

Golden Cross Resources Ltd

ABN 65 063 075 178

Half Year Report

31 December 2002

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Company Particulars

Directors:	Erwin Clayton, BCom, FCPA, FICS, FAICD <i>Chairman</i>
	Kerry McHugh, BCom (Hons) <i>Non-executive Director</i>
	Daven Timms, BSc.LLB (Hons), ASIA, MAusIMM, AMPLA <i>Executive Director</i>
Company Secretary:	Daven Timms, BSc.LLB (Hons), ASIA, MAusIMM, AMPLA
Principal and Registered Office:	22 Edgeworth David Avenue Hornsby NSW 2077
Share Register:	Registries Limited Level 2 28 Margaret Street Sydney NSW 2000
Auditor:	PricewaterhouseCoopers Chartered Accountants 201 Sussex Street Sydney NSW 1171
Solicitors:	Allens Arthur Robinson The Chifley Tower 2 Chifley Square Sydney NSW 2000
Bankers:	Westpac Banking Corporation 60 Martin Place Sydney NSW 2000
Stock Exchange Listing:	Golden Cross Resources Ltd's shares are quoted on the Australian Stock Exchange (Listing code GCR)

Directors' Report

Your Directors present their report on the consolidated entity consisting of Golden Cross Resources Ltd and the entity it controlled at the end of, or during, the half-year ended 31 December 2002.

Directors

The following persons were Directors of Golden Cross Resources Ltd ("GCR") during the whole of the half-year and up to the date of this report.

Kerry McHugh
Daven Timms

Erwin Clayton was appointed as a Director and Chairman on 14 October 2002 and continues to be in office at the date of this report.

Lex Hansen was a Director and Chairman from the beginning of the financial year until his resignation on 11 October 2002.

Daven Timms announced his retirement as director effective 31 March 2003.

The office of Managing Director, held by David Timms, was automatically vacated after the AGM on 27 November 2002. David, having attained the age of 72, should have been re-elected at that AGM under section 201C of the Corporations Act. This fact was discovered by Directors on 26 February 2003. The Directors intend to call a General Meeting as soon as possible to have David re-elected as a Director and re-appointed to the position of Managing Director. In the meantime David is working for the Company under the title of General Manager.

Review of Operations

The consolidated loss of the consolidated entity for the six months to 31 December 2002, after providing for income tax, was \$307,776 (2001: \$173,457 loss). The results for the half year were affected by the disposal of the Company's 5% share in the Challenger Mining Lease with a carrying value of \$106,988.

The Company continued its principal activity of minerals exploration, principally for gold in New South Wales.

During the six months ended 31 December 2002 the Company:

- Entered into a farm-in and joint venture arrangement with Falcon Minerals over GCR's Cargo property; and
- Successfully implemented a Share Purchase Plan, in which 320 shareholders subscribed for over \$1.25 million worth of shares in the Company.

GCR wholly-owns all of its mineral properties, with the exception of the Challenger Mining Lease, in which GCR holds a 95% interest.

Rounding of Amounts to the Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' reports and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.

Kerry McHugh, Director

Daven Timms, Director

14 March 2003, Sydney

Consolidated statement of financial performance
For the half-year ended 31 December 2002

	Notes	HALF YEAR	
		2002 \$'000	2001 \$'000
Revenue from ordinary activities		65	19
Carrying amount of disposal of share in joint venture		(107)	-
Other expenses from ordinary activities		(266)	(192)
Loss from ordinary activities before income tax expense		308	173
Income tax attributable to operating loss		-	-
Loss from ordinary activities after income tax expense		308	173
Total changes in equity other than those resulting from transactions with owners as owners		308	173
Basic earnings per share	3	(0.30)	(0.22)
Diluted earning per share		(0.30)	(0.22)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 31 December 2002

	Notes	31 December 2002 \$'000	30 June 2002 \$'000
Current Assets			
Cash Assets		775	801
Other		337	349
Total Current Assets		1,112	1,150
Non-Current Assets			
Property, Plant and Equipment		314	333
Exploration and Evaluation Expenditure		14,100	13,876
Mine Properties		2,514	1,920
Intangible Assets		10	12
Total Non-Current Assets		16,938	16,141
Total Assets		18,050	17,291
Current Liabilities			
Payables		54	331
Non Interest Bearing Liabilities-Convertible Note	6	300	-
Provisions		39	26
Total Current Liabilities		393	357
Non-Current Liabilities			
Provisions		170	174
Total Non-Current Liabilities		170	174
Total Liabilities		563	531
Net Assets		17,487	16,760
EQUITY			
Contributed Equity		19,004	17,969
Reserves		1,792	1,792
Retained Losses		(3,309)	(3,001)
TOTAL EQUITY		17,487	16,760

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows
For the half-year ended 31 December 2002**

	HALF YEAR	
	2002	2001
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(147)	(78)
Interest received	12	16
Other	53	4
Net cash outflow from operating activities	<u>(82)</u>	<u>(58)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of interest in joint venture	300	-
Proceeds from redemption exploration lease deposit	10	-
Payments for exploration and evaluation	(1,050)	(574)
Payments for Plant and Equipment	(6)	-
Net cash outflow from investing activities	<u>(746)</u>	<u>(574)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of shares	809	575
Share issue costs	(7)	-
Net cash inflow from financing activities	<u>802</u>	<u>575</u>
NET DECREASE IN CASH HELD	(26)	(57)
Cash at beginning of reporting period	<u>801</u>	<u>656</u>
CASH AT THE END OF THE REPORTING PERIOD	<u>775</u>	<u>599</u>

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

Notes to the Consolidated Financial Statements For the half-year ended 31 December 2002

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORTS

This general purpose financial report for the interim half-year reporting period ended 31 December 2002 has been prepared in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2002 and any public announcements made by Golden Cross Resources Ltd during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. EARNINGS PER SHARE

	HALF YEAR	
	2002 Cents	2001 Cents
Basic earning per share	(0.30)	(0.22)
Diluted earnings per share	(0.30)	(0.22)

	HALF YEAR	
	2002 No of Shares	2001 No of Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	103,344,098	79,292,662
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share:	103,344,098	79,292,662

	HALF YEAR	
	2002 \$'000	2001 \$'000
Loss used in calculating basic earnings per share:	308	173
Loss used in calculating diluted earnings per share:	308	173

3. LOSS FROM ORDINARY ACTIVITIES

HALF YEAR	
2002	2001
\$'000	\$'000

Loss from ordinary activities includes the following items of expense which, together with other disclosures in this report, are relevant in explaining the financial performance for the half-year:

Carrying value of disposal of 5% share in Challenger Mining Lease	107	-
Exploration expenditure capitalised	646	636
Exploration expenditure written off	-	(87)

4. EQUITY SECURITIES ISSUED

	HALF YEAR		HALF YEAR	
	2002	2001	2002	2001
	Shares	Shares	\$'000	\$'000
Shares and options issued via private placement	5,589,475	10,000,000	370	606
Shares issued via Shareholder Purchase Plan	7,839,376	-	439	-
Shares issued to Directors and employees in lieu of fees	1,074,276	1,010,588	69	79
Shares issued to vendors of access rights	300,000	-	30	-
Shares issued to contractors in lieu of cash	1,456,327	940,646	134	62

5. SEGMENT INFORMATION

The economic entity operates predominantly in the one industry and in one geographical area, namely Australian mineral exploration and evaluation.

6. NON INTEREST BEARING LIABILITY – CONVERTIBLE NOTE

On 5 June 2002 GCR subsidiary Challenger Gold Limited (CGL) farmed out a 5% interest in the Challenger Mining Lease, which contains the Challenger and Challenger Extended gold deposits, thereby forming the Challenger Joint Venture (95% CGL and 5% Investor Group). The Investor Group's interest is free carried to the date of first commercial production from the project. The Investor Group has an option to put its 5% interest to GCR for \$300,000 worth of GCR shares if commercial production has not commenced by 5 June 2003 and is regarded as a convertible note.

GCR has a call option over the 5% interest for \$1.0 million exercisable between 12 months and 3 years after 5 June 2002.

7. EVENTS OCCURRING AFTER REPORTING DATE

On 15 January 2003 the Company entered into a farm-in and joint venture agreement over the Sipa-GCO Broken Hill Joint Venture with Gravity Capital. The Company presently has six active farm-in and joint venture arrangements in place.

In January 2003 the Company issued 14,571,962 shares at 5.7 cents per share under the Golden Cross Resources Share Purchase Plan raising approximately \$800,000. The plan was closed on 17 January 2003, raising a total of approximately \$1.25 million.

Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 6 to 11:

- (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 consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-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 Golden Cross Resources Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Kerry McHugh, Director

Daven Timms, Director

14 March 2003, Sydney

Independent review report to the members of

Golden Cross Resources Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, set out on pages 6 to 12 is not presented in accordance with:

- the *Corporations Act 2001* in Australia, including giving a true and fair view of the financial position of the Golden Cross Resources Limited Group (defined below) as at 31 December 2002 and of its performance for the half-year ended on that date
- Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the half-year ended 31 December 2002 is the responsibility of the directors of Golden Cross Resources Limited. It includes the financial statements for the Golden Cross Resources Limited Group (the Group), which incorporates Golden Cross Resources Limited (the Company) and the entities it controlled during the half-year ended 31 December 2002.

The auditor's role and work

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investments Commission. Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory professional reporting requirements in Australia, and the *Corporations Regulations 2001*, which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of company personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Audit procedures are designed to give the auditor a reasonable expectation of detecting material misstatement in the financial report but there remains a risk that material misstatements may not be detected. This is particularly so if there is fraud involving sophisticated and carefully organised schemes designed to conceal it.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers

Peter Buchholz
Partner

Sydney
14 March 2003