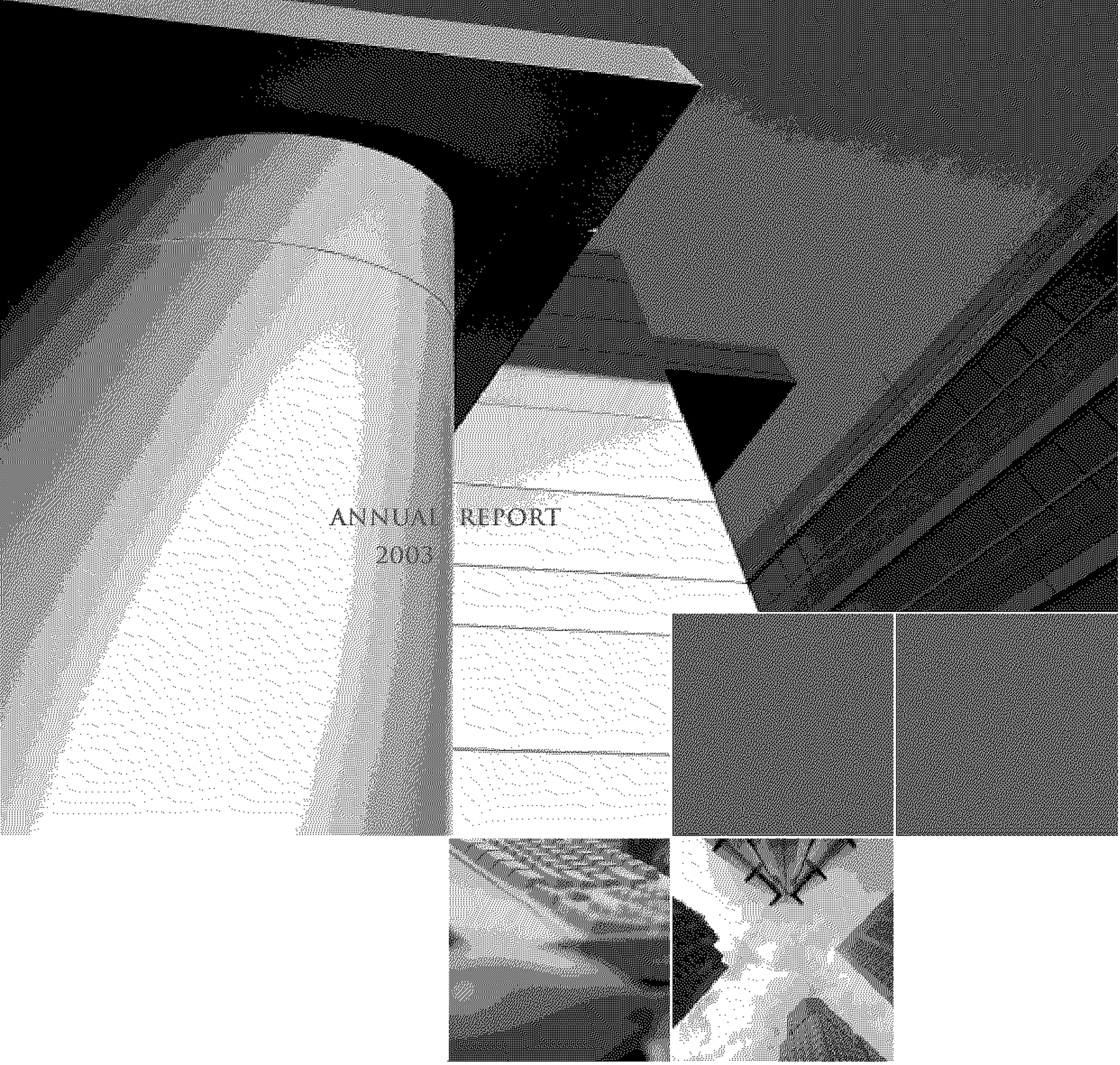


ANNUAL REPORT 2003

HILLCREST RESOURCES LIMITED

ABN 63 060 094 742

COMPANY PARTICULARS

DIRECTORS

Alan Van Noort (Chairman)
Ian Allen
Ross Hancock

COMPANY SECRETARY

Ian Allen

REGISTERED OFFICE AND DOMICILE

Hillcrest Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

1 Colin Street
West Perth Western Australia 6005

PO Box 587
West Perth Western Australia 6872

Telephone:	(08) 9324 3266
Facsimile:	(08) 9324 3277
Website:	www.hillcrestresources.com.au
Email:	corporate@hillcrestresources.com.au

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2
Reserve Bank Building
45 St George's Terrace
Perth Western Australia 6000

Telephone:	(08) 9323 2000
Facsimile:	(08) 9323 2033

AUDITORS

PricewaterhouseCoopers

AUSTRALIAN STOCK EXCHANGE

ASX Codes:

Shares	HLL
Options	HLLOA

EXPLORATION PROJECTS

Exploration Licence 36/389 – East Murchison Region, Western Australia

In July 2003, Hillcrest entered into a farm-in agreement to acquire a 50% interest in Exploration Licence 36/389 which is in the East Murchison Mineral Field of Western Australia.

The Exploration Licence is located 160 kilometers north of Leonora and covers an area of 163 square kilometres of the western contact of the Yandal greenstone belt. The northern boundary of the tenement is 4 kilometres south west of the Mt McClure Gold Treatment Plant and 12 kilometres south west of the Bronzewing Discovery Pit.

The Exploration Licence has had minimal exploration carried out on it and warrants further, focussed exploration. Hillcrest intends to carry out a structural interpretation of existing aerial magnetic survey data followed by detailed geological mapping and geochemical testing to establish the basis for a drilling program.

Warroo Project, Queensland

The Company's wholly owned subsidiary, Cuprifex Mining NL (Cuprifex), is the registered owner of three mining leases located in Queensland. The tenements have not been actively mined since 1993. Cuprifex has decided not to seek renewal of the leases and the term of one of the leases has expired.

In respect of the other two leases, surrenders have been lodged and Cuprifex is presently negotiating with the Department of Mines and Energy in respect to the specific nature of any rehabilitation work that may be required.

INVESTMENT PORTFOLIO

Environmental Infrastructure Limited (ASX Code: EIL)

The Company owns 5,010,000 shares comprising approximately 4% of the issued capital of Environmental Infrastructure Limited (EIL) which is listed on the ASX.

EIL is positioning itself in the renewable energy sector in Australia commencing with a 91% interest in an anaerobic digester waste to energy facility presently being constructed in New South Wales. The project is located in Camellia near Parramatta in western Sydney. Earth Power Technologies Sydney Pty Ltd (EPTS), being a 91% owned subsidiary of EIL, has a lease over the project site for 20 years with a 10-year option.

The facility is designed to be a substitute for landfill for food and other organic wastes and is seen as a cost effective and environmentally acceptable alternative to landfill. The NSW Government has a stated policy of reducing landfill availability and increasing the costs to dump to landfill.

The plant processes the waste by anaerobic digestion. This process simulates the natural breakdown of organic material at an increased rate in a controlled environment. The gas produced by the process is then used to operate a co-generation unit which produces energy.

The plant is expected to generate up to 3.2 megawatts of energy per annum and will also be eligible to sell Renewable Energy Certificates (REC's). Organic fertiliser is also produced from the process.

Hallmark Consolidated Limited (ASX Code: HLM)

The Company owns 1,476,919 shares of the issued capital of Hallmark Consolidated Limited (HLM) which is listed on the ASX. .

INVESTMENT PORTFOLIO (CONTINUED)

Batavia Mining Limited (ASX Code: BTV)

In July 2003, Hallmark Consolidated Limited made a distribution in specie to its shareholders, by way of a capital reduction, of shares in Batavia Mining Limited; on the basis of one Batavia share for every Hallmark share held.

Accordingly the Company now owns 1,476,919 shares in Batavia Mining Limited. Batavia is listed on the ASX.

Batavia and Hallmark have interests in gold tenements in the South Murchison region of Western Australia.

EXAMINING NEW ACQUISITION PROPOSALS

During the year many prospective acquisitions were reviewed and considered. The Board will continue to review possible acquisitions in the current year whilst continuing to manage the Company's existing asset base.

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

BOARD OF DIRECTORS

The Board is elected by shareholders to represent all shareholders. It is a Director's responsibility, in all decisions he or she is called upon to make concerning the Company's affairs, to conscientiously weigh the interests of shareholders in light of the circumstances and to consider the effects of such decisions on the interests of all shareholders.

Role of the Board

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

To fulfil this role, the Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Composition of the Board

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Relationship of Board with Management

Management of the day to day business of the Company is to be conducted by or under the supervision of the Board, and by those other officers to whom the management function is properly delegated by the Board.

The Board will adopt appropriate structures and procedures to ensure that the Board functions independently of management. Appropriate procedures may involve the Board meeting on a regular basis without management present or may involve expressly assigning the responsibility for administering the Board's relationship to management to a Committee of the Board.

Information is formally presented to the Board at monthly board meetings by way of board reports and review of performance to date.

Independent Advice to Directors

Subject to the approval of the Chairman, an individual Director may engage an outside adviser at the expense of the Company for the purposes of seeking independent advice in appropriate circumstances.

Constitution of Hillcrest Resources Limited

The Directors must adhere to, and the Board must conduct itself in accordance with, the Constitution of the Company.

Fair Dealings and Related Party Transactions

Directors will convey to all stakeholders the message that integrity and effective control cannot be compromised when dealing with any supplier, particularly if a supplier is a related party.

A Director, or an entity over which a Director has control or significant influence, who enters into a transaction with the Company must make full disclosure of all material elements of the transaction to the Chairman or, if the Director involved is the Chairman, to the Board.

In particular, any dealings with Directors, or entities over which Directors have control or significant influence, must be approved by the Board in advance of committing the Company to:

- contracts for the supply of goods and/or services which extend beyond one year, or where the total value of goods and/or services supplied under the contract may, in any one year, exceed $10,000,
- agreements for the lease of property; and
- agreements for the acquisition or disposal of property.

Disclosure of Information

The Company has an objective of honest and open disclosure of information in dealing with stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information. Such disclosure may, in appropriate circumstances, exceed statutory requirements.

Continuous disclosure

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX.

Confidentiality

All Directors must ensure that they abide by requirements of the Company's Constitution regarding secrecy and confidentiality of information.

Share Dealings

The Board has adopted a policy on dealings in securities of the Company by Directors and employees.

The policy on dealings in securities will be reviewed from time to time to ensure the policy's effectiveness.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under three headings:

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly.
- Continuous disclosure – the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listings Rules. In particular;
  - a comprehensive process is in place to identify matters that may have a material effect on the price of the Company's securities.
  - the Company Secretary is responsible for interpreting the Company's policy and where necessary informing the Board.
  - the Company Secretary is responsible for all communication with the ASX.
  - all information provided to the ASX is immediately posted to the Company's web site.
- Quality and integrity of personnel – formal appraisals are conducted at least annually for all employees.

ETHICAL STANDARDS

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the consolidated entity during the year, changes in the state of affairs of the consolidated entity and details of future developments, in addition to the other disclosures required by the Corporations Act 2001.
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the ASX. The half-yearly report is sent to any shareholder who requests it.
- the quarterly report contains summarised cash flow financial information and details about the consolidated entity's activities during the quarter. The quarterly report is sent to any shareholder who requests it.
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.

All documents that are released publicly are made available on the consolidated entity's internet web site at www.hillcrestresources.com.au.

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

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

AUDIT COMMITTEE

Due to the consolidated entity's size and structure it is not considered appropriate to have a formal audit committee.

EXTERNAL AUDITORS

The Company policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate.

PricewaterhouseCoopers were appointed in 1998. It is PricewaterhouseCoopers policy to rotate audit engagement partners at least every seven years for listed entities.

The Directors submit their report together with the financial report of Hillcrest Resources Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entity, for the year ended 30 June 2003 and the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of financial year are:

Alan R Van Noort B.Juris LLB (46) – Chairman and Executive Director

Mr Alan Van Noort is a Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. From 1980 to 1991, Mr Van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders rights. Since 1991, Mr Van Noort has been involved in the management and administration of publicly listed companies.

Mr Van Noort is also a director of Environmental Infrastructure Limited.

Appointed 1998

Ian D Allen B.Comm CA (SA) CA (51) – Executive Director and Company Secretary

Mr Ian Allen is a Chartered Accountant and was the Chief Financial Officer of Perth smart card technology company ERG Limited for five and a half years from 1996 to October 2001. He has previous experience in senior finance positions in the United Kingdom, Hong Kong, South Africa, Egypt, and Australia. Mr Allen has worked for multinationals; Inchcape PLC, Dowell Schlumberger Inc., Brambles Ltd and Ernst & Young.

Mr Allen is also a director of Quadrant Iridium Ltd and Repcol Limited.

Appointed 2001

Ross R Hancock (51) – Non Executive Director

Mr Ross Hancock has over 23 years business management experience and has been involved in manufacturing, product sales and retail sales as well as property ownership, management and development.

Appointed 2001

Alan H Boys

Resigned 27 November 2002

DIRECTORS MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Number of meetings held during the time the Director held office	Number of meetings attended
A R Van Noort	12	11
I D Allen	12	12
R R Hancock	12	12
A H Boys	6	2

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the year were the management of its exploration properties in Queensland, which it has now withdrawn from, managing its investment portfolio and reviewing possible acquisitions.

RESULTS AND DIVIDENDS

The operating loss of the consolidated entity after income tax for the year was $591,267 (2002: $961,648). The Directors do not recommend that a dividend be paid. Since the end of the previous financial year, no dividend has been paid.

Refer to pages 2 to 3 for the review of operations.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

ENVIRONMENTAL REGULATIONS

The Company's wholly owned subsidiary, Cuprifex Mining NL (Cuprifex), is the registered owner of three mining leases located in Queensland. The tenements have not been actively mined since 1993. Cuprifex has decided not to seek renewal of the leases and the term of one of the leases has expired.

In respect of the other two leases, surrenders have been lodged and Cuprifex is presently negotiating with the Department of Mines and Energy in respect to the specific nature of any rehabilitation work that may be required. It is not currently possible to estimate the timetable for completing work that may be eventually agreed as being required. However, Cuprifex has recognised a rehabilitation provision equal to $50,000. Hillcrest has a security deposit of $50,000 lodged with the Department of Mines and Energy.

EVENTS SUBSEQUENT TO BALANCE DATE

In July 2003, the Company was issued with 1,476,919 shares in Batavia Mining Limited; refer to Review of operations pages 2 to 3.

LIKELY DEVELOPMENTS

The consolidated entity will continue to endeavour to maximise its return from its investments and to review new projects that satisfy its investment objectives.

DIRECTORS' EMOLUMENTS

The Board will review the remuneration packages and policies applicable to the executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels will be competitively set to attract qualified, experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

The following table discloses the remuneration of the Directors of the Company and the consolidated entity. There are no executive officers employed by the Company or the consolidated entity.

	Directors Fees	Base Emolument Pre GST	Super Contributions	Retirement Benefits	Total
	$	$	$	$	$
Director					
A R Van Noort	27,500	82,783	2,475	–	112,758
I D Allen	27,500	51,750	2,475	–	81,725
R R Hancock	27,500	22,497	2,475	–	52,472
A H Boys	8,152	–	734	–	8,886

OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of options
31 January 2005	$0.20	89,196,734

There were no Shares issued on the exercise of any options during the year. The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Note 17 (b)(i) of the Notes to the Financial Statements set outs the dates and movements in options.

DIRECTORS' INTEREST

The relevant interest of each Director in the share capital of the Company, as notified to the ASX, at the date of this report is as follows:

Director	Ordinary Shares	Listed Options over Ordinary Shares
A R Van Noort	17,520,860	10,721,669
I D Allen	15,031,068	9,000,000
R R Hancock	3,700,000	750,000

INDEMNIFICATION AND INSURANCE OF OFFICERS

Since the end of the previous financial year the Company has paid insurance premiums of $23,098 (2002: $22,723) in respect of directors' and officers' liability insurance for current directors and officers.

Signed in accordance with a resolution of the Directors.

Alan Van Noort
Chairman
Perth
12th September 2003

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Revenues from ordinary activities	2	**50,844**	110,203	**50,844**	110,203
Occupancy costs		**23,723**	36,242	**23,723**	36,242
Administrative costs		**85,463**	151,726	**85,463**	151,726
Corporate costs		**343,250**	385,526	**342,350**	384,626
Other					
Provision for diminution in investment in associate		–	76,553	–	150,000
Write off of investments		–	165,819	–	165,819
Provision for diminution in listed investment		**166,104**	183,168	**166,104**	183,168
Exploration expenditure written-off		**1,008**	14,977	**200**	13,457
Write down of receivable in controlled entity		–	–	**1,708**	1,183
Other		**22,563**	57,840	**22,563**	107,840
Loss from ordinary activities before income tax expense	3	**(591,267)**	(961,648)	**(591,267)**	(1,083,858)
Income tax expense	6	–	–	–	–
Loss from ordinary activities after income tax expense		**(591,267)**	(961,848)	**(591,267)**	(1,083,858)
Net loss attributable to members of the parent entity	19	**(591,267)**	(961,648)	**(591,267)**	(1,083,858)
Total changes in equity attributable to members of Hillcrest Resources Limited other than those resulting from transactions with owners as owners		**(591,267)**	(961,648)	**(591,267)**	(1,083,858)
Basic earnings per share	5	**($0.0065)**	($0.011)		
Diluted earnings per share	5	**($0.0065)**	($0.011)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Current Assets					
Cash assets	8	**277,304**	972,601	**277,304**	972,601
Receivables	9	**7,847**	28,642	**7,847**	28,642
Other financial assets	10	**228,922**	–	**228,922**	–
Other	11	**15,656**	14,262	**15,656**	14,262
Total Current Assets		**529,729**	1,015,505	**529,729**	1,015,505
Non-Current Assets					
Receivables	9	**–**	–	**–**	–
Other financial assets	12	**810,563**	960,736	**810,563**	960,736
Exploration expenditure	13	**20,000**	–	**20,000**	–
Plant & equipment	14	**38,190**	32,177	**38,190**	32,177
Total Non-Current Assets		**868,753**	992,913	**868,753**	992,913
Total Assets		**1,398,482**	2,008,418	**1,398,482**	2,008,418
Current Liabilities					
Payables	15	**29,663**	49,040	**29,663**	49,040
Provisions	16	**51,699**	50,991	**51,699**	50,991
Total Current Liabilities		**81,362**	100,031	**81,362**	100,031
Total Liabilities		**81,362**	100,031	**81,362**	100,031
NET ASSETS		**1,317,120**	1,908,387	**1,317,120**	1,908,387
Equity					
Contributed equity	17	**14,370,734**	14,370,734	**14,370,734**	14,370,734
Reserves	18	**345,140**	345,140	**345,140**	345,140
Accumulated losses	19	**(13,398,754)**	(12,807,487)	**(13,398,754)**	(12,807,487)
TOTAL EQUITY		**1,317,120**	1,908,387	**1,317,120**	1,908,387

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Cash flows from operating activities					
Cash payments in the course of operations (inclusive of GST)		**(453,044)**	(554,945)	**(452,144)**	(555,282)
Interest received		**35,973**	43,941	**35,973**	43,941
Other revenue		**527**	–	**527**	–
Net cash used in operating activities	24(b)	**(416,544)**	(511,004)	**(415,644)**	(511,341)
Cash flows from investing activities					
Loans to controlled entities		**–**	–	**(1,708)**	(1,183)
Payments for associated entities		**–**	–	**–**	–
Payments for investments – other		**(257,790)**	(260,855)	**(257,791)**	(260,855)
Payments for plant & equipment		**(21,932)**	(33,563)	**(21,931)**	(33,563)
Payments for exploration expenditure		**(21,008)**	(14,976)	**(20,200)**	(13,456)
Proceeds from sale of assets		**6,510**	–	**6,510**	–
Proceeds from sale of investments		**15,467**	59,340	**15,467**	59,340
Net cash used in investing activities		**(278,753)**	(250,054)	**(279,653)**	(249,717)
Cash flows from financing activities					
Proceeds from issue of shares and options		**–**	500,000	**–**	500,000
Payment for share and option issue expenses		**–**	(14,700)	**–**	(14,700)
Net cash provided by financing activities		**–**	485,300	**–**	485,300
Net (decrease) in cash held		**(695,297)**	(275,758)	**(695,297)**	(275,758)
Cash at the beginning of the financial year		**972,601**	1,248,359	**972,601**	1,248,359
Cash at the end of the financial year	24(a)	**277,304**	972,601	**277,304**	972,601

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 32.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) Principles of consolidation

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Associates

Associates are those entities, over which the consolidated entity exercises significant influence, but not control, and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

(c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

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

(e) Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(f) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(g) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 60 days from date of recognition.

(h) Investments

Controlled entities

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

Associates

Investments in associates are accounted for in the consolidated financial statements using the equity method.

Other entities

Investments in other listed and unlisted entities are carried at lower of cost and recoverable amount.

(i) Depreciation of plant and equipment

Depreciation is calculated on a prime cost basis to write off the net cost or revalued amount of each item of plant & equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful life is as follows:

Plant and equipment 2.5–10 years

(j) Exploration expenditure

Exploration costs are accumulated in respect of each separate area of interest.

Exploration costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made, or in the prior financial period where the decision is made before the date of signing the financial report for that period.

(k) Recoverable amount of non-current assets valued on cost basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on the cost basis, other than exploration and evaluation expenditure carried forward (refer note 1(j)), are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

(m) Employee entitlements

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave in respect of employees' services up to the reporting date and expected to be settled within 12 months of the reporting date are recognised in current provisions and are measured at amounts expected to be paid when liabilities are settled.

Superannuation plans

The Company contributes to several defined benefit superannuation plans. Contributions made to the superannuation plans are recognised against income as they are made.

(n) Provisions

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Rehabilitation

Provisions are made for estimated costs relating to the remediation of soil, ground water and untreated waste as soon as the need is identified.

These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(p) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
2 Revenue from ordinary activities				
From operating activities				
Interest – other parties	**28,340**	49,603	**28,340**	49,603
From outside operating activities				
Gross proceeds from sale of non-current investments	**15,467**	60,600	**15,467**	60,600
Gross proceeds from sale of non-current assets	**6,510**	–	**6,510**	–
Other	**527**	–	**527**	–
Total revenue from ordinary activities	**50,844**	110,203	**50,844**	110,203
3 Loss from ordinary activities				
(a) Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation of:				
Plant & equipment (Note 14)	**7,554**	1,386	**7,554**	1,386
Provision – employee entitlements	**708**	991	**708**	991
Rental expense relating to operating lease	**21,680**	–	**21,680**	–
Net loss/(gain) on disposal of non-current assets:				
Investments	**(1,269)**	(2,760)	**(1,269)**	(2,760)
Plant and Equipment	**1,854**	–	**1,854**	–
4 Auditors' remuneration				
Audit or review of financial reports of the entity or any entity in the consolidated entity				
Auditors of the Company	**17,000**	13,800	**17,000**	13,800

5 Earnings per share

Classification of securities as ordinary shares

The consolidated entity has only one category of ordinary shares included in basic earnings per share.

Classification of securities as potential ordinary shares

Listed Options

The Listed options have not been included in the calculation of diluted earnings per share as they are not dilutive. Refer Note 18 (b).

	Consolidated	
	2003	2002
	$	$
Earnings reconciliation		
Basic earnings	**(591,267)**	(961,648)
Diluted earnings	**(591,267)**	(961,648)

	2003 Number	2002 Number
5 Earnings per share *continued*		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**91,098,610**	87,646,555
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	**91,098,610**	87,646,555

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
6 Taxation				
(a) Income tax expense				
Prima facie income tax calculated at 30% (2002: 30%) on the loss from ordinary activities	**(177,380)**	(288,494)	**(177,380)**	(325,157)
Increase in income tax expense due to:				
Legal costs	**–**	–	**–**	–
Provision for inter-group loan	**–**	–	**512**	355
Provision for Investments	**49,831**	–	**49,831**	–
Investments and loans written off	**–**	127,662	**–**	149,696
Entertainment	**446**	628	**446**	628
Exploration expenditure written off not deductible	**302**	–	**60**	–
Decrease in income tax expense due to:				
Income tax benefit not brought to account	**126,801**	160,205	**126,531**	174,479
	–	–	**–**	–
(b) Deferred tax assets				
Potential future income tax benefit not taken to account	**3,543,000**	3,371,415	**3,355,169**	3,198,854

The potential future income tax benefit will only be obtained if:

(i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and

(iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

7 Segment Reporting

Business segments

The consolidated entity operates in the following main business segments:

Administration comprises the day-to-day management of the activities of the Hillcrest Resources group.

Investments comprise investments in listed and unlisted entities.

Exploration comprises management of tenement holdings.

Geographical segments

The consolidated entity operates in one geographical segment being Australia.

	Primary Reporting Business Segments			
	Administration	Exploration	Investments	Total
	$	$	$	$
2003				
Revenue				
External segment revenue	35,377	–	15,467	50,844
Total segment revenue				50,844
Result				
Segment operating profit/loss	(425,424)	(1,008)	(164,835)	(591,267)
Net Loss				(591,267)
Depreciation and amortisation	(7,554)	–	–	(7,554)
Assets				
Segment assets	338,997	20,000	1,039,485	1,398,482
Total assets				1,398,482
Acquisitions of plant and equipment	21,932	–	–	21,932
Liabilities				
Segment liabilities	31,362	50,000	–	81,362
Total Liabilities				81,362

7 Segment Reporting *continued*

	Primary Reporting Business Segments			
	Administration	Exploration	Investments	Total
	$	$	$	$
2002				
Revenue				
External segment revenue	49,603	–	60,600	110,203
Total segment revenue				110,203
Result				
Segment operating loss	(523,891)	(14,977)	(422,780)	(961,648)
Net Loss				(961,648)
Depreciation and amortisation	1,386	–	–	1,386
Assets				
Segment assets	1,047,682	–	960,736	2,008,418
Total assets				2,008,418
Acquisitions of plant and equipment	33,563	–	–	33,563
Liabilities				
Segment liabilities	50,031	50,000	–	100,031
Total Liabilities				100,031

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
8 Cash assets				
Cash at bank and on hand	**4,194**	34,274	**4,194**	34,274
Bank short term deposits, maturing within 60 days and paying interest at a weighted average interest rate of 4.57% (2002: 4.16%)	**273,110**	938,327	**273,110**	938,327
	277,304	972,601	**277,304**	972,601

The above balance includes a $50,000 bond on deposit with the Queensland Department of Natural Resources and Mines. This is held as security against the tenements in the name of the controlled entity.

	Consolidated		Parent Entity	
9 Receivables				
Current				
Other debtors	**7,847**	28,642	**7,847**	28,642
Non current				
Loans to controlled entities	–	–	**944,632**	942,924
Less: Provision for doubtful debts	–	–	**(944,632)**	(942,924)
Other loans	**415,000**	415,000	**415,000**	415,000
Less: Provision for non-recovery	**(415,000)**	(415,000)	**(415,000)**	(415,000)
	–	–	–	–

In 2000 the Company had provided loans of $415,000 pursuant to an agreement with Australian Power & Energy Corporation Holdings Ltd (APEC) to fund the Esperance Power Project.

	Consolidated		Parent Entity	
10 Other financial assets				
Current				
Investments traded on organised markets				
Listed shares at cost	**244,726**	–	**244,726**	–
Less: Provision for diminution	**(15,804)**	–	**(15,804)**	–
	228,922	–	**228,922**	–
Total other financial assets	**228,922**	–	**228,922**	–

The Company's current investment in listed shares comprises of its holding in Hallmark Consolidated Limited (HLM). The market value of listed Hallmark Consolidated Limited shares as at 30 June 2003 was $228,922.

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
11 Other current assets					
Prepayments		15,656	14,262	15,656	14,262
12 Other financial assets					
Non Current					
Investments traded on organised markets					
Listed shares at cost		**1,135,068**	1,135,068	**1,135,068**	1,135,068
Less: Provision for diminution		**(333,468)**	(183,168)	**(333,468)**	(183,168)
		801,600	951,900	**801,600**	951,900
Other (non-traded) Investments					
Shares in controlled entity at cost	23	–	–	**2,432,611**	2,432,611
Less: Provision for diminution		–	–	**(2,432,611)**	(2,432,611)
Other investment		**8,963**	8,836	**8,963**	8,836
		8,963	8,836	**8,963**	8,836
Total other financial assets		**810,563**	960,736	**810,563**	960,736

The Company's investment in listed shares comprises of its holding in Environmental Infrastructure Limited (EIL). The market value of listed EIL shares as at 30 June 2003 was $801,600.

	Notes	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
13 Exploration expenditure					
Exploration costs carried forward in respect of mining areas of interest		**20,000**	–	**20,000**	–
		20,000	–	**20,000**	–
14 Plant and equipment					
Plant and equipment					
At cost		**45,343**	33,563	**45,343**	33,563
Accumulated depreciation		**(7,153)**	(1,386)	**(7,153)**	(1,386)
		38,190	32,177	**38,190**	32,177
Reconciliations					
Reconciliations of the carrying amounts for plant & equipment are set out below:					
Plant and equipment					
Carrying amount at beginning of year		**32,177**	–	**32,177**	–
Additions		**21,932**	33,563	**21,932**	33,563
Disposals		**(8,365)**	–	**(8,365)**	–
Depreciation (note 3(a))		**(7,554)**	(1,386)	**(7,554)**	(1,386)
Carrying amount at end of year		**38,190**	32,177	**38,190**	32,177

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
15 Payables				
Current				
Trade creditors	**451**	18,546	**451**	18,546
Other creditors and accruals	**29,212**	30,494	**29,212**	30,494
	29,663	49,040	**29,663**	49,040
16 Provisions				
Current				
Employee entitlements	**1,699**	991	**1,699**	991
Rehabilitation	**50,000**	50,000	**50,000**	50,000
	51,699	50,991	**51,699**	50,991

	Parent Entity 2003 $	Parent Entity 2002 $
17 Contributed equity		
Issued and paid-up share capital		
91,098,610 (2002: 91,098,610) ordinary shares, fully paid	**14,370,734**	14,370,734
(a) Movements in ordinary share capital		
Balance at the beginning of year	**14,370,734**	13,885,434
Shares issued		
Nil (2002: 10,000,000) for cash	–	500,000
Transaction costs arising from issue for cash	–	(14,700)
Balance at end of year	**14,370,734**	14,370,734

No shares were issued during the year (2002: 10,000,000 shares were issued in October and November 2001).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Options

(i) Movements in issued listed options of the Company during the last two years were as follows:

Date	Details	Number of options
10.04.01	Issue of options	40,548,836
30.04.01	Issue of options	38,648,836
02.05.01	Exercise of options	(938)
16.10.01	Issue of options	6,000,000
30.11.01	Issue of options	4,000,000
30.06.03	Closing balance	89,196,734

Listed options are exercisable at 20 cents each and expire 31 January 2005.

17 Contributed equity *continued*

(ii) Movements in issued unlisted options during the last two years were as follows:

Date	Details	Number of options
01.07.00	Opening balance	1,900,000
30.06.02	Expiry of options	(1,900,000)
30.06.03	Closing balance	–

Unlisted options were exercisable at 20 cents each and expired 30 June 2002.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
18 Reserves				
Option Premium	**345,140**	345,140	**345,140**	345,140
Movements during the year				
(a) Option premium				
Balance at beginning of year	**345,140**	345,140	**345,140**	345,140
Options issued at a premium	**–**	–	**–**	–
Balance at end of year	**345,140**	345,140	**345,140**	345,140

(b) Nature and purpose of reserve

Amounts are credited to the option premium reserve to reflect consideration received for options granted. On the exercise of these options, the related balance in the option premium reserve will be transferred to share capital.

	Consolidated		Parent Entity	
19 Accumulated losses				
Accumulated losses at beginning of year	**(12,807,487)**	(11,845,839)	**(12,807,487)**	(11,723,629)
Net loss attributable to members of the parent entity	**(591,267)**	(961,648)	**(591,267)**	(1,083,858)
Accumulated losses at the end of the year	**(13,398,754)**	(12,807,487)	**(13,398,754)**	(12,807,487)

20 Financial instruments disclosure

(a) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate %	Floating interest rate $	Non-interest bearing $	Total $
2003					
Financial Assets					
Cash at bank	8	**1.15%**	**3,944**	**250**	**4,194**
Interest bearing deposits	8	**4.57%**	**273,110**	**–**	**273,110**
Investments	10,12	**–**	**–**	**1,039,485**	**1,039,485**
Receivables	9	**–**	**–**	**7,847**	**7,847**
			277,054	**1,047,582**	**1,324,636**
Financial Liabilities					
Payables	15	**–**	**–**	**29,663**	**29,663**
			–	**29,663**	**29,663**
2002					
Financial Assets					
Cash at bank	8	1.15%	34,024	250	34,274
Interest bearing deposits	8	4.16%	938,327	–	938,327
Investments	12	–	–	960,736	960,736
Receivables	9	–	–	28,642	28,642
			972,351	989,628	1,961,979
Financial Liabilities					
Payables	15	–	–	49,040	49,040
			–	49,040	49,040

20 Financial instruments disclosure *continued*

	Consolidated			
	2003		2002	
	Carrying amount	**Net fair value**	**Carrying amount**	**Net fair value**
	$	$	$	$
(b) Net fair values of financial assets and liabilities				
Net fair values				
Recognised financial instruments				
The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:				
Financial assets				
Cash assets	**4,194**	**4,194**	34,274	34,274
Interest bearing deposits	**273,110**	**273,110**	938,327	938,327
Receivables	**7,847**	**7,847**	28,642	28,642
Investments:				
Other entities – listed	**1,030,522**	**1,030,522**	951,900	951,900
Other	**8,963**	**8,963**	8,836	8,836
Financial liabilities				
Payables	**29,663**	**29,663**	49,040	49,040

Cash assets and listed shares in other corporations are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

(c) Credit risk

The credit risk on financial assets of the consolidated entity, other than investments in shares, is generally the carrying amount recognised on the statement of financial position.

21 Commitments

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times.

	Consolidated		Parent Entity	
	2003	2002	2003	2002
	$	$	$	$
Exploration commitments not provided for in the financial report payable:				
Not later than one year	**35,000**	–	**35,000**	–

Non cancellable operating lease expense commitments

Future operating Lease commitments not provided for in the financial statements and payable:				
Not later than one year	**21,880**	–	**21,880**	–

The consolidated entity leases property under a non-cancellable operating lease expiring within a year.

22 Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2003.

	Country of Incorporation	% of Equity Interest 2003	% of Equity Interest 2002
23 Investment in controlled entity			
Particulars in relation to controlled entity			
Controlled entity			
Cuprifex Mining NL	Australia	**100**	100

	Note	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
24 Notes to the statements of cash flows					
(a) Reconciliation of cash					
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial positions as follows:					
Cash assets	8	**277,304**	972,601	**277,304**	972,601
(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities					
Loss from ordinary activities after income tax		**(591,267)**	(961,848)	**(591,267)**	(961,848)
Less items classified as investing/financing activities:					
(Gain)/loss on sale of non-current assets		**585**	(2,760)	**585**	(2,760)
Add non-cash items:					
Provision for diminution in the value of investments		**166,104**	183,168	**166,104**	183,168
Diminution in value of investments and receivables in controlled entities		**–**	–	**1,708**	1,183
Depreciation		**7,554**	1,386	**7,554**	1,386
Investments written off		**–**	165,189	**–**	165,189
Provision for rehabilitation		**–**	50,000	**–**	50,000
Provision for diminution in investment in associates		**–**	76,553	**–**	150,000
Share of associates' net loss		**–**	–	**–**	–
Exploration expenditure written off		**1,008**	14,977	**200**	13,457
Net cash provided by operating activities before change in assets and liabilities		**(416,016)**	(522,505)	**(415,116)**	(521,605)
Change in assets and liabilities:					
(Increase)/decrease in prepayments		**(1,394)**	(4,629)	**(1,394)**	(4,629)
(Increase)/decrease in trade debtors		**19,535**	(1,078)	**19,535**	(2,315)
Increase/(decrease) in accounts payable		**(19,377)**	16,217	**(19,377)**	16,217
Increase/(decrease) in provisions		**708**	991	**708**	991
Net cash used in operating activities		**(416,544)**	(511,004)	**(415,644)**	(511,341)

25 Directors' remuneration

Directors' income

	Parent Entity 2003 $	Parent Entity 2002 $
The number of Directors of the Company whose income from the Company or any related party falls within the following bands:		
$ 0 – $ 9,999	**1**	1
$ 30,000 – $ 39,999	**–**	2
$ 40,000 – $ 49,999	**–**	3
$ 50,000 – $ 59,999	**1**	–
$ 80,000 – $ 89,999	**1**	–
$100,000 – $109,999	**–**	1
$110,000 – $119,999	**1**	–

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
Total income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the Company, directly or indirectly, from the entity or any related party.	**294,641**	319,734	**294,641**	317,534

26 Related parties

Directors

The names of each person holding the position of Director of Hillcrest Resources Limited during the financial year are Messrs A R Van Noort, I D Allen, R R Hancock and A H Boys (resigned 27 November 2002).

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Transactions of directors and director-related entities concerning shares or share options

Aggregate number of shares and share options of the Company held directly, indirectly or beneficially by directors of the Company or their director-related entities at year end are set out below:

	2003 Number held ordinary shares	2003 Number held option to purchase shares	2002 Number held ordinary shares	2002 Number held option to purchase shares
A R Van Noort	**17,520,860**	**10,721,669**	14,147,695	10,571,669
I D Allen	**15,031,068**	**9,000,000**	10,310,971	9,000,000
R R Hancock	**3,700,000**	**750,000**	3,700,000	500,000
A H Boys	**–**	**–**	600,000	800,000

During the year 12,810,404 (2002: 11,824,244) shares were purchased and 5,047,142 (2002: 1,407,706) shares were sold in aggregate by Directors and their director related entities. During the year 400,000 (2002: 6,046,088) listed options were purchased and 800,000 (2002: 4,542,008) listed options were sold in aggregate by Directors and their director related entities.

26 Related Parties *continued*

Other Transactions with Directors' and director related entities

The following transactions are based on commercial terms and conditions.

A Director of the Company, Mr A R Van Noort, has an interest as a director in Sterling Securities Pty Ltd, which provides management consulting services to the Company.

A Director of the Company, Mr I D Allen, provides management consulting services to the Company.

A Director of the Company, Mr R R Hancock, has an interest in Hancock Management Services, which provides management consulting services to the Company.

A former Director of the Company, Mr A H Boys, has an interest in Hotel & Leisure Advisory Pty Ltd, which provided management consulting services to the Company.

The value of the transactions during the year with Directors and their director related entities (as included in Directors remuneration Note 25) were as follows:

		Consolidated		Parent Entity	
		2003	2002	2003	2002
		$	$	$	$
A R Van Noort	Sterling Securities Pty Ltd	**82,783**	75,900	**82,783**	75,900
I D Allen		**51,750**	13,500	**51,750**	13,500
R R Hancock	Hancock Management Services	**22,497**	31,530	**22,497**	31,530
A H Boys	Hotel & Leisure Advisory Pty Ltd	**–**	15,400	**–**	15,400

There are no other amounts payable to Directors and their director related entities at balance date arising from these transactions with the consolidated entity.

Wholly owned group

Details of interest in wholly owned controlled entities are set out in Note 23. Details of these dealings are set out below.

Loans

Loans between entities in the wholly owned group are non-interest bearing, unsecured and are repayable upon reasonable notice having regard to the financial stability of the company.

	Parent Entity	
	2003	2002
	$	$
Balances with entities in the wholly-owned group		
Receivable – non current	**944,632**	942,924
Provision for non recovery	**(944,632)**	(942,924)

Controlling Entities

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

	Consolidated 2003 $	Consolidated 2002 $	Parent Entity 2003 $	Parent Entity 2002 $
27 Employee Entitlements				
Employee entitlement liabilities				
Provision for employee entitlements				
Current (Note 16)	**1,699**	991	**1,699**	991
Employee numbers				
	Number		**Number**	
Number of employees at year end	**1**	1	**1**	1

28 Events subsequent to balance date

In July 2003, the Company was issued with 1,476,919 shares in Batavia Mining Limited, following a distribution in specie from Hallmark Consolidated Limited, by way of a capital reduction; refer to Review of operations pages 2 to 3.

1 The Directors of Hillcrest Resources Limited declare that the financial statements and notes set out in pages 11 to 32;

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date.

In the directors' opinion

(a) the financial statements and notes are in accordance with the Corporations Act 2001 and;

(b) 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:

Alan Van Noort
Chairman
Perth
12th September 2003

AUDIT OPINION

In our opinion, the financial report of Hillcrest Resources Limited:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Hillcrest Resources Limited and the Hillcrest Resources Limited Group (defined below) as at 30 June 2003 and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Hillcrest Resources Limited (the Company) and the Hillcrest Resources Limited Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers
Perth, 12 September 2003

David Smith
Partner

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 22nd September 2003)

Substantial shareholders

Substantial holders in the Company are set out below:

Shareholder	Number	Percentage
Lomp Pty Ltd	17,520,860	19.23
Lanzerac Nominees Pty Ltd	15,301,068	16.80

Class of shares and voting rights

(a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

On-market buy-back

There is no current on-market buy-back.

Distribution of equity securities

Category	Ordinary Shares	Options
1 – 1,000	196	25
1,001 – 5,000	365	118
5,001 – 10,000	287	52
10,001 – 100,000	539	117
100,001 – and over	96	66
	1,483	378

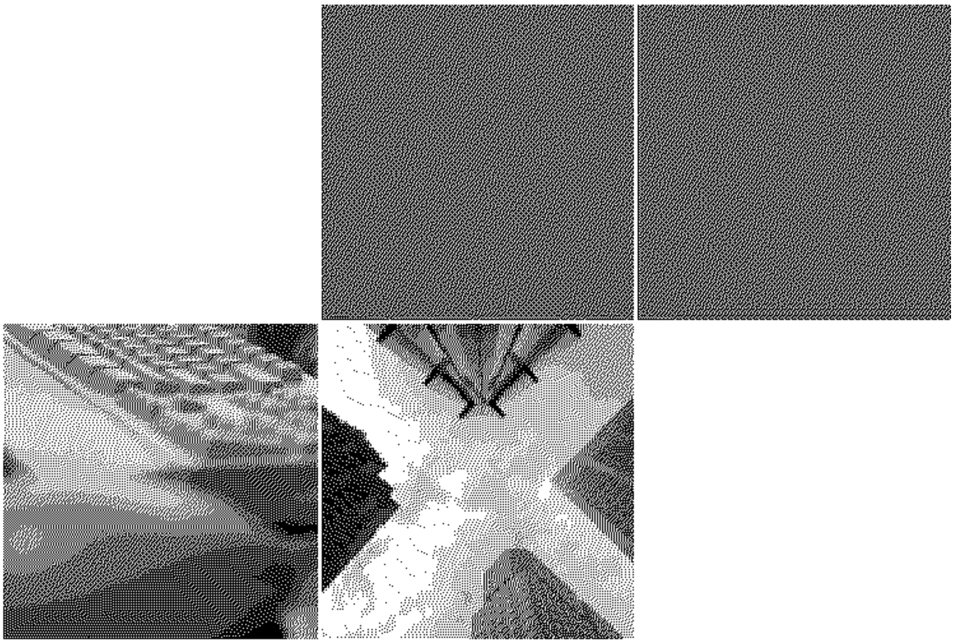
The number of shareholders holding less than a marketable parcel is 915.

Twenty largest shareholders [as at 22nd September 2003]

Name	Number of held ordinary shares	Percentage of ordinary shares held
Lomp Pty Ltd	17,520,860	19.23%
Lanzerac Nominees Pty Ltd	15,301,068	16.80%
T & A Holdings Pty Ltd	3,000,000	3.29%
Ms Catherine Joan Byrne	2,447,142	2.69%
Mr Angus Michael Edgar	2,140,585	2.35%
Goldmedal Nominees Pty Ltd	2,080,000	2.28%
ICC Management Services Pty Ltd	2,000,000	2.20%
Kingsbury Nominees Pty Ltd	1,700,000	1.87%
Tolhurst Noall Nominees Pty Ltd	1,338,324	1.47%
Mr Scott Goodheart	1,300,000	1.43%
Solomon Fiduciary Nominees Pty Ltd	950,000	1.04%
Sunvest Corporation Limited	949,591	1.04%
Mr Andrew Francis Sellenger	617,164	0.68%
Mr Peter Terrence Christianopoulos	614,167	0.67%
Mr Roger Sydney Sawyer	600,000	0.66%
Mr Wayne Douglas Callaghan	500,000	0.55%
Yandal Investments Pty Ltd	466,667	0.51%
Carringbush Enterprises Pty Ltd	400,000	0.44%
J Poynter Holdings Pty Ltd	400,000	0.44%
Mandevilla Pty Ltd	400,000	0.44%
	54,725,568	60.08%

Twenty largest optionholders [as at 22nd September 2003]

Name	Number of options held	Percentage of options held
Mungala Investments Pty Ltd	16,500,553	18.50%
Lomp Pty Ltd	10,721,659	12.02%
Lanzerac Nominees Pty Ltd	9,000,000	10.09%
Fidelity & Security Nominees Pty Ltd	7,400,000	8.30%
Vargas Holding Pty Ltd	5,045,000	5.66%
Ms Janet Elizabeth White	2,700,000	3.03%
Jarramount Pty Ltd	2,140,537	2.40%
Edenkey Nominees Pty Ltd	2,100,000	2.35%
Lawrence Crowe Consulting Pty Ltd	2,000,000	2.24%
Ms Liliana Teofilova	2,000,000	2.24%
Paso Holdings Pty Ltd	1,666,950	1.87%
Mr Sigurdur Gustafsson	1,600,000	1.79%
Parkrange Pty Ltd	1,593,601	1.79%
Mr Peter Cecil Langsford	1,500,000	1.68%
Rev Resources NL	1,500,000	1.68%
Mr Hulmut Rocker	1,200,000	1.35%
Mrs Sue Purser	1,000,000	1.12%
Piccola Pty Ltd	900,000	1.01%
Robinson Corp Pty Ltd	846,162	0.95%
Ms Catriona Tuite	600,000	0.67%
	72,014,462	80.74%



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