashburton (WA)	Gold Exploration	30.00	100.00
Rocklea (WA)	Gold Exploration	22.50	NIL

The net contributions of Joint Venture activities to consolidated profit from ordinary activities can be summarised as follows:

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
Costs of the consolidated entity's share	-	(2,384,341)	-	-
Revenue from sale of the consolidated entity's share	-	6,499,729	-	-
Contribution to profit from ordinary activities	-	4,115,388	-	-

**22.0 REMUNERATION OF DIRECTORS AND EXECUTIVES**

The names of the Directors who have held office during the financial year are:

W H Crawford (retired 11 July 2003)

M G Doepel

D L Gooding (appointed 1 May 2003)

P I B Pearce

D J Williams

Total income received, or due and receivable by Directors of the company from the company and any related party, and by all the Directors of each entity in the consolidated entity from corporations of which they are Directors, or related parties or an entity controlled by the parent entity:

371,777	311,027	371,777	311,027
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# Notes to the Accounts

## 22.0 REMUNERATION OF DIRECTORS AND EXECUTIVES continued

The number of Directors whose remuneration is within the following income bands is:

	Consolidated		Company	
	2003 No.	2002 No.	2003 No.	2002 No.
\$0	-	3	-	3
\$1 to \$9,999	1	-	1	-
\$30,000 to \$39,999	1	-	1	-
\$50,000 to \$59,999	2	1	2	1
\$60,000 to \$69,999	-	1	-	1
\$190,000 to \$199,999	-	1	-	1
\$210,000 to \$219,999	1	-	1	-
	\$	\$	\$	\$

Aggregate remuneration of executive officers of the company working mainly in Australia and receiving \$100,000 or more from the company or from any related party (included also in Directors above)

577,966	368,622	577,966	368,622
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The number of executives whose remuneration is within the following income bands is:

	No.	No.	No.	No.
\$170,000 to \$179,999	-	1	-	1
\$180,000 to \$189,999	2	-	2	-
\$190,000 to \$199,999	-	1	-	1
\$210,000 to \$219,999	1	-	1	-
	\$	\$	\$	\$

Amount provided for Directors under the terms of the approved Directors' Retirement Scheme.

15,000	NIL	15,000	NIL
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## 23.0 RELATED PARTY TRANSACTIONS

### 23.1 Transactions between related parties

Mr D J Williams, a director of the company, is a partner in the legal firm of Williams and Hughes who provides legal advice to the company. The total services for the year amounted to \$24,756 (2002: \$55,438).

### 23.2 Directors' aggregate shareholdings

The aggregate number of shares held in the parent entity at 30 June 2003 was 5,548,178 shares (2002: \$4,948,178).

Directors	Opening	Purchased	Sold	30-06-03
W H Crawford	345,001	100,000	-	445,001
M G Doepel	4,503,177	300,000	-	4,803,177
P I B Pearce	100,000	200,000	-	300,000

### 23.3 Directors' aggregate option holdings

The aggregate number of options held in the parent entity at 30 June 2003 was 700,000 options (2002: 1,000,000).

Directors	Opening	Issued	Exercised	30-06-03
W H Crawford	200,000	-	100,000	100,000
M G Doepel	400,000	300,000	300,000	400,000
P I B Pearce	400,000	-	200,000	200,000

All options issued to directors during the financial year were made in accordance with the provisions of the Employee Incentive Option Scheme. Details of Directors' remuneration and retirement benefits are disclosed in note 22 to the financial statements.

### 23.4 Transactions within the wholly-owned group

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- Wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Sipa Resources International NL.

During the financial year a controlled entity of the parent entity provided management services at cost to entities within the consolidated entity.

Details of write-downs of receivables in respect of transactions with entities in the wholly-owned group are disclosed in note 2 to the financial statements.

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in note 8 to the financial statements.

### 23.5 Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities is disclosed in note 19 to the financial statements.

## 24.0 SEGMENT INFORMATION

The consolidated entity operates in one business sector being gold mining at Paraburdoo and exploration for gold and other minerals.

The consolidated entity operates in one geographical segment being Australia, with interests in Western Australia and Queensland.

## 25.0 EVENTS SUBSEQUENT TO BALANCE DATE

There has not been any matter or circumstance, other than that referred to elsewhere in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

# Notes to the Accounts

## 26.0 FINANCIAL INSTRUMENTS

### (a) Risk management

The consolidated entity uses certain derivative financial instruments that are commonly used in the gold mining industry. These financial instruments are used to minimise the exposure of adverse movements in the gold price and are not used for trading purposes. The value of the derivative financial instruments for gold hedging has not been recognised in the financial statements. The hedging program is managed in accordance with the policies approved by the Directors and ongoing performance is reported to the Board.

### (b) Gold hedging

As at 30 June 2003 the consolidated entity had no forward contracts to sell physical gold in the future.

### (c) Interest rate risk

	Interest Rate %	Floating Interest \$	Non Interest Bearing \$	Total \$
<b>2003</b>				
<b>Financial assets</b>				
Trade receivables		-	538,255	538,255
Cash	4.40	7,458,163	-	7,458,163
Other	3.50	1,390,100	1,213,178	2,603,278
		8,848,263	1,751,356	10,599,619
<b>Financial liabilities</b>				
Trade payables		-	4,064,329	4,064,329
		-	4,064,329	4,064,329
<b>Net financial assets</b>		8,848,263	(2,312,973)	6,535,290
<b>2002</b>				
<b>Financial assets</b>				
Trade receivables		-	729,535	729,535
Cash	4.75	10,547,916	-	10,547,916
Other	3.90	1,341,245	3,096,789	4,438,034
		11,889,161	3,826,324	15,715,485
<b>Financial liabilities</b>				
Trade payables		-	2,587,704	2,587,704
		-	2,587,704	2,587,704
<b>Net financial assets</b>		11,889,161	1,238,620	13,127,781

### (d) Credit rate risk

The carrying amount of financial assets recorded in the Statement of Financial Position net of any allowances for losses represents the maximum exposure to credit risk.

### (e) Net fair value

The net fair value of financial assets and liabilities at balance date approximate their carrying value.

### (f) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect to each class of financial assets, financial liability and equity instruments are disclosed in Note 1 to the financial statements.

	Consolidated		Company	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>28.0 EMPLOYEE ENTITLEMENTS</b>				
The aggregate employee entitlement liability recognised and included in the financial statements is as follows:				
<b>Provisions for employee entitlements:</b>				
Current (note 13)	195,808	407,094	-	-
Non-current (note 14)	280,073	80,278	-	-
	475,881	487,372	-	-
	2003	2002	2003	2002
Number of employees at end of financial year	51	42	-	-
	\$	\$	\$	\$
<b>29.0 REMUNERATION OF AUDITORS</b>				
Auditing of financial reports	55,485	51,825	-	5,200
Other services	9,025	500	-	-
	64,510	52,325	-	5,200

# Directors' Declaration

The Directors declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- (c) in the Director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) in the Director's 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.

Signed in accordance with a resolution of the Directors made pursuant to section 295 (5) of the Corporations Act 2001.

On behalf of the Directors



**P I B PEARCE**

Director

PERTH, WESTERN AUSTRALIA

DATED 24 September 2003

# Independent Auditors' Report

**Deloitte  
Touche  
Tohmatsu**

Independent Audit Report to the members of  
Sipa Resources International NL

## Scope

### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Sipa Resources International NL (the company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 38 to 60. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

### Audit approach

We have conducted an independent audit of the 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. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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 made by the directors.

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

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

### Independence

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

### Audit Opinion

In our opinion, the financial report of Sipa Resources International NL is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

DELOITTE TOUCHE TOHMATSU

G McHarrie  
Partner  
Chartered Accountants  
Perth, WA, 29 September 2003

The liability of Deloitte Touch Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the professional Standards Act 1994 (NSW).

# Additional Statutory Information

Additional information in accordance with the listing requirements of the ASX Limited.

## SHAREHOLDING AT 16 SEPTEMBER 2003

(a) There are no Substantial Shareholders shown on the Company's Register.

(b) Distribution of shareholder's holdings

Ordinary Shares held	Shareholders
1 - 1,000	507
1,001 - 5,000	1,286
5,001 - 10,000	828
10,001 - 100,000	1,640
100,001 - and over	245
	4,506

There are 755 Shareholders who hold less than a marketable price.

(c) Stock Exchange listing.

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

(d) Income tax

Sipa Resources International NL is taxed as a public company.

(e) Voting rights

On show of hands one vote for every registered shareholder and on a poll, one vote for each share held by a registered shareholder.

**Top 20 Shareholders as at 16 September 2003:**

Name	Shares	%
Wythenshawe Pty Ltd	9,871,241	4.78
ANZ Nominees Limited	9,146,135	4.43
National Nominees Limited	6,109,100	2.96
Michael Glen Doepel	4,803,177	2.33
Beta Technology Limited	4,443,363	2.15
Westpac Custodian Nominees Limited	4,402,438	2.13
Jetan Pty Ltd	3,999,415	1.94
Toga Developments Pty Ltd	3,928,438	1.90
Mr John Carroll	3,540,493	1.72
Mr Ronald Graham Stanley	3,421,250	1.66
Citicorp Nominees Pty Limited	2,675,000	1.30
Kizoz Pty Ltd	3,400,000	1.16
DBS Vickers Securities (Singapore) Pte Ltd	2,249,772	1.09
Mr Graham Yen	2,200,000	1.07
Mr Ian William Hodgson	2,000,000	0.97
Mr Robert Ivan Pavy & Mrs Carole Diane Pavy	1,925,000	0.93
Transbow Ltd	1,899,461	0.92
Makal Pty Ltd	1,550,000	0.75
Aberv Pty Ltd	1,440,000	0.70
Burmin Exploration & Development	1,439,495	0.70

The 20 largest Shareholders hold 35.6% of the issued capital of the Company.



