

**JINDALEE RESOURCES LIMITED**

**STATUTORY FINANCIAL STATEMENTS**

**30 JUNE 2003**

**DIRECTORS' REPORT**

The Directors present their report of Jindalee Resources Limited for the year ended 30 June 2003.

**DIRECTORS**

The following persons were directors of Jindalee Resources Limited during the whole of the financial year and up to the date of this report:

Lindsay George Dudfield  
Mark Richard Scott  
Donald Ross Kennedy

**PRINCIPAL ACTIVITIES**

The principal activity during the year of Jindalee Resources Limited was mineral exploration. During the year there was no change in the nature of this activity.

**FINANCIAL RESULTS**

The loss of the Company after providing for income tax for the year ended 30 June 2003 was \$270,989. (2002: \$33,744)

**DIVIDENDS**

No dividends have been paid or declared since the end of the previous financial year, and no dividends have been recommended by the Directors.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There has been no significant change in the state of affairs of the company during the year, other than the company obtaining listing on the Australian Stock Exchange on 11 July 2002.

**REVIEW OF OPERATIONS**

The details of the Company's exploration activities during the year are included within the Review of Activities section of the Annual Report.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Company in future financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

The Directors are not aware of any developments that might have a significant effect on the operations of the Company in subsequent financial years not already disclosed in this report.

**INFORMATION ON DIRECTORS**

<b>Name</b>	<b>Director's Experience</b>	<b>Special Responsibilities</b>
Mr Donald Ross Kennedy BSc (Hons)	Mr Kennedy is a qualified geologist with 40 years experience in gold and base metals exploration, both in Australia and overseas. As Managing Director, then Exploration Director, of Resolute Limited he was the leader of one of the most successful exploration teams in Australia leading to the development of gold mines at Marymia, Chalice, Higginsville and Challenger in Australia and Nkran and Golden Pride in Africa. Fellow of the AusIMM and member of the AIG, GSA, MICA and AICD.	Chairman Non-executive Director
Mr Lindsay George Dudfield BSc	Mr Dudfield is a qualified geologist with 24 years experience exploring for gold and base metals in Australia and overseas, including close involvement with a number of greenfields discoveries. Member of the AusIMM, SEG, AIG and GSA. Director for 7 years.	Managing Director
Mr Mark Richard Scott MSc, MCom (Hons)	Mr Scott has an investment banking and corporate finance background. Director for 2 years.	Non-executive Director

**DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY**

The particulars of Directors' interest in shares and options are as at the date of this report.

	<b>Ordinary Shares</b>	<b>25¢ Options Expiring 30/06/05</b>	<b>35¢ Options Expiring 30/06/07</b>
D R Kennedy	32,000	16,000	500,000
L G Dudfield	1,612,249	565,000	1,000,000
M R Scott	2,721,053	1,360,553	500,000

**MEETINGS OF DIRECTORS**

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2003 and the numbers of meetings attended by each Director.

	<b>Number Held Whilst in Office</b>	<b>Number Attended</b>
D R Kennedy	3	3
L G Dudfield	3	3
M R Scott	3	2

As at the date of this report, the Company did not have an Audit Committee of the Board of Directors. The Directors have not formed an Audit Committee as they consider one inappropriate for the current size and state of development of the Company.

**DIRECTORS' AND EXECUTIVES' EMOLUMENTS**

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is that Directors are to be paid consulting fees at commercial rates for professional services performed. No board member is entitled to receive directors' fees at present.

Details of the nature and amount of each element of the emoluments of each director of Jindalee Resources Limited are set out in the following tables.

**Non-Executive Directors of Jindalee Resources Limited**

<b>Name</b>	<b>Salary \$</b>	<b>Consulting Fees \$</b>	<b>Options \$</b>	<b>Total \$</b>
D R Kennedy	-	30,300	3,119	33,419
M R Scott	-	-	3,119	3,119

**Executive Directors of Jindalee Resources Limited**

<b>Name</b>	<b>Salary \$</b>	<b>Consulting Fees \$</b>	<b>Options \$</b>	<b>Total \$</b>
L G Dudfield	-	101,076	6,239	107,315

The Company Secretary, Mr R.G Ledger, received remuneration of \$3,310 for the year to 30/06/03.

**DIRECTORS AND OFFICERS INSURANCE**

Jindalee Resources Limited has directors and officers insurance current for the period 10/01/2003 to 10/01/2004.

## SHARE OPTIONS

The details of the options on issue by the Company is as follows:

	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Quoted	8,073,971	25 cents	30 June 2005
Unquoted	2,150,000	35 cents	30 June 2007

## ENVIRONMENTAL REGULATION

The Company is subject to significant environmental regulation in respect of its exploration activities. Tenements in Western Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the State Mining Engineer, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Minerals & Petroleum Resources.

Jindalee Resources Limited conducts its exploration activities in an environmentally sensitive manner and the Company is not aware of any breach of statutory conditions or obligations.


## PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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

27<sup>th</sup> day of August 2003 at Perth, Western Australia



L G DUDFIELD  
Managing Director.

## **CORPORATE GOVERNANCE STATEMENT**

It is the responsibility of the Board of Directors of Jindalee Resources Limited to monitor the business affairs of the Company and to protect the rights and interests of the shareholders. The corporate governance practices in place throughout the reporting period ended 30 June 2003 have aimed to ensure the implementation of a strategic business plan and an integrated framework of accountability over the Company's resources, functions and assets. These practices are summarised below:

### **COMPOSITION OF THE BOARD OF DIRECTORS**

The current Board of Jindalee Resources Limited consists of one executive director and two non-executive directors.

### **MEMBERSHIP OF THE BOARD OF DIRECTORS**

Given the small size of the Company and its current Board, the Board has not maintained a formal Nomination Committee. The Board as a whole is responsible for establishing the criteria for board membership, nominating directors and the review of board membership.

The composition of the Board is determined ensuring that there is an appropriate combination of corporate and operational expertise and qualifications. The performance of directors is reviewed by the Board on a continuous basis, taking into consideration their ability to meet the expectations of the Board and to implement the strategies and operating plans formulated by the Board.

At every Annual General Meeting one third of the Directors (excluding the Managing Director) must retire and sit for re-election.

### **INDEPENDENT PROFESSIONAL ADVICE**

The Directors may, in fulfilling their duties, obtain independent professional advice at the Company's expense, however prior notification by the Director to the Board is required.

### **REMUNERATION OF DIRECTORS**

The review of compensation arrangements for all the Directors is the responsibility of the Board as a whole. The Board is also responsible for the review of incentive and share option schemes, superannuation plans, retirement and termination entitlements, Fringe Benefits Tax policies and professional indemnity and liability insurance policies. The Board has access to industry surveys and compensation of similar companies in order to determine the appropriate current market standards.

### **NOMINATION OF AUDITORS AND REVIEW OF AUDIT ARRANGEMENTS**

The nomination of external auditors is the responsibility of the Board of Directors as a whole.

The Board ensures the establishment of an effective internal control framework within the Company to safeguard the Company's assets, maintain proper accounting records and ensure the reliability of financial information compiled by the Company.

The Board receives regular reports from external auditors and ensures that the annual financial report and external reports are prepared within the guidelines of statutory requirements.

### **MANAGING BUSINESS RISKS**

The Board meets regularly to evaluate and monitor possible areas of operational and financial business risks to the Company.

The Board ensures that activities performed by the Company follow a criteria set by budgets, operating plans and strategic plans.

**ETHICAL STANDARD**

The Board requires that the Directors and staff of the Company administer a high ethical standard at all times. The Directors are members of their appropriate professional bodies and abide by the ethical standards espoused in their by-laws and standards.

Directors and staff of Jindalee Resources Limited are not permitted to engage in trading of the Company's shares during a period when they are in possession of price sensitive information which is not currently available to the market. This includes the period leading up to the release of periodic reports.

**THE ROLE OF SHAREHOLDERS**

The Board of Jindalee Resources Limited endeavours to ensure that shareholders are informed of all the activities affecting the Company. Information is conveyed to shareholders via the annual report, quarterly reports and other announcements which are also delivered to the Australian Stock Exchange and posted on the Company's website (<http://www.jindalee.net>). Hard copies of this information are available on request.

The Board encourages the attendance and participation of shareholders at the Annual General Meeting and specially convened General Meetings by holding those meetings in a location accessible by a large number of shareholders.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
Revenue from ordinary activities	2	113,954	11,284
Employee benefits expense		(73,455)	-
Depreciation expense		(9,019)	-
Exploration expenditure written off		(160,153)	(20,575)
Tenancy and operating expenses		(62,631)	-
Other expenses from ordinary activities	3	(79,685)	(24,453)
<b>Loss from ordinary activities before related income tax expense</b>		(270,989)	(33,744)
Income tax expenses relating to ordinary activities	4		
<b>Loss from ordinary activities after income tax</b>		(270,989)	(33,744)
Total changes in equity other than those resulting from transactions with owners as owners		(270,989)	(33,744)

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

**JINDALEE RESOURCES LIMITED****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003**

	Note	2003 \$	2002 \$
<b>CURRENT ASSETS</b>			
Cash assets	15	1,985,962	2,659,395
Receivables	6	15,556	13,071
<b>Total Current Assets</b>		<b>2,001,518</b>	<b>2,672,466</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	39,736	33,812
Exploration, evaluation, and development expenditure	8	658,444	420,505
<b>Total Non-Current Assets</b>		<b>698,180</b>	<b>454,317</b>
<b>TOTAL ASSETS</b>		<b>2,699,698</b>	<b>3,126,783</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	12,646	238,389
Provisions	10	1,603	
<b>Total Current Liabilities</b>		<b>14,249</b>	<b>238,389</b>
<b>TOTAL LIABILITIES</b>		<b>14,249</b>	<b>238,389</b>
<b>NET ASSETS</b>		<b>2,685,449</b>	<b>2,888,394</b>
<b>EQUITY</b>			
Contributed Equity	11	2,993,407	2,925,362
(Accumulated losses)	22	(307,958)	(36,968)
<b>TOTAL EQUITY</b>	12	<b>2,685,449</b>	<b>2,888,394</b>

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	2003 \$	2002 \$
		Inflows (Outflows)	Inflows (Outflows)
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		10,000	10,574
Cash payments in the course of operations		(255,589)	(55,438)
Interest received		101,469	710
<b>Net cash provided by / (used in) operating activities</b>	15	<u>(144,120)</u>	<u>(44,154)</u>
<b>Cash flows from investing activities</b>			
Payments for exploration, evaluation and development expenditure		(398,094)	(127,726)
Payments for property, plant & equipment		(14,944)	-
<b>Net cash provided by / (used in) investing activities</b>		<u>(413,038)</u>	<u>(127,726)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares and options		68,047	2,682,457
Share issue costs		-	(160,404)
Proceeds from borrowings		-	309,222
Loan repaid to associated entity		(184,322)	-
<b>Net cash provided by / (used in) financing activities</b>		<u>(116,275)</u>	<u>2,831,275</u>
<b>Net increase / (decrease) in cash held</b>		<u>(673,433)</u>	<u>2,659,395</u>
<b>Cash at the beginning of the financial year</b>		2,659,395	-
<b>Cash at the end of the financial year</b>	15	<u><u>1,985,962</u></u>	<u><u>2,659,395</u></u>

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2003**

**1. SUMMARY OF ACCOUNTING POLICIES**

In order to assist in the understanding of the accounts, the following summary explains the material accounting policies that have been adopted in the preparation of the accounts.

(a) Basis of Accounting.

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

Unless otherwise stated, policies adopted in the preparation of the financial report are consistent with those of the previous year.

(b) Depreciation of Property, Plant and Equipment

Depreciation is calculated on the diminishing value and prime cost methods and is brought to account over the estimated economic lives of all buildings, plant and equipment. The rates used are based on the useful life of the assets and range from 13.5% to 100%.

(c) Income Tax

The company adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit/(loss) before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit/(loss) before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

(d) Investments

Shares held as current assets in companies quoted on prescribed stock exchanges have been valued at the lower of cost or market value. Shares held as non-current assets acquired as investments are valued at cost except where, in the opinion of the Directors, there has been a permanent increase or diminution in value.

(e) Exploration and Development Costs

The company's policy with respect to exploration and development cost is to use the area of interest method. Under this method exploration and development costs are carried forward on the following basis:

- i) Each area of interest is considered separately when deciding whether, and to what extent, to carry forward or write off exploration, evaluation and development costs.
- ii) Exploration and development costs related to an area of interest are carried forward provided that rights to tenure of the area of interest are current and that one of the following conditions is met:
  - such development costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
  - exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and development costs accumulated in respect of each particular area of interest include only net direct expenditure.

(f) Cash

For the purposes of the statement of cash flows, cash includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(g) Recoverable Amount of Non-Current Assets

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.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in the net loss in the reporting period in which the recoverable amount write-down occurs.

(h) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as either exploration and evaluation expenditure, development properties or mine properties based on the stage of development reached at the date of acquisition.

(i) Comparative Figures

The comparative figures are amended where appropriate to conform with any change in the current year presentation.

(ii) Employee Entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(i) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is determined by dividing the operating loss after income tax by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

**2. REVENUE FROM ORDINARY ACTIVITIES**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from ordinary activities:</b>		
Revenue from operating activities	10,000	10,574
Other revenues:		
Interest from other parties	103,954	710
<b>Total revenue from ordinary activities</b>	<b>113,954</b>	<b>11,284</b>

**3. LOSS FROM ORDINARY ACTIVITIES**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>(Loss) from ordinary activities before income tax expense has been arrived at after charging / (crediting) the following item:</b>		
Depreciation expense	9,019	-
Exploration expenditure – written off	160,153	20,575

**4. INCOME TAX EXPENSE**

No income tax has been provided for or charged as an expense in the financial statements as the company has the benefit of carried forward tax losses. The benefit of remaining tax losses will only be obtainable if:

- i) The company derives future assessable income of a nature and amount sufficient to enable the benefit from the deduction for the losses to be realised.
- ii) The company continues to comply with the provisions of the income tax legislation relating to the deduction of losses from prior years.
- iii) No changes in tax legislation adversely affect the company in realising the benefit from the deduction for the losses.

	2003 \$	2002 \$
The directors estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses, not brought to account is:	53,698	11,501

**5. DIRECTORS' REMUNERATION**

Income paid or payable, or otherwise made available, to Directors by the Company and related parties in connection with the management of affairs of the Company

	2003 \$	2002 \$
	143,854	53,239

The number of Directors whose total income from the Company was within the specified bands, are as follows:

				No. 2003	No. 2002
\$0	to	\$9,999		1	3
\$ 30,000	to	\$ 39,999		1	-
\$ 40,000	to	\$ 49,999		-	1
\$ 100,000	to	\$ 109,999		1	-

**6. CURRENT ASSETS – RECEIVABLES**

	2003 \$	2002 \$
Other debtors	15,556	13,071

**7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Plant & equipment - at cost	48,755	33,812
Less: accumulated depreciation	(9,019)	-
	<u>39,736</u>	<u>33,812</u>
Reconciliation of the carrying amount of property, plant & equipment:		
Carrying amount at 1 July 2002	33,812	-
Additions	14,943	33,812
Less depreciation expense for year	(9,019)	-
Carrying amount at 30 June 2003	<u>39,736</u>	<u>33,812</u>

**8. NON-CURRENT ASSETS – EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of year – at cost	420,505	55,953
Exploration expenditure incurred	398,092	385,127
Exploration expenditure written off	(160,153)	(20,575)
	<u>658,444</u>	<u>420,505</u>

The balance carried forward represents projects in the exploration and evaluation phase.

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

**9. CURRENT LIABILITIES – PAYABLES**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	12,646	54,067
Loan from related party	-	184,322
	<u>12,646</u>	<u>238,389</u>

**10. CURRENT LIABILITIES – PROVISIONS**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Employee entitlements	1,603	-

**11. CONTRIBUTED EQUITY**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>Share capital</b>		
20,809,396 (2002: 20,809,592) ordinary shares, fully paid	2,993,407	2,925,362
	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
(a) Movements in ordinary share capital		
Balance at the beginning of the year	2,925,362	2
8,073,971 “loyalty options” issued at a price of 1 cent each, exercisable at 25 cents each on or before 30/06/05.	80,739	-
10,104,763 shares from the conversion of debt to equity from a director related entity	-	454,714
10,704,827 shares from the proceeds of the prospectus	-	2,676,207
Less: Transaction costs arising on share issues	(12,694)	(205,561)
Balance at the end of year	2,993,407	2,925,362

**12. TOTAL EQUITY**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the financial year	2,888,394	(3,222)
Operating (loss) after income tax attributable to the members of the parent entity	(270,989)	(33,744)
Increase in share capital	68,044	2,925,360
Total equity at the end of the financial year	2,685,449	2,888,394

### **13. PERFORMANCE BONDS AND SECURITY DOCUMENTS**

In support of titles granted to or operated by the Company, various securities have been submitted to the Department of Minerals & Petroleum Resources. These consist of unconditional performance bonds, securities or Form 32 security documents with a total potential liability of \$205,000.

### **14. RELATED PARTY DISCLOSURES**

The names of persons who were directors of the Company at any time during the financial year are as follows:

Donald Ross KENNEDY  
Lindsay George DUDFIELD  
Mark Richard SCOTT

#### **Remuneration & Employment Agreements**

Information on remuneration of Directors is disclosed in note 5.

#### **Transactions with Directors and Director-Related Entities**

The following related party transactions occurred during the financial year.

- i) During the year the Company paid a total of \$101,076 to Western Geological Services for the provision of technical and management services and reimbursed Western Geological Services on a cost basis for expenses associated with renting office space for the Company. Western Geological Services is related to Mr Dudfield, who is a director and shareholder of the Company.
- ii) During the year the Company paid a total of \$30,300 to Redross Consultants Pty Ltd for the provision of technical and management services. Redross Consultants Pty Ltd is related to Mr Kennedy, who is a director and shareholder of the Company.

Aggregate numbers of shares and options of the Company held directly, indirectly or beneficially by Directors of the Company at 30 June 2003:

**14. RELATED PARTY DISCLOSURES (Cont'd)**

	<u>2003</u>	<u>2002</u>
Mr D R Kennedy		
Ordinary fully paid shares	32,000	32,000
25 cent options expiring 30/06/05	16,000	-
35 cent options expiring 30/06/07	500,000	-
 Mr L G Dudfield		
Ordinary fully paid shares	1,612,249	1,030,000
25 cent options expiring 30/06/05	565,000	-
35 cent options expiring 30/06/07	1,000,000	-
 Mr M R Scott		
Ordinary fully paid shares	2,721,053	2,766,104
25 cent options expiring 30/06/05	1,360,553	-
35 cent options expiring 30/06/07	500,000	-

**15. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<u>2003</u>	<u>2002</u>
	<u>\$</u>	<u>\$</u>
(Loss) from ordinary activities after income tax	(270,989)	(33,744)
Exploration expenditure written off	160,153	-
Depreciation	9,019	-
Change in operating assets and liabilities during the financial year:		
(Increase) decrease in debtors	(2,485)	(13,414)
Increase (decrease) in accounts payable	(39,818)	3,004
 Net cash (used in) operating activities	<u>(144,120)</u>	<u>(44,154)</u>
Reconciliation of cash balance comprises:		
Cash at bank	<u>1,985,962</u>	<u>2,659,395</u>

**16. EARNINGS PER SHARE**

	<b>Jindalee Resources Limited</b>	
	<b>2003</b>	<b>2002</b>
Basic earnings per share (cents per share)	(1.3)	(2.14)
Diluted earnings per share (cents per share)	(1.3)	(2.14)
Weighted average number of ordinary shares used in calculation of basic earnings per share.	20,809,396	1,579,801
Diluted weighted average number of ordinary shares used in calculation of basic earnings per share	20,809,396	1,579,801

**17. CONTINGENT LIABILITIES**

## Claims of Native Title - Mabo

To date the Company has been notified by the Native Title Tribunal of native title claims which cover some of the Company's licence holdings. Until further information arises in relation to the claims and its likelihood of success, the Company is unable to assess the likely effect, if any, of the claims.

18. COMMITMENTS FOR EXPENDITURE

	2003 \$	2002 \$
<b>A. Exploration Tenement Leases</b>		
<p>In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay lease rentals and to meet the minimum expenditure requirements of the Western Australian Department of Mineral and Petroleum Resources. These obligations are subject to renegotiation upon expiry of the exploration licences or when application for a mining lease is made, and assume that all pending applications are granted, no properties are farmed out, and no expenditure exemptions are granted. These obligations are not provided for in the financial statements and are payable:</p>		
Not later than 1 year	313,400	346,267
Later than 1 year but not later than 2 years	313,400	458,487
Later than 2 years but not later than 5 years	313,400	497,264
Later than 5 years		-
	<u>940,200</u>	<u>1,302,018</u>

**B. Capital Expenditure Commitments**

There are no capital expenditure commitments for the Company.

19. REMUNERATION OF AUDITORS

	2003 \$	2002 \$
<p>Amounts received or due and receivable by the auditors for:</p>		
Auditing the financial statements	5,250	5,000
Other services	-	5,700
	<u>5,250</u>	<u>10,700</u>

**20. FINANCIAL INSTRUMENTS**

(a) Credit Risk Exposure

The credit risk on financial assets of the Company which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out below.

Exposures rise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold the fixed rate assets and liabilities to maturity.

2003	Note	Floating	Fixed Interest Maturing in:			Non-	Total
		interest rate	1 yr or less	over 1 to 5 yrs	more than 5 years	interest bearing	
		\$	\$	\$	\$	\$	\$
Financial assets							
Cash	15	1,985,962	-	-	-	-	1,985,962
Receivables	6	-	-	-	-	15,556	15,556
		<u>1,985,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,556</u>	<u>2,001,518</u>
Weighted average interest rate		3.7%					
Financial liabilities							
Payables	9	-	-	-	-	12,646	12,646
Provisions	10	-	-	-	-	1,603	1,603
						<u>14,249</u>	<u>14,249</u>
Net financial assets (liabilities)		<u>1,985,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,307</u>	<u>1,987,269</u>

Reconciliation of Net Financial Assets to Net Assets	Notes	2003 \$
Net financial assets as above		1,987,269
Non-financial assets and liabilities		
Property, plant & equipment	7	39,736
Exploration, evaluation and development	8	658,444
Loan from related party	9	<u>-</u>
Net assets as per statement of financial position		<u>2,685,449</u>

**20. FINANCIAL INSTRUMENTS (Cont'd)**

2002	Note	Floating	Fixed Interest Maturing in:			Non-	Total
		interest rate	1 yr or less	over 1 to 5 yrs	more than 5 years	interest bearing	
		\$	\$	\$	\$	\$	\$
Financial assets							
Cash	15	2,659,395	-	-	-	-	2,659,395
Receivables	6	-	-	-	-	13,071	13,071
		<u>2,659,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,071</u>	<u>2,672,466</u>
Weighted average interest rate		3.7%					
Financial Liabilities							
Payables	9	-	-	-	-	54,067	54,067
Provisions	10	-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,067</u>	<u>54,067</u>
Net financial assets (liabilities)		<u>2,659,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,996)</u>	<u>2,618,399</u>

Reconciliation of Net Financial Assets to Net Assets

	Notes	2002 \$
Net financial assets as above		2,618,399
Non-financial assets and liabilities		
Property, plant & equipment	7	33,812
Exploration, evaluation & development	8	420,505
Loan from related party	9	<u>(184,322)</u>
Net assets as per statement of financial position		<u><u>2,888,394</u></u>

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2003	
	\$ Carrying amount	\$ Net fair value
Financial assets		
Debtors	15,556	15,556
	<u>15,556</u>	<u>15,556</u>
Financial liabilities		
Payables	12,646	12,646
Provisions	1,603	1,603
	<u>1,603</u>	<u>1,603</u>

14,249	14,249
--------	--------

**20. FINANCIAL INSTRUMENTS (Cont'd)**

	2002	
	\$ Carrying amount	\$ Net fair value
Financial assets		
Debtors	13,071	13,071
	<u>13,071</u>	<u>13,071</u>
Financial liabilities		
Payables	54,067	54,067
Provisions	-	-
	<u>54,067</u>	<u>54,067</u>

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

**21. SEGMENT INFORMATION**

**Industry Segment**

During the financial year the Company operated in one industry, the mining exploration and prospecting industry.

**Geographical Segments**

During the financial year the Company operated within Australia only.

**22. ACCUMULATED LOSSES**

	2003	2002
Accumulated losses at the beginning of the financial year	(36,968)	(3,224)
Net loss attributable to members of the Company	(270,989)	(33,744)
Accumulated losses at the end of the financial year	<u>(307,958)</u>	<u>(36,968)</u>

**23. EVENT OCCURRING AFTER BALANCE DATE**

There are no events subsequent to the end of the financial year that would have a material effect on these financial statements.

**DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 7 to 22:

- (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 Company's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and cash flows, for the financial 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.

This declaration is made in accordance with a Resolution of Directors.



L G Dudfield  
Managing Director

27<sup>th</sup> day of August 2003 at Perth, Western Australia



## **Horwath Perth**

ABN 13 412 308 092

*Chartered Accountants*

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## **Independent audit report to members of Jindalee Resources Limited**

### **Scope**

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Jindalee Resources Limited (the company), for the year ended 30 June 2003.

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*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its 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.

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.

**Partners: Glyn O'Brien CA Anthony Bevan CA**

*Horwath Perth conducts its practice independently of Horwath (WA) Pty Ltd and of all other firms of chartered accountants who are members of Horwath International in Australia*



## **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 Jindalee Resources Ltd is in accordance with:

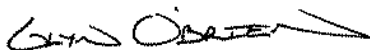
(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2003 and of its 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 financial reporting requirements in Australia.

Dated the 27<sup>th</sup> day of August 2003.

**HORWATH PERTH**  
*Chartered Accountants*

HORWATH PERTH  


**GLYN O'BRIEN**  
Partner