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CORPORATE DIRECTORY

DIRECTORS

The Earl of Warwick
Non-Executive Director, Chairman

James A Wall
Non-Executive Director

Angus C Pilmer
Non-Executive Director

COMPANY SECRETARY

Angus C Pilmer

PRINCIPAL PLACE OF BUSINESS

2nd Floor, 44 Ord Street
West Perth WA 6005
Telephone 61 8 9322 1788
Facsimile 61 8 9322 1744

REGISTERED OFFICE

2nd Floor, 44 Ord Street
West Perth WA 6005
Telephone 61 8 9322 1788
Facsimile 61 8 9322 1744

SOLICITORS

Wilson & Atkinson
2nd Floor QVI Building
250 St George's Terrace
Perth WA 6000

BANKERS

National Australia Bank Limited
Capital Office
50 St George's Terrace
Perth WA 6000

HOME STOCK EXCHANGE

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
East Perth WA 6892
Telephone 61 8 9221 7288
Facsimile 61 8 9221 7869

AUDITOR

KPMG
Chartered Accountants
152-158 St George's Terrace
Perth WA 6000

COUNTRY OF INCORPORATION AND DOMICILE

Australia

ASX CODE

PMA (shares)
PMAOB (options – December 2005)

CHAIRMAN'S REPORT

During the 2003 financial year, the final elements resolving the dispute with Westgold Resources NL have been effected.

The Company has purposefully pursued a strategy of debt reduction. In 2001 total liabilities, including contingent liabilities, exceeded \$8 million. In 2002 the amount was reduced to \$2.6 million and by 30 June 2003 liabilities were reduced to \$1.8 million with no contingent liabilities and the Westgold litigation and all related actions settled. During the forthcoming year your Company intends to eliminate a further \$850,000 debt by either conversion to equity or repayment through funds derived from share placements.

The remaining environmental rehabilitation obligations attached to the defunct Palm Springs gold operation are in the process of being attended to. The Company's environmental bond requirement with the regulatory authorities has been reduced to \$80,000, a clear indication that rehabilitation is being properly conducted.

The Company's principal asset remains Royalty Income from the Windimurra Vanadium Project. Last year the Company wrote down the asset to \$2.0 million. This year the board feel that the factors that led to a \$2.0 million value remain unchanged. Xstrata plc in their April 2003 rights issue and September 2003 preliminary results documents have reiterated their earlier statements with regard to Windimurra, essentially its long term future is still under review. Caution must be exercised with respect to the value of the royalty asset as a decision by Xstrata plc to permanently close Windimurra would result in the permanent cessation of royalty payments.

The future market for vanadium remains as problematical as last year. The lack of transparency in contracts for vanadium both in terms of price and volume make any predictions difficult. However, since the announcement by Xstrata plc of the suspension of production of vanadium pentoxide at Windimurra, which previously supplied approximately 11% of the known world production of this product, it is noted that the spot price initially firmed approximately US\$1.40 per lb to US\$2.80 per lb but has subsequently eased back to approximately US\$2.15 per lb.

On a more constructive note, should your board succeed with its intended debt retirement (Note 1(b)) then your Company will be in a position to consider new business opportunities.

The Earl of Warwick
Non Executive Chairman

Perth, Western Australia
27 October 2003

SCHEDULE OF MINING TENEMENTS

The consolidated entity has interests in the following tenements as at 30 June 2003.

(Precious Metals Australia Limited 100% beneficially owned unless otherwise stated)

KIMBERLEY GOLD TENEMENTS

PALM SPRINGS

Mt Bradley

M80/315 (95%)

M80/418

M80/106 (95%)

All tenements are in Western Australia and are granted under the Western Australian Mining Act 1978, as amended. Exploration or mining leases applied for but not yet granted are not shown until approved by the Minister for Mines.

KEY

M - Mining Lease

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that were in place throughout the financial year unless otherwise stated. These practices are dealt with under the following headings: Board of Directors, Auditors, Internal Control Framework, Ethical Standards, Environment, Business Risks and the Role of Shareholders.

BOARD OF DIRECTORS

The Board of Directors is responsible for the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of those goals.

The Company is not currently considered to be of a size, nor are its affairs of such complexity, to justify the establishment of separate committees. Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full Board. Nevertheless, the Board may from time to time form committees which it considers appropriate to assist in carrying out its responsibilities to shareholders.

The Board meets at appropriate times and is in regular contact, in order to retain full and effective control over the Company and monitor its business. Should the operations of the Company be expanded then the Board would establish a framework for the management of the Company including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Each director has the right to seek independent professional advice on matters relating to his position as a director of the Company at the Company's expense, subject to prior approval of the Chairman, which shall not be unreasonably withheld.

Composition of the Board

The procedures for election and retirement of directors are governed by the Constitution of the Company. The composition of the Board is determined using the following principles:

- the Board shall ideally comprise a mixture of executive and non-executive directors;
- the Board shall comprise directors with a range of expertise encompassing the current and proposed activities of the Company; and
- where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Company. Such appointments are referred to shareholders at the next available opportunity for re-election in general meeting.

Director Education

Because of the limited size and nature of the Company's operations it has no formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors.

Directors' Dealings In Company Shares

The constitution permits directors to acquire shares in the Company.

AUDITORS

Whilst the Company does not have a formally constituted audit committee, the Board reviews the performance of the external auditors on an annual basis. The directors meet with the auditors at least twice a year:

- to review the results and findings of the audit, the adequacy of accounting and financial controls, and to obtain feedback on the implementation of recommendations made; and
- to review the draft financial statements and audit/review reports at year-end and half year.

During the year, the external auditors have not performed non-audit services.

The audit partner is to be rotated off in 2006.

The Board monitors the need to form an audit committee on a periodic basis.

CORPORATE GOVERNANCE STATEMENT (continued)

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework. However, it also 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 the following headings.

Financial Reporting

There is an ongoing review of costs with significant items of expenditure approved by all directors. Cash flow forecasts are prepared and presented to the Board periodically. The Company reports to shareholders under the Corporations Law and ASX Listing Rules. Procedures are also in place to ensure that price sensitive information is reported to the Australian Stock Exchange in accordance with Continuous Disclosure Requirements.

Operational Reporting

The Company presently has no business operation that it manages but is in receipt of Royalty Income. The Royalty Income is reconciled and audited by Independent Auditors on an annual basis.

ETHICAL STANDARDS

The Company recognises the need for directors to observe the highest standards of behaviour and business ethics in conducting its business, and intends to pursue a reputation for integrity.

ENVIRONMENT

The Company is involved in the final stage of environmental rehabilitation of the Palm Springs Gold Project. The Company aims to ensure a high standard of environmental care is achieved and to ensure compliance with the environmental regulations set down under Australian and International Law.

BUSINESS RISKS

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile.

Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Company's main areas of risk include:

- exploration and development;
- fluctuating commodity prices and exchange rates; and
- financial markets.

The Board gives regular consideration to all these matters.

THE ROLE OF SHAREHOLDERS

The Board ensures that shareholders are informed of all major developments affecting the financial position and state of affairs of the Company.

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 will be presented to shareholders as single resolutions.

DIRECTORS' REPORT

The Directors present their report together with the financial report of Precious Metals Australia Limited ("PMA" or "the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003, and the auditors' report thereon.

DIRECTORS

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

The Earl of Warwick, Non-Executive Director, Chairman
(Appointed 14 January 1999)

The Earl of Warwick has wide management and property experience in Australia and overseas. Formerly with Selection Trust, a company established by his family.

Mr James A Wall, Non-Executive Director
(Appointed 16 May 2000)

Mr Wall is a director of a number of public companies and has a distinguished career spanning 30 years both as a Mining Engineer and in senior management positions.

Mr Angus C Pilmer, Non-Executive Director
(Appointed 4 June 2002)

Mr Pilmer is an Accountant and a director of a number of public and private companies with particular emphasis on corporate management.

PRINCIPAL ACTIVITIES

The principal commercial activities of the Company during the financial year were the maintenance of certain mineral exploration properties and receipt of royalty income. In addition, significant time and resources were committed to resolving the various claims made against the Company and its former Directors by Westgold Resources NL and other outstanding actions.

RESULTS

The consolidated net profit of the Company for the financial year ended 30 June 2003 after the provision for income tax amounted to \$347,481 (2002: Loss (\$21,525,608)).

DIVIDEND

No dividends have been paid by the Company during the financial year ended 30 June 2003 nor have the Directors recommended that any dividend be paid.

REVIEW OF OPERATIONS

The Company continued to maintain its interests in the Palm Springs gold tenements whilst it attended to the environmental clean up and rehabilitation obligations following the closure of the Palm Springs operation.

DIRECTORS' REPORT (continued)

CHANGE IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company that occurred during this financial year were:

(a) Westgold Litigation

In July 2002 the Company reached agreements with Westgold Resources NL and two former directors, Mr R J H Smith and Mr A K McKee, as well as the continuing Chairman, the Earl of Warwick. This in effect settled the action brought by Westgold Resources NL ("Westgold") against the Company and the two former directors in December 2000, which alleged that the defendants engaged in misleading or deceptive conduct with respect to the issue of shares to Westgold in April 2000. The claim was for damages in the sum of \$3,090,770 and interest and costs.

This settlement with Westgold was for a total amount of \$2,150,000, with the Company accepting liability for \$800,000 of this amount in respect of its share of the total settlement as announced to the Australian Stock Exchange on 18 July 2002.

In addition, the two former directors agreed to make a contribution of \$382,393 to the legal costs of the Company, incurred in the defence of the Westgold claims. This contribution was deducted from the loan accounts associated with the two former directors (Note 21(b)(iv)).

Westgold Settlement

The Company accepted a liability to Westgold of \$800,000. This amount was guaranteed by Mr R J H Smith. The Company failed to pay Westgold. Mr R J H Smith's guarantee was called upon and paid. Mr R J H Smith subsequently issued demands on the Company to repay this amount, together with indemnified interest and other costs, and then in March 2003 he proceeded to make an application to the Supreme Court of Western Australia to wind up the Company and appoint an official liquidator.

Smith Settlement

In May 2003 the Company reached an agreement with the former director Mr R J H Smith whereby he withdrew his application to wind up the Company and to appoint an official liquidator and the Company acknowledged:

- (i) his entitlement to costs and interest totalling \$117,000;
- (ii) that the share placements referred to in the Westgold Settlement agreements would proceed at a price of 7 cents per share; and
- (iii) that the balance of monies owing to him of \$450,000 would be settled by the issue of 4,285,715 fully paid shares of 7 cents each to satisfy \$300,000 and the payment of \$150,000 cash following the completion of the share placements.

(b) Windimurra Contractors' Disputes

The Company has settled all outstanding contractors' disputes that related back to the Windimurra Joint Venture and these include:

- (i) In March 2003 a claim by Fluor Daniel against the Windimurra Joint Venture totalling \$6,850,000 was settled for \$1,000,000, with the Company's share of \$400,000 being met by the utilisation of existing dispute credits of \$214,570 and deferred payments of \$185,430 to be paid from future royalty income without interest or costs (Note 12(ii)); and
- (ii) An obligation to pay the stamp duty on a transfer of a 9% interest in the Windimurra Joint Venture to a subsidiary of Xstrata plc was assessed in December 2002 by the State Revenue Office at \$370,098. The Company has objected to this assessment as being excessive. The result of this assessment released \$229,902 previously held in the proceeds account (Note 7(ii)) for general working capital purposes.

(c) Sale of Barrambie

In April 2003 the Company completed negotiations to sell the mining tenement known as Barrambie, previously written down to \$Nil, for \$200,000 to Reed Resources NL which was settled by the payment of \$50,000 cash and the issue by Reed Resources NL of 750,000 shares at 20c per share (Note 8).

DIRECTORS' REPORT (continued)

(d) Windimurra Royalty Asset

In February 2003 Xstrata plc, the parent company of Xstrata Windimurra Pty Ltd, announced in its Annual Report for the year ended 31 December 2002 that its subsidiary would cease production and operations would be suspended whilst they assessed options which would include permanent closure. Subsequently, in their April 2003 rights issue and September 2003 preliminary results documents, Xstrata plc have reiterated their earlier statements essentially that Windimurra's long term future is still under review.

Since the announcement by Xstrata plc and the suspension of production of vanadium pentoxide at Windimurra, which previously supplied approximately 11% of the known world production of this product, it is noted that the spot price initially firmed approximately US\$1.40 per lb to US\$2.80 per lb but has subsequently eased back to approximately US\$2.15 per lb.

The carrying value of the Windimurra Royalty as a non current asset has been retained by the Directors at its recoverable amount of \$2,000,000 (Note 11).

SUBSEQUENT EVENTS

Since 30 June 2003 to the date of this report there have been no significant events that materially affect the Company.

MEETINGS OF DIRECTORS

	FULL MEETINGS OF DIRECTORS	
	ATTENDED	ELIGIBLE TO ATTEND
The Earl of Warwick	3	3
J A Wall	3	3
A C Pilmer	3	3

The Company is of a size and nature such that issues ordinarily dealt with by audit and other committees were resolved by the full board.

DIRECTORS' INTERESTS

The relevant interests of each Director in the share capital of the companies within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report and after the share consolidation, is as follows:

	PRECIOUS METALS AUSTRALIA LIMITED	
	ORDINARY SHARES	OPTIONS
The Earl of Warwick	1,980,633	-
J A Wall	-	250,000

DIRECTORS' EMOLUMENTS

Details of the nature and amount of each element of the emoluments of each Director are set out in the following table:

	DIRECTORS' FEES	SUPERANNUATION	ENTITLEMENTS	OTHER BENEFITS	TOTAL
	\$	\$	\$	\$	\$
The Earl of Warwick	15,000	1,350	-	-	16,350
J A Wall	15,000	1,350	-	-	16,350
A C Pilmer	15,000	1,350	-	-	16,350

DIRECTORS' REPORT (continued)

SHARE OPTIONS GRANTED TO DIRECTORS

No options over unissued ordinary shares of the Company were granted during or since the end of the financial year to any of the Directors of the Company and consolidated entity as part of their remuneration.

OPTIONS

Unissued ordinary shares of the Company under option at the date of this report are as follows:

	NUMBER	EXERCISE PRICE	EXPIRY DATE
Listed Options (PMAOB)	12,896,334	\$2.00	1 December 2005

No option holder has any right under the options to participate in any other share issue of the Company or other body corporate.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to significant environmental regulation under both Commonwealth and State legislation in relation to its exploration and mining activities.

Exploration and Development

The consolidated entity's exploration and development activities are conducted in Western Australia. There are significant environmental regulations under the Western Australian Mining Act 1978 and Environmental Protection Act 1986. Licence requirements relating to waste disposal, water and air pollution exist in relation to mining activities. The Company has complied with the necessary obligations required by these Acts and licences.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has agreed to indemnify the current Directors of the Company, The Earl of Warwick, Mr J A Wall, and Mr A C Pilmer against liabilities or claims that may arise from carrying out their duties as directors except where the claim or liability arises from conduct involving a lack of good faith, gross negligence or criminal intent.

A C PILMER
Director

Perth, Western Australia
27 October 2003

STATEMENTS OF FINANCIAL PERFORMANCE
For the Year Ended 30 June 2003

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from royalties	2	500,000	500,000	500,000	500,000
Other revenue from ordinary activities	2	239,187	66,753	239,187	66,753
Total revenue		739,187	566,753	739,187	566,753
Employee expenses		-	(44,798)	-	(44,798)
Depreciation and amortisation expenses	3	(503,170)	(1,152,396)	(503,170)	(1,152,396)
Borrowing costs	3	(49,377)	(71,330)	(49,377)	(71,330)
Other expenses from ordinary activities	3	160,841	(20,823,832)	885	(20,628,143)
Profit/(loss) from ordinary activities before related income tax expenses		347,481	(21,525,608)	187,525	(21,329,914)
Income tax expense relating to ordinary activities	6	-	-	-	-
Net profit/(loss) attributable to members of the parent entity	17	347,481	(21,525,608)	187,525	(21,329,914)
Basic profit/(loss) per share	5	\$0.02	\$(1.35)		

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

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2003

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Current Assets					
Cash	22(a)	73,764	283,329	73,762	282,837
Receivables	7	462,623	893,726	462,623	893,726
Other financial assets	8	150,000	-	150,000	-
Total Current Assets		686,387	1,177,055	686,385	1,176,563
Non-Current Assets					
Other financial assets	8	-	-	104	104
Property, plant and equipment	9	4,410	7,580	4,410	7,580
Windimurra royalty	11	2,000,000	2,000,000	2,000,000	2,000,000
Total Non-Current Assets		2,004,410	2,007,580	2,004,514	2,007,684
Total Assets		2,690,797	3,184,635	2,690,899	3,184,247
Current Liabilities					
Payables	12	1,617,443	1,303,476	1,617,443	1,303,476
Provisions	13	59,554	1,020,000	-	800,000
Deferred income	14	-	102,125	-	102,125
Total Current Liabilities		1,676,997	2,425,601	1,617,443	2,205,601
Non-Current Liabilities					
Payables	12	92,715	185,430	92,715	185,430
Total Non-Current Liabilities		92,715	185,430	92,715	185,430
Total Liabilities		1,769,712	2,611,031	1,710,158	2,391,031
Net Assets		921,085	573,604	980,741	793,216
Shareholders' Equity					
Contributed equity	15	48,369,635	48,369,635	48,369,635	48,369,635
Option premium reserve	16	3,965,772	3,965,772	3,965,772	3,965,772
Accumulated losses	17	(51,414,322)	(51,761,803)	(51,354,666)	(51,542,191)
Total Shareholders' Equity		921,085	573,604	980,741	793,216

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

STATEMENTS OF CASH FLOWS
For the Year Ended 30 June 2003

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		400,289	523,264	400,289	523,264
Cash payments in the course of operations		(586,106)	(800,655)	(425,660)	(769,983)
Interest received		36,173	43,490	36,173	43,490
Net cash provided by/(used in) operating activities	22(b)	(149,644)	(233,901)	10,802	(203,229)
Cash Flows from Investing Activities					
Payments for exploration, evaluation and development		-	(23,652)	-	(8,785)
Payments for plant and equipment		-	(4,819)	-	(4,819)
Loans to subsidiaries		-	-	(159,956)	(45,539)
Proceeds from sale of plant and equipment		600	-	600	-
Proceeds from sale of interest in Barrambie project		50,000	-	50,000	-
Receipts from Proceeds account		239,479	-	239,479	-
Net cash provided by/(used in) investing activities		290,079	(28,471)	130,123	(59,143)
Cash Flows from Financing Activities					
Repayment of borrowings	21(b)(v)	(350,000)	-	(350,000)	-
Net cash provided by/(used in) financing activities		(350,000)	-	(350,000)	-
Net decrease in cash held		(209,565)	(262,372)	(209,075)	(262,372)
Cash at the beginning of the financial year		283,329	545,701	282,837	545,209
Cash at the end of the financial year	22(a)	73,764	283,329	73,762	282,837

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended 30 June 2003

1. SUMMARY 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 current valuations 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.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Going Concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company does have a source of income in the form of a minimum royalty of \$500,000 per annum payable in quarterly instalments. There is uncertainty about the continued receipt of this royalty and the life of the Windimurra minesite as a result of a decision by Xstrata plc to suspend operations at Windimurra (Note 11). Notwithstanding the suspension of operations at Windimurra, the Company received its scheduled quarterly royalty instalment on 30 September 2003. In addition, the Company is reliant on raising further equity capital to settle a number of outstanding debts as described in the following paragraph.

It is the intention of the Company to call a general meeting during November 2003 to seek approval from shareholders to make certain placements of shares in order to settle the outstanding loan accounts associated with the former directors Mr R J H Smith and Mr A K McKee, and to provide working capital for the Company, as follows:

Share placements in order to satisfy debts:

1. The issue of 4,285,715 fully paid shares of 7c each to Mr R J H Smith in order to satisfy \$300,000 paid by him to Westgold Resources NL under the terms of a guarantee he provided;
2. The issue of 4,285,715 fully paid shares of 7c each to Mr R J H Smith in order to satisfy \$300,000 loan accounts due to him and his associated company Pacific Quest Investments Pty Ltd; and
3. The issue of 1,428,571 fully paid shares of 7c each to Mr A K McKee in order to satisfy a \$100,000 loan account due to a company associated with Mr A K McKee.

Share placements in order to raise working capital:

4. The issue of 7,142,857 fully paid shares of 7c each to Earl of Warwick for cash in order to raise working capital of \$500,000; and
5. The placement of up to 20,000,000 fully paid shares.

These proposed placements are subject to shareholder approval at the proposed meeting.

Following these placements, the Directors consider that there are reasonable grounds to believe that the Company will continue to obtain investors' support to meet its funding requirements for the foreseeable future.

Should shareholders fail to approve the proposed placements and the Company is unsuccessful in raising additional capital, there is significant uncertainty as to whether the Company can continue as a going concern and therefore whether assets would be realised and liabilities settled in the ordinary course of business and at the amounts recorded in the financial statements.

(c) Recoverable Amount of Non Current Assets Valued on a Cost Basis

The carrying amounts of non current assets, other than exploration and evaluation expenditure carried forward, 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 the recoverable amount, the asset is written down to the lower amount.

Any write-down/(reversal of write-down) of non current assets is recognised as an expense/(income) in the net profit or loss in the reporting period in which it occurs.

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

(d) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions between controlled entities included in the financial statements have been eliminated.

(e) Revenue Recognition

Interest Revenue

Interest revenue is recognised as it accrues.

Royalty Income

Royalty payments to the Company will be calculated on Project returns without deduction of interest, tax, depreciation or amortisation and includes a minimum annual royalty of \$500,000 paid and recognised as income quarterly.

Asset Sales

The gross proceeds of asset sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date a contract of sale is signed.

(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("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.

(g) Income Tax

The consolidated entity adopts the income statement liability method of tax effect accounting. Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss statement is matched with the accounting profit or loss after allowing for permanent differences. 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 balance sheet 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.

(h) Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost or at Directors' valuation and depreciated as outlined below.

Depreciation

Items of property, plant and equipment are depreciated using the straight line method over their estimated useful lives. The depreciation rates used for each class of asset are as follows:

Plant and equipment 20% - 37.5%

Leased plant and equipment

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the statement of financial performance.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(i) Exploration and Evaluation Expenditure

Exploration and evaluation costs are accumulated in respect of each area of interest.

These 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 and active and significant operations in relation to the area are continuing.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off in the financial period the decision is made. Each area of interest is also reviewed annually and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

When production commences, carried forward exploration, evaluation and development costs are amortised on a units of production basis over the life of the economically recoverable reserves.

Provisions are made for mine site rehabilitation and restoration on an incremental basis during the course of mine life (which includes the mine closure phase). Provisions, which are determined on an undiscounted basis, include the following costs: reclamation, plant closure, waste site closure and monitoring activities. 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.

(j) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings.

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Trade accounts are normally settled within 60 days.

(l) Investments

Controlled Entities

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

Other Entities

Investments in other listed companies are carried at the lower of cost and recoverable amount, being a Directors' valuation based on market values at the time of the valuation.

(m) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

(n) Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(o) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company.

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

(p) Windimurra Royalty

The Windimurra Royalty has been recorded at its estimated recoverable amount and is being amortised on a straight line basis over its estimated remaining life of 4 years, as determined by the directors on a semi-annual basis.

Expenditure which no longer satisfies the Recoverable Amount of Non Current Assets Valued on a Cost Basis, is written off where the Directors are of the opinion that the carry forward net cost may not be recoverable under the policy stated at Note 1(c). The write-off is charged against the results for the year. Any reversal of write-downs to recoverable amount are recognised in the statement of financial performance as income. At 30 June 2003 the Windimurra Royalty has been revalued to its recoverable amount.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES				
Royalty revenue	500,000	500,000	500,000	500,000
Other Revenues				
From Operating Activities:				
Interest:				
Other parties	36,173	43,490	36,173	43,490
Sundry income	2,414	23,263	2,414	23,263
From Outside Operating Activities:				
Gross proceeds from sale of non-current assets	600	-	600	-
Gross proceeds on sale of Barrambie tenements	200,000	-	200,000	-
Total Other Revenues	239,187	66,753	239,187	66,753
Total Revenue from Ordinary Activities	739,187	566,753	739,187	566,753
3. PROFIT/LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
a) Individually significant items included in profit/loss from ordinary activities before income tax expense				
Costs associated with/(reversal of previous over accrual) assignment of joint venture interest	-	(229,902)	-	(229,902)
Rehabilitation costs on Palm Springs minesite	-	225,766	-	-
Final settlement of the Company's share of joint venture claims	-	400,000	-	400,000
Less the Company's share of a credit entitlement due from the settlement of a contractual dispute (Note 7(iii))	-	(214,570)	-	(214,570)
Less amounts accrued at 30 June 2001	-	(131,000)	-	(131,000)
Net impact on statement of financial performance	-	54,430	-	54,430
Legal costs incurred in various litigation matters including the defence of the claims made by Westgold Resources NL	3,783	564,854	3,783	564,854
Less reduction of costs from agreement with former Directors (Note 21 (b)(iv))	-	(382,393)	-	(382,393)
Net impact on statement of financial performance	3,783	182,461	3,783	182,461
Settlement of the claims made by Westgold Resources NL	-	800,000	-	800,000
Write down/(reversal) of the carrying value of Windimurra Royalty to recoverable amount	(500,000)	19,000,067	(500,000)	19,000,067
Exploration expenditure written off	22,850	417,848	22,850	414,595

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
3. PROFIT/LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)				
(b) Profit/loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation and Amortisation				
Depreciation of:				
Plant and equipment	3,170	1,707	3,170	1,707
Amortisation of:				
Windimurra royalty	500,000	1,150,689	500,000	1,150,689
Total depreciation and amortisation	503,170	1,152,396	503,170	1,152,396
Borrowing costs				
Borrowing costs:				
Related parties	49,377	71,330	49,377	71,330
Other expenses from ordinary activities				
Rehabilitation of minesite	-	225,766	-	-
Exploration expenditure write off	22,850	429,462	22,850	414,595
Net cost of legal settlements	110,000	854,430	110,000	854,430
Write down/(reversal) of Windimurra Royalty asset	(500,000)	19,000,067	(500,000)	19,000,067
Write down of loan receivable	-	-	159,956	-
Administration and other costs	206,309	314,112	206,307	359,051
	160,841	20,823,837	885,113	20,628,143
Net expense from movement in provision for:				
Settlement of the claims made by Westgold Resources NL	-	800,000	-	800,000
Rehabilitation of Palm Springs minesite	-	220,000	-	-
Non recovery of receivable from controlled entity	-	-	-	45,539
	-	1,020,000	-	845,539
Net (gain)/loss on disposal of non-current assets:				
Property, plant and equipment	(600)	3,832	(600)	3,832
Write off of investment	-	1,324	-	1,324
Tenements (Note 8)	(200,000)	-	(200,000)	-
	(200,600)	5,156	(200,600)	5,156
4. REMUNERATION OF AUDITORS				
Remuneration received, or due and receivable by the auditor of the parent entity and its affiliates for:				
Audit services	20,000	58,695	20,000	58,695
Other services	-	-	-	-
Total	20,000	58,695	20,000	58,695

5. PROFIT/(LOSS) PER SHARE	2003	2002
Basic profit/(loss) per share	\$0.02	\$(1.35)
	2003	2002
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic profit/(loss) per share	15,854,855	15,854,765

There are no dilutive potential ordinary shares therefore diluted on per share has not been calculated or disclosed. Details relating to the options are set out in Note 18.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$

6. TAXATION

Prima facie tax expense/(benefit) on the operating profit/(loss) calculated at 30%	104,244	(6,454,198)	56,258	(6,398,974)
Decrease/(increase) in income tax expense/benefit due to:				
Legal costs	34,135	138,009	34,135	138,009
Amortisation of Windimurra royalty	150,000	345,207	150,000	345,207
Settlement with Westgold Resources NL	-	240,000	-	240,000
Write down/(reversal) of Windimurra royalty	(150,000)	5,700,020	(150,000)	5,700,020
Provision for loan to controlled entities	-	-	-	13,662
Tax losses recovered	(138,379)	-	(90,393)	31,047
	-	99,933	-	-
Income tax benefit not brought to account	-	(99,933)	-	-
Income tax expense/(benefit) attributable to operating profit/loss	-	-	-	-

Future Tax Benefit Not Brought to Account

Future tax benefit not brought to account comprises the estimated future income tax benefit at current income tax rates on the following items:

Income tax losses	17,471,946	17,933,209	17,374,424	17,675,734
Timing differences	66,000	66,000	-	-
	17,405,946	17,999,209	17,374,424	17,675,734
Future income tax benefit at 30%	5,221,784	5,399,763	5,212,327	5,302,720

The future income tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt.

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

- 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; and
- the relevant company and/or the consolidated entity complies with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
7. RECEIVABLES				
Current				
Other debtors	55,022	32,076	55,022	32,076
Proceeds account (i)	407,601	647,080	407,601	647,080
Dispute account (ii)	-	214,570	-	214,570
	462,623	893,726	462,623	893,726
Non-Current				
Loans to controlled entities (iii)	-	-	24,369,506	24,209,060
Less: Provision for non-recovery	-	-	(24,369,506)	(24,209,060)
	-	-	-	-

- (i) The Proceeds account was established as a separate bank account on the sale of the Company's interest in the Windimurra Project in order to provide for the settlement of the Company's share of any outstanding claims or liabilities arising out of its joint venture responsibilities (Note 12).
- (ii) The Company was entitled to receive a credit from the successful resolution of a dispute with a contractor which arose following the construction of the Windimurra Project. This credit was subsequently put towards the Company's share of a settlement of another contractor's dispute (Note 12).
- (iii) Further details of loans to controlled entities are set out in Note 21(e).

8. INVESTMENTS

Current				
Listed shares in other corporations – at cost (i) (ii)	150,000	-	150,000	-
Non-Current				
Shares in controlled entities – unlisted at cost (Note 25)	-	-	104	104

- (i) In April 2003 the Company sold the mining tenement known as Barrambie, previously written down to \$Nil, for \$200,000 to Reed Resources NL by the payment of \$50,000 and the issue by Reed Resources NL of 750,000 fully paid shares of 20 cents each.
- (ii) At balance date the market value of the Reed Resources NL shares was 18 cents each and at the date of this report it is 20 cents each.

9. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment at cost	17,262	17,262	17,262	17,262
Less: Accumulated depreciation	(12,852)	(9,682)	(12,852)	(9,682)
	4,410	7,580	4,410	7,580

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment				
Carrying amount at beginning of year	7,580	8,301	7,580	8,301
Additions	-	4,819	-	4,819
Depreciation	(3,170)	(1,707)	(3,170)	(1,707)
Disposals	-	(3,833)	-	(3,833)
Carrying amount at end of year	4,410	7,580	4,410	7,580

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
10. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE				
Costs carried forward in respect of areas of interest in the:				
Exploration and Evaluation phase	-	405,810	-	405,810
Expenditure by the year	22,850	23,652	22,850	8,785
	22,850	429,462	22,850	414,595
Less: Exploration expenditure written off	22,850	429,462	22,850	414,595
Total	-	-	-	-

11. WINDIMURRA ROYALTY

Non-Current

Windimurra royalty balance at the beginning of the year	2,000,000	22,150,755	2,000,000	22,150,755
Amortisation	(500,000)	(1,150,688)	(500,000)	(1,150,688)
	1,500,000	21,000,067	1,500,000	21,000,067
(Written off to recoverable amount)/ reversal of previous write-off	500,000	(19,000,067)	500,000	(19,000,067)
Windimurra royalty balance at the end of the year	2,000,000	2,000,000	2,000,000	2,000,000

The carrying value of the Windimurra Royalty as a non-current asset has been retained by the Directors at its recoverable amount of \$2,000,000 after taking into account:

- (i) The announcement in February 2003 by Xstrata plc that a decision had been taken to stop production and suspend operations at the Windimurra plant as soon as possible and to assess options, which include permanent closure.
- (ii) The suspension of operations has not affected the Company's entitlement to continue to receive the minimum royalty at the rate of \$500,000 per annum. The Royalty Agreement with Xstrata Windimurra Pty Ltd allows for the payment of a minimum royalty of \$500,000 per annum paid in quarterly instalments which will cease if all mining operations at the Windimurra minesite are terminated with all rehabilitation obligations in respect of the tenements having been satisfied in full. The Directors estimate it will take no less than approximately 4 years for these conditions to be met. Accordingly, the recoverability of \$2,000,000 is dependent on the continued payment of the minimum royalty until at least 30 June 2007. There is some prospect, but no certainty, that the project may be permanently closed which would then ultimately lead to the cessation of the minimum royalty entitlement thereby reducing the recoverable amount of this asset to less than \$2,000,000.

Should operations be resumed there would likely be cause to reconsider the recoverable amount of the asset resulting in a potential increase to its value.

- (iii) In their April 2003 rights issue and September 2003 preliminary results documents, Xstrata plc reiterated their earlier statements essentially that Windimurra's long term future is still under review.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
12. PAYABLES				
Current				
Trade creditors	304,630	688,906	303,950	688,906
Loans (Note 21(b)(iv)&(v))	850,000	400,000	850,000	400,000
Stamp duty (i)	370,098	-	370,098	-
Other creditors (ii)	92,715	214,570	92,715	214,570
	<u>1,617,443</u>	<u>1,303,476</u>	<u>1,616,843</u>	<u>1,303,476</u>
Non Current				
Other creditors (ii)	92,715	185,430	92,715	185,430
<p>(i) An obligation to pay the stamp duty on a transfer of a 9% interest in the Windimurra Joint Venture to a subsidiary of Xstrata plc was assessed in December 2002 by the State Revenue Office at \$370,098. This assessment releases \$229,902 plus interest previously held in the proceeds account.</p> <p>(ii) In March 2003 a claim against the Joint Venture totalling \$6,850,000 was settled for \$1,000,000 with the Company's share of \$400,000 being met by the utilisation of existing dispute credits of \$214,570 and deferred payments of \$185,430 to be paid from future royalty income without interest or costs.</p>				
13. PROVISIONS				
Current				
Settlement of the claims made by				
Westgold Resources NL	-	800,000	-	800,000
Provision for rehabilitation of minesite	59,554	220,000	-	-
	<u>59,554</u>	<u>1,020,000</u>	<u>-</u>	<u>800,000</u>
14. DEFERRED INCOME				
Deferred income	-	102,125	-	102,125
	<u>-</u>	<u>102,125</u>	<u>-</u>	<u>102,125</u>

The minimum Windimurra Royalty payment is \$125,000 a quarter.

On 29 June 2002 the Company received payment of \$102,125 on account of the royalty payment due on 1 July 2002 and the balance of \$22,875 was received during July 2002.

	The Company		The Company	
	2003	2003	2002	2002
	Number	\$	Number	\$
15. CONTRIBUTED EQUITY				
Issued and paid-up share capital				
Ordinary shares, fully paid	15,854,855	48,369,635	15,854,855	48,369,635
Balance at the beginning of the financial year	15,854,855	48,369,635	158,547,651	48,369,635
Movements in ordinary share capital				
Share Reconstruction (a)	-	-	(142,692,796)	-
Balance at the end of the financial year	15,854,855	48,369,635	15,854,855	48,369,635

(a) In July 2001 the Company obtained shareholders' approval for a share reconstruction and effected a consolidation to one ordinary fully paid share for every ten ordinary fully paid shares.

(b) Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation. Note 18 provides details of Options.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
16. OPTION PREMIUM RESERVE				
Balance at the beginning of the financial year	3,965,772	3,965,772	3,965,772	3,965,772
Movement	-	-	-	-
Balance at the end of the financial year	3,965,772	3,965,772	3,965,772	3,965,772
17. ACCUMULATED LOSSES				
Accumulated losses at the beginning of the year	(51,761,803)	(30,236,195)	(51,542,191)	(30,212,227)
Net profit/(loss) attributable to members of the parent entity	347,481	(21,525,608)	187,525	(21,329,914)
Accumulated losses at the end of the year	(51,414,322)	(51,761,803)	(51,354,666)	(51,542,191)

18. OPTIONS

Options to acquire ordinary shares in the capital of the Company have been granted as follows:

Listed 1 December 2005 Options

12,896,334 were outstanding as of the 30 June 2003. The options are listed options and are executable on or before 1 December 2005 at a price of \$2.00 per share.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$

19. DIRECTORS' REMUNERATION

Directors' Remuneration

The number of Directors of the Company whose total income from the Company or related parties was within the following bands are as follows:

\$0 -	\$9,999	-	3	-	3
\$10,000 -	\$19,999	3	-	3	-
\$30,000 -	\$39,999	-	2	-	2

Income paid or payable, or otherwise made available, to all Directors, by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities:

49,050	72,900	49,050	72,900
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20. SEGMENT INFORMATION

The Company and the consolidated entity operate in one industry being mining and mineral exploration and in the one geographical segment, Australia.

21. RELATED PARTY DISCLOSURE

(a) Directors

The names of persons who were Directors of the Company at any time during the financial year were The Earl of Warwick, Mr J A Wall and Mr A C Pilmer.

Details of Directors' remuneration are set out in Note 19 and the Directors' Report.

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 subsisting at year end.

(b) Transactions with Former Directors and Former Director-Related Entities

- (i) On 31 March 2000, shareholder entities controlled by Mr R J H Smith (Pacific Quest Investments Pty Ltd) and Mr A K McKee (Adapt Pty Ltd) loaned \$200,000 each to the Company. The loans were unsecured and an interest rate of 12.5% applied to the outstanding amount.
- (ii) Interest of \$27,428 accrued on each of these loans during the year ended 30 June 2002. Interest also accrued on the personal loan accounts of Mr R J H Smith for \$6,403 and Mr A K McKee for \$10,071 during the year ended 30 June 2002 at an interest rate of 12.5% per annum.
- (iii) During the year ended 30 June 2002, employee entitlements of \$80,311 were owed to Mr R J H Smith and credited to his loan account. Employee entitlements of \$126,316 were owed to Mr A K McKee and credited to his loan account during the year ended 30 June 2002.
- (iv) As a consequence of an agreement of August 2002, the loan accounts of Mr A K McKee (and associated entity) were reduced by \$316,003 and the loan accounts of Mr R J H Smith (and associated entity) were reduced by a total of \$66,361 by way of a recision of entitlements and in order to make a contribution to legal costs. These recisions left remaining loan account balances of \$300,000 to Mr R J H Smith (and associated entity) and of \$100,000 to Mr A K McKee (and associated entity).
- (v) During the year ended 30 June 2003, Mr R J H Smith settled an amount of \$800,000 owing by the Company to Westgold Resources NL (Note 22(c)(ii)). During the year \$350,000 of this loan was repaid to Mr R J H Smith. At 30 June 2003 the balances of the loan account was \$750,000 owing to Mr R J H Smith (and associated entity) and \$100,000 to Mr A K McKee (and associated entity). Interest of \$49,377, at an interest rate of 9% was accrued and paid during the year on the loan from Mr R J H Smith and interest of Nil accrued on the loan from Mr A K McKee, which is interest free.

21. RELATED PARTY DISCLOSURE (continued)

(c) Transactions with Directors and Director-Related Entities

- (i) Premises owned by entities controlled by The Earl of Warwick (Tagora Pty Ltd) were occupied by the Company for part of the previous year and rent and outgoings totalling \$21,523 were paid by the Company during the previous year. The Company received independent confirmation that the rental arrangement was below market conditions for similar tenancies.
- (ii) Administration and accounting fees of \$71,191 (2002: \$2,500) were paid to A C Pilmer & Co, an accounting firm associated with Mr A C Pilmer for services rendered during the year to provide general administrative and accounting services to the Company at normal commercial rates.

(d) Transactions of Directors and Director-Related Entities Concerning Shares or Share Options

Aggregate numbers of shares and share options of the Company held directly or indirectly or beneficially by Directors of the Company or their director-related entities at balance date:

	2003	2002
	Number	Number
Ordinary shares	1,980,633	4,941,938
Listed options	250,000	585,950

The terms and conditions of listed options are described in Note 18.

(e) Wholly-Owned Group

Details of ownership interests in wholly owned controlled entities are set out in Note 25.

The aggregate amount receivable from wholly owned entities by the Company at balance date:

	The Company	
	2003	2002
	\$	\$
Non-Current		
Loans to subsidiary companies	24,369,506	24,209,060
Less provision for non-recovery	(24,369,506)	(24,209,060)
	<u>-</u>	<u>-</u>

Loans

Loans between group entities are interest free, unsecured and repayable at call. However, there is no present intention to recall such funds.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
22. NOTES TO THE STATEMENTS OF CASH FLOWS				
(a) Reconciliation of Cash				
For the purpose of the Statements of Cash Flows, cash includes on hand and at bank and short term deposits at call net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:				
Cash at bank	73,764	283,329	73,762	282,837
(b) Reconciliation of operating profit/(loss) after income tax to net cash used in operating activities				
Operating profit/(loss) after income tax	347,481	(21,525,608)	187,525	(21,329,914)
Items classified as investing or financing activities:				
(Profit)/loss on disposal of assets/tenements	(200,600)	3,832	(200,600)	3,832
Non-cash items:				
Amortisation of interest in Windimurra project	500,000	1,150,689	500,000	1,150,689
Depreciation	3,170	1,707	3,170	1,707
Write (up)/off of Windimurra Royalty	(500,000)	19,000,067	(500,000)	19,000,067
Write-off of investment	-	1,324	-	1,324
Provision for loans to controlled entities	-	-	159,954	45,539
Exploration expenditure written off	-	429,462	-	414,595
Net cash provided by/(used in) operating activities before changes in assets and liabilities	150,051	(938,527)	150,049	(712,161)
Change in assets and liabilities:				
Increase/(decrease) in provisions	(800,000)	592,278	(800,000)	592,278
Increase/(decrease) in payables	331,773	334,383	331,775	338,689
Increase/(decrease) in interest bearing liabilities	-	(504,438)	-	(504,438)
Increase/(decrease) in deferred income	(102,125)	(22,875)	(102,125)	(22,875)
Increase/(decrease) in provision for rehabilitation	(160,446)	200,000	-	-
Decrease/(increase) in trade debtors	-	99,521	-	99,521
Decrease/(increase) in other receivables	431,103	5,757	431,103	5,757
Net cash provided by/(used in) operating activities	(149,644)	(233,901)	10,802	(203,229)

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$

22. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(c) Non-cash Financing and Investing Activities

- (i) In April 2003 the Company completed negotiations to sell the mining tenement known as Barrambie, previously written down to \$Nil, for \$200,000 to Reed Resources NL by the payment of \$50,000 and the issue by Reed Resources NL of 750,000 fully paid shares of 20c each.
- (ii) In July 2002 the Company reached agreements with Westgold Resources NL which in effect settled the action brought by Westgold against the Company and two former Directors. The Company accepted a liability to Westgold of \$800,000. This amount was guaranteed by former director Mr R J H Smith. The Company failed to pay Westgold. Mr R J H Smith's guarantee was called upon. In May 2003 the Company reached an agreement with Mr R J H Smith acknowledging that a loan of \$800,000 was payable to Mr R J H Smith.

(d) Financing Arrangements

The consolidated entity has access to the following lines of credit:

Total facilities available:				
Guarantee and indemnity facility	80,000	258,000	80,000	258,000
Facilities utilised at balance date:	80,000	258,000	80,000	258,000
Facilities not utilised at balance date:				
Guarantee and indemnity facility	-	-	-	-

Guarantee and indemnity facility

The facilities are subject to annual review. The fee rates are 2.00% (2002: 1.25%) per annum. Subsequent to year end the facilities have been secured with the placement of \$80,000 cash on term deposit to serve as a guarantee. See Note 24 (a) for details.

23. COMMITMENTS

(a) Mining Tenement Expenditure Commitments

In order to maintain current rights of tenure to tenements, the Company and the consolidated entity are required to pay lease rentals and to meet the minimum statutory expenditure requirements of the Western Australian Department of Industry and Resources.

The obligation to meet expenditure commitments ceases if the tenement is surrendered or expires.

These obligations are not provided for in the financial report and are payable:

Not later than 1 year	(i)	71,300	159,800	71,300	68,500
Later than 1 year but not later than 5 years	(i)	275,830	639,200	275,830	274,000
Later than 5 years	(i)	243,099	608,791	243,099	279,630
		590,229	1,407,791	590,229	622,130

- (i) If the consolidated entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statements of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

24. CONTINGENT LIABILITIES

(a) Guarantees

The consolidated entity has in place a guarantee and indemnity facility of \$80,000 (2002: \$238,000) that relates to the Palm Springs tenements. The primary purpose of this facility is to satisfy environmental bonds in respect of mining tenements, as required by the Department of Industry and Resources. At 30 June 2003 no amount had been drawn against this facility. As at 30 June 2003, no security was held over this facility. Subsequent to year end, the facility has been cash backed via a security deposit with the Company's bankers. At 30 June 2002 the consolidated entity had recorded a provision of \$220,000. During the year ended 30 June 2003, the Company completed, subject to a further review by the Department of Industry and Resources, its obligations to clean up and restore the minesite at Palm Springs in the Kimberley district of Western Australia. This was done at a cost of \$160,446, leaving a balance in the provision at 30 June 2003 of \$59,554.

(b) Native Title

The Company holds mining tenements in Western Australia. In 1992, the decision of the High Court of Australia (Mabo Case), recognised the existence, in certain circumstances, of communal native title in Australia. The Company has received notification that some of its mining tenements may be the subject of Native Title claims. At the date of this report, the Company is unable to determine what effect (if any) Native Title claims will have on the operations of the Company.

The Company	
2003	2002
\$	\$

25. CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Name of Entity:		
Midwest Coal Pty Ltd	100	100
Victory Street Pty Ltd	2	2
Kimberley Gold Pty Ltd	2	2
	104	104

The controlled entities are incorporated in Australia and the Company holds 100% of the ordinary issued capital.

(b) Disposal of controlled entities

There were no acquisitions or disposals of subsidiaries either during the financial year or subsequently up to the date of this Report.

26. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

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		1.85%	73,764	-	73,764
Receivables	7	4.25%	407,601	-	407,601
Other receivables	7	-	-	55,022	55,022
Windimurra royalty	11	-	-	2,000,000	2,000,000
			481,365	2,055,022	2,536,387
Financial liabilities:					
Payables	12	9.00%	750,000	960,158	1,710,158
			750,000	960,158	1,710,158
Net financial assets/(liabilities)			1,231,365	1,094,864	826,229
2002					
Financial assets:					
Cash		3.42%	283,329	-	283,329
Receivables	7	4.30%	647,080	-	647,080
Other receivables	7	-	-	246,646	246,646
Windimurra royalty	11	-	-	2,000,000	2,000,000
			930,409	2,246,646	3,177,055
Financial liabilities:					
Payables	12	-	-	1,488,906	1,488,906
Provision for Westgold Resources NL settlement	13	-	-	800,000	800,000
			-	2,288,906	2,288,906
Net financial assets/(liabilities)			930,409	(42,260)	888,149

26. FINANCIAL INSTRUMENTS (continued)

(b) Net Fair Value of Financial Assets and Liabilities

(i) Recognised financial instruments

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

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.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date (refer also to Note 8). For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

(ii) Unrecognised financial instruments

The Company and certain related parties have potential financial liabilities that may arise from certain contingencies disclosed in Note 24.

(iii) Net Fair Values

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

(c) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counter-parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity, which have been recognised in the statement of financial position, is the carrying amount net of any doubtful debts.

27. EMPLOYEE ENTITLEMENTS

The Company had no employees during the 2003 financial year.

28. ECONOMIC DEPENDENCY

Royalty payments to the Company will be calculated on returns of the Windimurra Vanadium Project without deduction or interest, tax, depreciation or amortisation and includes a minimum royalty of \$500,000 per annum to be paid on a calendar year basis (Note 11).

Future production royalties in excess of the minimum royalty is calculated and paid on a calendar year basis.

29. EVENTS OCCURRING AFTER BALANCE DATE

There have been no significant events occurring after balance date.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Precious Metals Australia Limited ("the Company"):
 - (a) the financial statements and notes, set out on pages 11 to 31 are in accordance with the Corporations Act 2001, including:
 - (i) giving 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; and
 - (ii) complying with the Accounting Standards and the Corporations Regulations 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. Without qualification to the above, attention is drawn to the matters described in Note 1(b) on page 14.

Signed in accordance with a resolution of the Directors:

A C PILMER
Director

Dated at Perth this 27th day of October 2003

INDEPENDENT AUDIT REPORT TO MEMBERS OF PRECIOUS METALS AUSTRALIA LIMITED

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 Precious Metals Australia Limited (the "Company") and 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*, Australian 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.

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.

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 Precious Metals Australia Limited is in accordance with:

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

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(b), to the financial statements, there is significant uncertainty whether the Company and consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Inherent uncertainty regarding Windimurra Royalty

Without qualification to the opinion expressed above, attention is drawn to the following matter. As described in Note 11, the company has recorded the Windimurra royalty at its estimated recoverable amount of \$2,000,000. As a result of the matters described at Note 11 to the financial statements there is inherent uncertainty as to its recoverable amount which is dependent on continued payment of the minimum royalty until at least 30 June 2007, resumption of production at Windimurra or sale for an amount at least equal to its carrying value.

KPMG

T R HART
Partner

Perth
27 October 2003

ADDITIONAL INFORMATION AS AT 21 OCTOBER 2003

1. SHAREHOLDING

(a) Substantial Shareholders

Name	Held directly	Held indirectly	Total	%
Earl of Warwick	Nil	1,980,633	1,980,633	12.49
Roderick Smith	512,001	1,808,688	2,320,689	14.64

(b) Voting Rights

Each member is entitled to one vote on a show of hands and one vote for each share held on a poll.

(c) Distribution of Shareholders

Size of Holding	Number of Holders	
	Shares	%
1 - 1,000	568	1.91
1,001 - 5,000	639	10.50
5,001 - 10,000	143	6.91
10,001 - 100,000	153	25.21
> 100,000	19	55.46

(e) Marketable Parcel

There are 1,350 shareholders who hold less than a marketable parcel given a share value of 6 cents a share.

(f) Top 20 Shareholders

	Number of Shares	% of Issued Capital
Mr Roderick James Hollas Smith	2,320,689	14.64
Tagora Pty Ltd	1,980,633	12.49
Mr Andrew Kregor McKee	927,250	5.85
Retford Resources NL	914,638	5.77
Vagg Investment Management Services Pty Ltd	443,924	2.80
HSBC Custody Nominees (Australia) Limited	400,500	2.53
ANZ Nominees Limited	302,034	1.90
National Nominees Limited	281,980	1.78
Bow Lane Nominees Pty Ltd	277,000	1.75
Westgold Resources NL	200,000	1.26
R & B Investments Pty Limited	161,210	1.02
Miss Yu Chuan Chen	155,000	0.98
Mrs Liliانا Teofilova	147,536	0.93
Mr Arthur Carbo	125,128	0.79
Mr R E & Mrs R D MacMillan	104,650	0.66
Mr Alexander Reid	101,780	0.64
Mr H J & Mrs L M Wheatley	100,000	0.63
Morgeo Nominees Pty Limited	100,000	0.63
Yuwin Pty Ltd	100,000	0.63
Dr Andrew Duncan MacLaine-Cross	93,181	0.58
	<u>9,237,133</u>	<u>58.26</u>

(g) Top 20 Option Holders

	Number of Options	% of Issued Capital
Dr G & Mrs T Whisson	1,250,007	9.69
Mr Bin Mohamad Abas	1,040,000	8.06
Reef Securities Limited	770,000	5.97
Mr Andrew Kregor McKee	585,960	4.54
Retford Resources NL	501,667	3.89
Mr David William Buchold	489,798	3.80
Mr Helmut Rucker	481,250	3.73
Mrs Bin Mohamad Abas	391,750	3.04
Mr Edward Protasewicz	330,336	2.56
Mr Robert Joseph Edwards	330,000	2.56
HSBC Custody Nominees (Australia) Limited	262,188	2.03
Tradco Pty Ltd	251,250	1.95
Mr Ianaki Semerdziew	250,001	1.94
Mr James Arthur Wall	250,000	1.94
Mr Donald Stuart Crombie	230,000	1.78
Mr Francis John Higgins	190,344	1.47
Mrs Paola Bardwell	185,000	1.43
Mr Hugh Anthony Brady	170,000	1.32
Vagg Investment Management Services Pty Limited	150,487	1.17
Dr Glenn James	135,649	1.05
	<u>8,245,687</u>	<u>63.94</u>

(h) On Market Buy-Back

There is no current On Market Buy-Back.