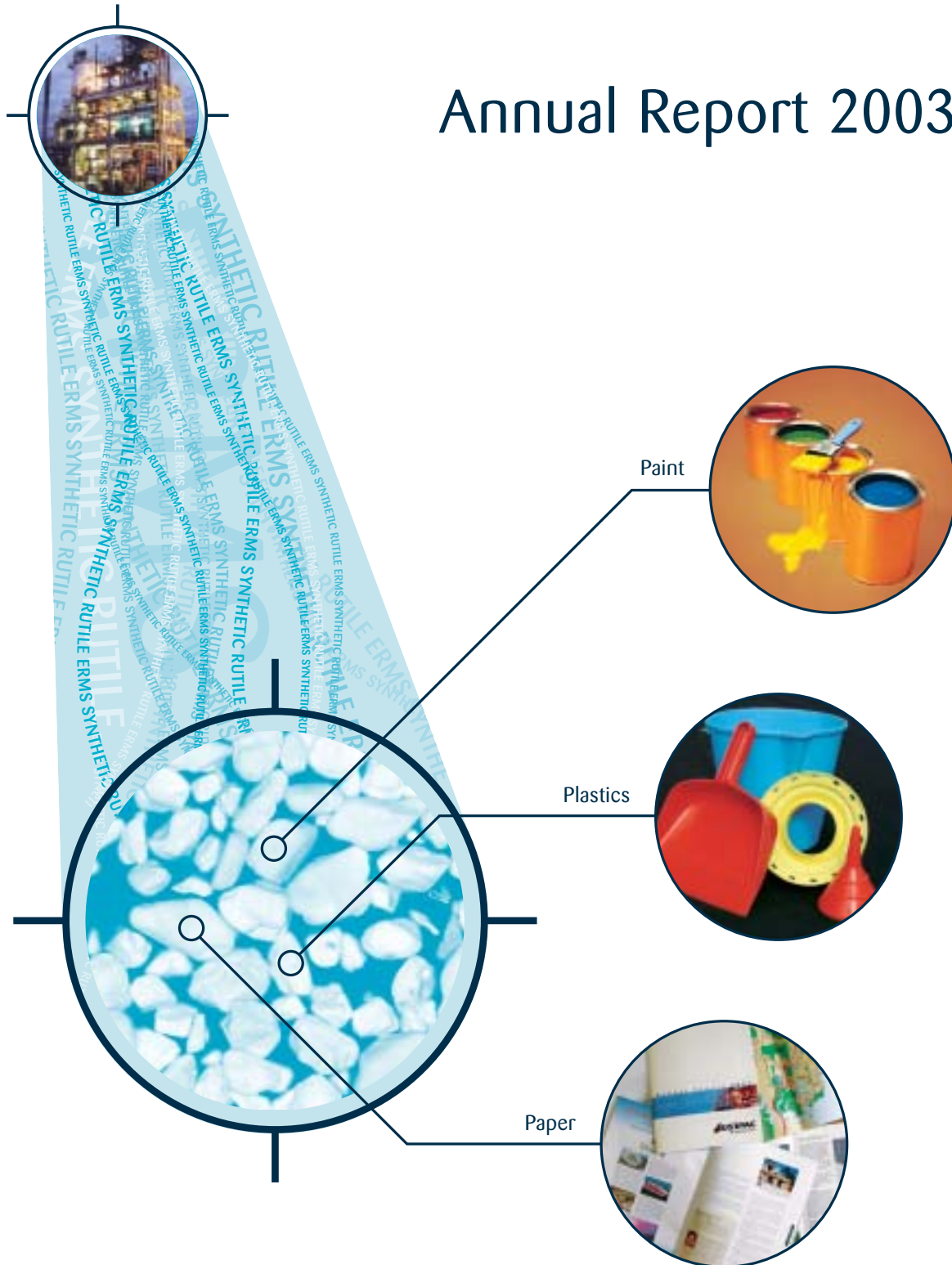


Annual Report 2003



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Austpac Resources N.L. Annual Report 2003



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Financial Statements



Directors' Report

The directors of Austpac Resources N.L., ('the Company') A.C.N. 002 264 057, present their report together with the financial report of 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.

The Company was incorporated as Absolajur N.L. on 12 October 1981 and changed its name to Austpac Resources N.L. on 22 May 1985, to Austpac Gold N.L. on 17 March 1986 and finally back to Austpac Resources N.L. on 20 November 1997.

Directors

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



ALFRED L. PATON, Chairman
BEng, FAIM, MIE, MAusIMM, FAICD
Age 80

Mr Paton is currently the Chairman of Hill End Gold Limited and a Director of CARE Australia. Mr Paton has an engineering background and has over 50 years' experience in business including the mining industry. From 1987 to 1990 he was the Managing Director of Placer Pacific Limited and Kidston Gold Mines Limited, and was Chairman of these companies from 1990 to 1994, when he also retired as a Director of Placer Dome Inc. Canada. Mr Paton has been Chairman of Austpac Resources N.L. since November 1997.



MICHAEL J. TURBOTT, Managing Director
BSc (Hons), FAusIMM, MAIG
Age 59

Mr Turbott was formerly a Director and Vice President of Kennecott Explorations (Australia) Ltd, and was in charge of the exploration programs that led to the discovery of the Lihir gold deposit in Papua New Guinea and to the acquisition and initial development of the Gordonstone coal mine in the Bowen Basin, Queensland. His 36 years' experience in the mining industry has encompassed a wide variety of exploration and development projects in Australia, New Zealand, Papua New Guinea, Indonesia, Philippines, Canada and the USA.

Mr Turbott has been the Managing Director of Austpac Resources N.L. since its formation as an epithermal gold explorer in 1985. In 1988 Austpac became involved in the Westport ilmenite sand deposits in New Zealand. This led to the development of Austpac's proprietary ERMS roasting process to separate refractory ilmenite and, subsequently, to the patented EARS acid regeneration process. Under Mr Turbott's direction, since the mid 1990s Austpac has solely focused on its mineral sand technologies and has developed

a proprietary continuous leaching process and specialist know-how in low temperature roasting and in the treatment of iron minerals as well as the ERMS SR process for the production of high grade synthetic rutile. Austpac's technologies are applicable to a wide range of mineral sand deposits and are now being commercialised.



HAROLD HINES
FAusIMM
Age 74

Mr Hines is the Managing Director of International Mineral Developments Pty Limited. Mr Hines has over 50 years' experience in operations, development, management and consulting in and for the mineral sands and alluvial mining industry. Since 1988, he has provided mine planning, construction and commissioning for significant major projects in India, Africa, New Zealand, Indonesia, USA and Australia. Mr Hines has been a Director of Austpac Resources N.L. since April 1996.



TERRY CUTHBERTSON
ACA
Age 53

Mr Cuthbertson is currently a non-executive Director of Open Telecommunication Limited. He was previously Group Finance Director for Tech Pacific Holdings Pty Ltd which generated over \$2 billion in revenues from operations throughout the Asia-Pacific Region. From 1986 to 1995 he was a Senior Partner of KPMG, specialising in strategic and corporate advice to major corporations. Mr Cuthbertson brings extensive international corporate experience to Austpac including a practical operating knowledge of business practices and structures in India. Mr Cuthbertson was appointed a Director of Austpac Resources N.L. on 27 March 2001.

Directors' Report

Directors' Interests and Benefits

The relevant interest of each director in the share capital of the Company at the date of the report and as notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Act 2001 was:

	ORDINARY SHARES	
	DIRECT	INDIRECT
Alfred L. Paton	–	2,962,500
Michael J. Turbott	4,701,118	3,283,333
Harold Hines	1,040,000	–
Terry Cuthbertson	–	600,000

In accordance with the Company's articles of association, Mr T. Cuthbertson retires from the Board of Directors and, being eligible, offers himself for re-election.

Directors' Meetings

The number of meetings held and attended by each of the directors of the Company during the financial year are:

	BOARD MEETINGS ATTENDED	BOARD MEETINGS HELD DURING THE TIME THE DIRECTOR HELD OFFICE	AUDIT COMMITTEE MEETINGS ATTENDED	REMUNERATION COMMITTEE MEETINGS ATTENDED
Alfred L. Paton	13	13	2	1
Michael J. Turbott	13	13	2	1
Harold Hines	12	13	2	1
Terry Cuthbertson	13	13	2	1

Principal Activities

The principal activity of the consolidated entity is the development of mineral processing technology and exploration and development of mineral sands deposits.

Review and Results of Operations

A review of the operations of the consolidated entity for the year and the results of those operations are contained in the section entitled *Report on Technology and Mineral Sands* commencing in the front section of this Annual Report.

Dividends

The directors do not recommend the payment of a dividend.

State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Events Subsequent to the end of the Financial Year

Since the end of the 30 June 2003 financial year, Austpac Resources N.L. has announced that a 2.5 tonnes per hour Low Temperature Roasting (LTR) plant will be built by New Zealand Steel Limited to test the suitability of Austpac's LTR Process for treatment of mine waste from New Zealand Steel's Waikato North Head mine.

Austpac's LTR technology involves low temperature fluid bed roasting to selectively enhance the magnetic properties of specific minerals. LTR test work for New Zealand Steel at Austpac's pilot plant in Newcastle has shown that minerals now being lost as waste can be recovered and conditioned for use in the steel making process. New Zealand Steel has not made any commitments beyond the license for the 2.5 tph plant.

Directors' Report

Events Subsequent to the end of the Financial Year (continued)

The LTR plant comprises a series of fluid bed roasters and magnetic separators. Austpac will be involved in the design, procurement, construction, commissioning and operation of the facility expected to be operational by the end of this calendar year.

Since the end of the 30 June 2003 financial year, Austpac Resources N.L. has placed 5,000,000 fully paid ordinary shares to raise \$325,000 for working capital.

Likely Developments

Except as described elsewhere in this Annual Report, further information about likely developments in the operations of the consolidated entity and the expected results of those operations has not been included as disclosure of such information would likely result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its technology development.

The directors are not aware of any breach during the period covered by this report.

Directors' and Senior Executives' Emoluments

The broad remuneration policy is to ensure the remuneration package properly reflects the duties and responsibilities of the director. Details of the nature and amount of each major element of the emoluments of each director of the company are:

	BASE	CONSULTING FEES	NON CASH BENEFITS	SUPER	TOTAL
	\$	\$	\$	\$	\$
Mr M.J. Turbott	113,178	–	20,700	11,317	145,195
Mr A.L. Paton	25,000	7,500	–	–	32,500
Mr H. Hines	15,000	7,500	–	–	22,500
Mr T. Cuthbertson	15,000	7,500	–	–	22,500

The Company is managed by the Managing Director, supported by the Board of Directors.

Options

During or since the end of the financial year no options have been granted by the company.

Indemnification and Insurance

The Company does not have a Directors' and Officers' insurance against liability which may arise from holding the position of Director or Officer.

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Signed at Sydney this twenty sixth day of September 2003 in accordance with a resolution of the Board of Directors of Austpac Resources N.L.



A.L. Paton
Chairman



M.J. Turbott
Managing Director

Corporate Governance Statement

This Statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

Board of Directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

A description of the company's main corporate governance practices is set out below. All these practices were in place for the entire year.

AUDIT COMMITTEE

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. In accordance with this Charter, all members of the Committee must be non-executive directors with a majority being independent. The Chairman may not be the Chairman of the Board of Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

The members of the Audit Committee during the year were:

- Mr T. Cuthbertson (Chairman)
- Mr A.L. Paton
- Mr H. Hines

The external auditors, the Managing Director and Company Secretary, are invited to Audit Committee meetings at the discretion of the Committee. The Committee met twice during the year.

The responsibilities of the Audit Committee include:

- reviewing the financial report and other financial information distributed externally.
- monitoring corporate risk assessment processes.
- reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- monitoring the activities of the internal control function.
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management.
- reviewing the nomination and performance of the auditor. The external auditors were appointed in 1985. The lead external audit engagement partner was last rotated in 1998.
- liaising with the external auditors and ensuring that annual and half-year statutory audits are conducted in an effective manner.
- monitoring the establishment of an appropriate internal control framework and considering enhancements.
- monitoring the establishment of appropriate ethical standards.
- monitoring the procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements.
- addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.
- reviewing reports on any major defalcations, frauds and thefts from the Company and ensuring that the Company's Fraud Control Plan is adhered to.

Corporate Governance Statement

- improving the quality of the accounting function.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

AUDIT PLANNING

- to discuss the external audit plan.
- to discuss any significant issues that may be foreseen.
- to discuss the impact of any proposed changes in accounting policies on the financial statements.
- to review the nature and impact of any changes in accounting policies adopted by the consolidated entity during the year.
- to review the fees proposed for the audit work to be performed.

PRIOR TO ANNOUNCEMENT OF RESULTS

- to review the half-yearly and annual report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit.
- to make the necessary recommendation to the Board for the approval of these documents.

HALF-YEARLY AND ANNUAL REPORTING

- to review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made.
- to review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

REMUNERATION COMMITTEE

The Company has a Remuneration Committee which meets annually in January and the members of the Remuneration Committee are:

- Mr T. Cuthbertson (Chairman)
- Mr A.L. Paton
- Mr H. Hines

In addition, the Company endeavours to ensure the following policies:

- A properly constituted Board of Directors with a high independent representation drawn from the professions and industry with an independent Chairman.
- The Board elects Directors on the basis of corporate requirements and project activity. High calibre independents with substantial experience at senior levels are sought when required.
- Any independent professional advice required is approved by the full Board.
- External audit is undertaken by a leading international firm of high repute. A policy of full disclosure is adopted for statutory audit purposes and all corporate matters are available for audit scrutiny.
- Basic risk is reviewed annually or more regularly in changed circumstances or if new areas of business are embraced.
- Company policy allows the directors to buy or sell shares within three weeks after any announcement to the Australian Stock Exchange.
- The Board meets on a strict monthly basis with full financial disclosure.

Statements of Financial Performance

for the year ended 30 June 2003

Austpac Resources N.L. and its controlled entities

	Note	CONSOLIDATED		THE COMPANY	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenue	3	1,611,968	14,011	1,611,968	14,011
Expenses from ordinary activities					
Administration expenses		(1,415,550)	(1,217,912)	(1,415,550)	(1,217,912)
Exploration expenditure written off		(898,765)	(47,802)	(898,765)	(47,802)
Borrowing costs		(21,083)	(189,929)	(21,083)	(189,929)
Loss from ordinary activities before related income tax benefit	4	(723,430)	(1,441,632)	(723,430)	(1,441,632)
Income tax benefit relating to ordinary activities	6	-	-	-	-
Loss from ordinary activities after related income tax benefit		(723,430)	(1,441,632)	(723,430)	(1,441,632)
Basic and diluted loss per ordinary share		(\$0.002)	(\$0.004)	(\$0.002)	(\$0.004)

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 18 to 32.

Statements of Financial Position

as at 30 June 2003

Austpac Resources N.L. and its controlled entities

Note	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Current Assets				
Cash assets	193,975	444,360	193,975	444,360
Receivables	7 18,613	7,662	18,613	7,662
Total Current Assets	212,588	452,022	212,588	452,022
Non-Current Assets				
Receivables	7 –	–	7,300	7,300
Other financial assets	8 –	–	6,616,480	6,616,480
Plant and equipment	9 267,795	349,472	267,795	349,472
Exploration, evaluation and development expenditure	10 12,280,139	13,074,823	5,656,359	6,451,043
Total Non-Current Assets	12,547,934	13,424,295	12,547,934	13,424,295
Total Assets	12,760,522	13,876,317	12,760,522	13,876,317
Current Liabilities				
Payables	11 599,872	741,810	599,872	741,810
Interest bearing liabilities	12 108,218	107,732	108,218	107,732
Provisions	13 243,999	243,999	243,999	243,999
Total Current Liabilities	952,089	1,093,541	952,089	1,093,541
Non-Current Liabilities				
Interest bearing liabilities	12 145,704	1,463,117	145,704	1,463,117
Total Non-Current Liabilities	145,704	1,463,117	145,704	1,463,117
Total Liabilities	1,097,793	2,556,658	1,097,793	2,556,658
Net Assets	11,662,729	11,319,659	11,662,729	11,319,659
Equity				
Contributed equity	14 41,179,555	40,113,055	41,179,555	40,113,055
Accumulated losses	15 (29,516,826)	(28,793,396)	(29,516,826)	(28,793,396)
Total Equity	11,662,729	11,319,659	11,662,729	11,319,659

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 18 to 32.

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	356,697	–	356,697	–
Interest Received	–	14,011	–	14,011
Cash payments in the course of operations	(1,473,120)	(826,984)	(1,473,120)	(783,942)
Borrowing Costs Paid	(21,083)	(189,929)	(21,083)	(189,929)
Net cash used in operating activities	23(A) (1,137,506)	(1,002,902)	(1,137,506)	(959,860)
Cash Flows from Investing Activities				
Payment for property, plant and equipment	(3,850)	(18,936)	(3,850)	(18,936)
Payments for:				
Mineral Technology Development Expenditure and Exploration Expenditure	(104,081)	(974,653)	(104,081)	(976,840)
Net cash used in investing activities	(107,931)	(993,589)	(107,931)	(995,776)
Cash Flows from Financing Activities				
Proceeds from issue of shares	1,051,500	1,419,251	1,051,500	1,419,251
Lease payments	(56,448)	(58,174)	(56,448)	(58,174)
Loan from other parties	–	461,935	–	461,935
Net cash provided by financing activities	995,052	1,823,012	995,052	1,823,012
Net decrease in cash held	(250,385)	(173,479)	(250,385)	(132,624)
Cash at the beginning of the financial year	444,360	617,839	444,360	576,984
Cash at the end of the financial year	23(B) 193,975	444,360	193,975	444,360

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 18 to 32.

Notes to the Financial Statements

for the year ended 30 June 2003

Note 1: Statement of Significant Accounting Policies

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

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report which has been drawn up 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 nor current valuations of non-current assets. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(B) EARNINGS PER SHARE

Basic earnings per share ('EPS') is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(C) PRINCIPLES OF CONSOLIDATION

CONTROLLED ENTITIES:

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

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

JOINT VENTURES:

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

JOINT VENTURE OPERATION:

The consolidated entity's interest in an unincorporated joint venture is brought to account by including its proportionate share of the joint venture's assets, liabilities and expenses and the consolidated entity's revenue from the sale of its share of output on a line-by-line basis, from the date joint control commences to the date joint control ceases.

TRANSACTIONS ELIMINATED ON CONSOLIDATION:

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

Unrealised gains resulting from transactions with joint ventures are eliminated to the extent of the consolidated entity's interest.

(D) GOING CONCERN

The financial report has been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The directors believe that the company and the consolidated entity will be able to fund future operations through share issues, the successful commercialisation of mineral technologies and the joint venturing of interests held in mineral projects.

Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects, there is uncertainty whether the consolidated entity will be able to continue as a going concern.

If the consolidated entity is unable to continue as a going concern, it may be required to make adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities in order to realise its assets

Notes to the Financial Statements

for the year ended 30 June 2003

and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

(E) FOREIGN CURRENCY

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies are translated at the rates of exchange ruling at balance date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the statement of financial performance in the financial year in which the exchange rates change as exchange gains or losses. Those controlled entities whose financial reports are presented in foreign currencies and whose operations are considered to be integrated with the Company are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on transactions are brought to account in the statement of financial performance.

(F) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS VALUED ON COST BASIS

The carrying amounts of all non-current assets valued on the cost basis, excluding exploration and evaluation expenditure, 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. The write-down is recognised as an expense in the net loss in the reporting period in which it occurs. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(G) RECEIVABLES

Other debtors to be settled within 60 days are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. The carrying amount of trade debtors approximates net fair value.

(H) INCOME TAX

The income statement liability method of tax effect accounting is applied throughout the consolidated entity. Under this method the income tax expense for the year is related to operating loss before tax after allowing for permanently non-allowable and non-assessable items.

(I) INVESTMENTS

CONTROLLED ENTITIES:

Investments in controlled entities are valued in the company's financial statements at the lower of cost and recoverable amount. Provision is made for any temporary diminution in the value of the investment in related corporations having regard to the underlying net assets of the controlled entity at balance date.

(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, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

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. In these circumstances, borrowing costs are capitalised to the cost of the assets. 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. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Exploration and evaluation expenditure carried forward relating to areas of interest which have not reached a stage permitting reliable assessment of economic benefits are not qualifying assets.

Notes to the Financial Statements

for the year ended 30 June 2003

(K) ACQUISITION OF ASSETS

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

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

The costs of assets constructed or internally generated by the consolidated entity, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

LEASED ASSETS:

Leases 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

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.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

OPERATING LEASES

Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(L) DEPRECIATION AND AMORTISATION

COMPLEX ASSETS:

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

USEFUL LIVES:

All assets have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of carried forward exploration, evaluation and development costs which is amortised on a units of production basis over the life of the economically recoverable reserves and finance lease assets which are amortised 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.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

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

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	2003	2002
Property, plant and equipment	15%	15%
Leased plant, equipment and motor vehicles	10%	10%

Notes to the Financial Statements

for the year ended 30 June 2003

(M) EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs are accumulated in respect of each separate area of interest. Such costs are carried forward where they are expected to be recouped through successful development and exploitation of the area of interest; or where activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas. Each area of interest is reviewed annually to determine whether costs should continue to be carried forward in respect of that area of interest. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken.

The anticipated cost of restoration is provided for as part of exploration and evaluation programmes undertaken by the company.

(N) TECHNOLOGY EXPENDITURE

Mineral technology development expenditures are capitalised. On the basis that these technologies are in the commercialisation phase and are intended to be applied to mineral sands projects in the future, such costs are expected to be recoverable beyond reasonable doubt. Licences for the use of ERMS and EARS technologies by other companies have been negotiated by Austpac.

(O) PROVISIONS

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

WAGES, SALARIES, ANNUAL LEAVE AND SICK LEAVE:

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided up to the balance date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

LONG SERVICE LEAVE:

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

(P) SUPERANNUATION FUND

The company and its controlled entities contribute to an employee superannuation fund to match contributions to the fund made by employees. Such group contributions are charged against income as they are made. Further information is set out in Note 15.

(Q) DERIVATIVES

The consolidated entity is exposed to changes in interest rates and commodity prices from its activities. The consolidated entity does not hedge these risks.

(R) FINANCING ARRANGEMENTS

At the time of the financial report there existed no overdraft or other financing facilities in the Austpac Resources group.

(S) REVENUE RECOGNITION

LICENCE FEES – TECHNOLOGY

Licence fees are recognised at the time of receipt. The licences signed with Iscor are payable upon the commencement and commissioning of a new project development in South Africa using the Austpac technologies. The licence signed with BeMaX is payable upon practical completion of the Ginkgo project in the Murray Basin, Australia.

Notes to the Financial Statements

for the year ended 30 June 2003

OTHER

Interest income is recognised as it accrues.

(T) CASH, SHORT TERM DEPOSITS AND BANK OVERDRAFTS

Cash, short term deposits and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash, short-term deposits and bank overdrafts approximate net fair value. Interest revenue is accrued at the market or contracted rates and is receivable quarterly.

(U) PAYABLES

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

(V) 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.

Note 2: Changes in Accounting Policy

The consolidated entity has applied revised AASB 1028 'Employee Benefits' and AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' for the first time 1 July 2002 without material effect.

Note 3: Revenue from Ordinary Activities

Other revenue from activities:

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
- Interest received	-	14,011	-	14,011
- Licence fee income	356,697	-	356,697	-
- Extinguishment of other loans	1,255,271	-	1,255,271	-
Total revenue from ordinary activities	1,611,968	14,011	1,611,968	14,011

Notes to the Financial Statements

for the year ended 30 June 2003

CONSOLIDATED		THE COMPANY	
2003	2002	2003	2002
\$	\$	\$	\$

Note 4:

Loss from Ordinary Activities before Income Tax Benefit

Loss from ordinary activities before income tax benefit has been arrived at after charging/(crediting) the following items:

Borrowing Costs

Finance charges on capitalised leases	21,083	26,992	21,083	26,992
Interest paid re Ticolor project loan	–	162,937	–	162,937
	21,083	189,929	21,083	189,929

Administration Expenses

Amortisation of leased assets	57,152	58,174	57,152	58,174
Depreciation of plant and equipment	28,375	27,780	28,375	27,780
Lease rental expense:				
Operating leases	68,932	71,213	68,932	71,213
Employee Entitlements	–	(148,601)	–	(148,601)

Note 5:

Auditors' Remuneration

Audit Services

Auditors of the Company	36,500	30,500	36,500	30,500
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Note 6:

Taxation

Income Tax Benefit

Prima facie income tax benefit calculated at 30% (2002: 30%) on the loss from ordinary activities	(217,029)	(432,490)	(217,029)	(432,490)
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Decrease in income tax benefit due to:

Losses not brought to account as a Future Income Tax Benefit	217,029	432,490	217,029	432,490
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Income tax benefit attributable to operating loss	–	–	–	–
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Future Income Tax Benefit Not Brought to Account

The potential 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 any reasonable doubt.

Tax losses carried forward	617,951	400,922	617,951	400,922
Timing differences	73,200	73,200	73,200	73,200
	691,151	474,122	691,151	474,122

The future income tax benefit which has not been recognised as an asset will only be obtained if:

- the relevant company and/or the group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the relevant company and/or the group continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or group in realising the benefit.

Dividend Franking Account

The consolidated entity does not have any available dividend franking credits.

Notes to the Financial Statements

for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 7:				
Receivables				
Current				
Other debtors (net of provision for doubtful debts – nil)	18,613	7,662	18,613	7,662
Non-current				
Loans to controlled entities	–	–	7,300	7,300

Loans to controlled entities are interest free with no fixed term of repayment.
The effective weighted average interest rate for receivables is Nil (2002: Nil)

Note 8: other financial assets

Shares in controlled entities (unquoted) at cost	–	–	6,616,480	6,616,480
--	---	---	-----------	-----------

PARTICULARS IN RELATION TO THE COMPANY AND ITS CONTROLLED ENTITIES	CLASS OF SHARE	HOLDING	
		2003 \$	2002 \$
The Company			
Austpac Resources N.L.		–	–
Controlled Entities			
Almeth Pty Ltd	Ord	100%	100%
Austpac Technology Pty Ltd	Ord	100%	100%

Almeth Pty Limited was incorporated in the ACT and carried on business in Australia. Almeth was acquired by Austpac Resources N.L. from Rothschilds in March 1999 in accordance with the terms and conditions of the Research and Development Agreement dated 30 June 1993.

Austpac Technology Pty Limited was incorporated in Australia and carries on business in Australia.

No dividends were received or receivable by any company in the group in the 2003 or 2002 financial years.

Notes to the Financial Statements

for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 9:				
Plant and Equipment				
Leased plant, equipment and motor vehicles capitalised	442,751	442,751	442,751	442,751
Less: Accumulated amortisation	(189,533)	(132,381)	(189,533)	(132,381)
	253,218	310,370	253,218	310,370
Plant and equipment at cost	514,398	510,548	427,117	423,267
Less: Accumulated depreciation	(499,821)	(471,446)	(412,540)	(384,165)
	14,577	39,102	14,577	39,102
Total plant, equipment – net book value	267,795	349,472	267,795	349,472

Reconciliations

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

Leased Plant and Equipment

Carrying amount of beginning of year	310,370	300,652	310,370	300,652
Additions	–	67,892	–	67,892
Amortisation	(57,152)	(58,174)	(57,152)	(58,174)
Carrying amount at end of year	253,218	310,370	253,218	310,370

Plant and Equipment

Carrying amount at beginning of year	39,102	47,946	39,102	47,946
Additions	3,850	18,936	3,850	18,936
Depreciation	(28,375)	(27,780)	(28,375)	(27,780)
Carrying amount at end of year	14,577	39,102	14,577	39,102

Note 10:

Exploration, Evaluation and Development Expenditure

Exploration and/or evaluation phase expenditure, at cost	560,226	1,406,591	560,226	1,398,923
Mineral Technology Development expenditure, at cost	11,719,913	11,668,232	5,096,133	5,052,120
	12,280,139	13,074,823	5,656,359	6,451,043

ERMS mineral technology development expenditure was valued independently by Mineralex Agencies Pty Limited for the year ended 30 June 2002 at \$15.7 million based on commercial application of the technology in its current form. This valuation exceeds the capitalised value of \$11,719,913.

Notes to the Financial Statements

for the year ended 30 June 2003

Note	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 11:				
Payables				
Current				
Trade Creditors	599,872	741,810	599,872	741,810

The effective weighted average interest rate is:

– trade creditors N/A (2002: N/A)

Note 12: Interest Bearing Liabilities

Current				
Lease liabilities	17	108,218	107,732	108,218
Non-Current				
Lease liabilities	17	145,704	202,638	145,704
Other loans		–	1,260,479	–
		145,704	1,463,117	145,704
				1,463,117

The effective weighted average interest rate is:

– Lease liabilities 7% (2002: 7%) (Fixed)

– Other loans Nil (2002: 18%) (Fixed)

Other loans related to project financing arrangements for India which was secured over project assets upon completion of development and were to be repaid from Indian project profits. In September 2002, other loans were forgiven under the terms of the September 2002 agreement with Tigor Limited.

Note 13: Provisions

Current				
Employee entitlements		243,999	243,999	243,999
Number of employees at year end		6	10	6
Discount rate		6%	6%	6%

Notes to the Financial Statements

for the year ended 30 June 2003

Note 14: Contributed Equity

Issued and paid up Capital

	CONSOLIDATED AND THE COMPANY	
	2003 \$	2002 \$
371,226,363 (2002: 341,976,833) ordinary shares fully paid	40,941,055	39,874,555
23,850,000 (2002: 23,850,000) ordinary shares paid to \$0.01	238,500	238,500
395,076,363	41,179,555	40,113,055

Movements in Ordinary Share Capital

Balance at the beginning of the financial year	40,113,055	38,693,804
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Shares issued:

Placement – Intersuisse – 15,000,000 ordinary shares issued for cash in October 2001 at 8 cents each		1,071,001
Share Purchase Plan – 4,700,000 ordinary shares issued for cash in November 2001 at 8.5 cents each paid to 1 cent each		47,000
Placement – Phase 1: UK and local investors 4,634,616 ordinary shares issued for cash in June 2002 at 6.5 cents each		301,250
Placement – Phase 2: UK and local investors 10,036,585 ordinary shares issued for cash in September 2002 at 4.1 cents each	411,500	
Placement – Phase 3: UK and local investors 2,712,945 ordinary shares issued for nil consideration to participants in Phase 1 of the placement as a result of market price fluctuations	–	
Placement – Local, UK and international investors – 10,000,000 ordinary shares issued for cash at 3.3 cents each in March 2003	330,000	
Placement – Local and international investors – 6,200,000 ordinary shares issued for cash in June 2003 at 5 cents each	310,000	
Placement – Farrington for marketing services – 300,000 ordinary shares issued in June 2003 at 5 cents each	15,000	
	41,179,555	40,113,055

Share issues made during the year were to increase the working capital of the Company.

Terms and Conditions

Holders of ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at shareholders meetings.

Holders of Austpac Resources N.L. Share Purchase Plan shares are entitled to the same rights as ordinary shareholders once the shares are paid in full. In the event of winding up, ordinary shareholders rank after creditors.

Note 15: Accumulated Losses

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Accumulated losses at beginning of year	28,793,396	27,351,764	28,793,396	27,351,764
Net loss attributable to members of the parent entity	723,430	1,441,632	723,430	1,441,632
Accumulated losses at the end of year	29,516,826	28,793,396	29,516,826	28,793,396

Notes to the Financial Statements

for the year ended 30 June 2003

Note 16: Commitments

Superannuation Commitments

The Company acts as trustee for and contributes to a group employee superannuation fund, matching contributions to the fund made by employees. Employee contributions are based on various percentages of their gross salaries. After serving a qualifying period, all employees are entitled to benefits on retirements, disability or death. The fund is an accumulation type fund. The Company and other group corporations are under no legal obligation to make up any shortfall in the fund's assets to meet payments due to employees.

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Exploration expenditure commitments				
Within one year	100,000	300,000	100,000	300,000

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

Operating lease expense commitments

The consolidated entity leases property under cancellable operating leases currently cancellable at one month's notice. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental rental. Rentals are based on either movements in the Consumer Price Index or operating criteria.

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 17: Lease Liabilities				
Included as lease liabilities are the present value of future rentals for leased assets capitalised:				
Current	108,218	107,732	108,218	107,732
Non-Current	145,704	202,638	145,704	202,638
	253,922	310,370	253,922	310,370
Lease commitments in respect of capitalised finance leases are payable as follows:				
not later than one year	129,020	128,815	129,020	128,815
later than one year but not later than five years	165,931	243,055	165,931	243,055
	294,951	371,870	294,951	371,870
Deduct: Future finance charges	41,029	61,500	41,029	61,500
Total lease liability	253,922	310,370	253,922	310,370

The consolidated entity leases equipment under finance leases expiring from one to four years. At the end of the lease term the consolidated entity has the option to purchase the equipment at 40% of cost.

Notes to the Financial Statements

for the year ended 30 June 2003

Note 18: Related Party Transactions

The consolidated entity was provided with mineral sands consulting services by H & N Investments Pty Ltd (\$7,500) (2002: \$31,033), a company of which H. Hines is a director, A. Paton and Associates Pty Ltd (\$7,500) (2002: \$15,000), a company of which A. Paton is a director, and T. Cuthbertson (\$7,500) (2002: \$15,000). K. Turbott provided secretarial services (\$30,000) (2002: \$30,000). The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Directors

The names of each person holding the position of Director of Austpac Resources N.L. during the financial year were Alfred Lampard Paton, Michael John Turbott, Harold Hines and Terry Cuthbertson.

Details of Directors' shareholdings as at 30 June 2003 are as follows:

	2003		2002	
	DIRECT	INDIRECT	DIRECT	INDIRECT
Alfred Lampard Paton	–	2,962,500	–	2,962,500
Michael John Turbott	4,701,118	3,283,333	4,701,118	3,283,333
Harold Hines	1,040,000	–	1,040,000	–
Terry Cuthbertson	–	600,000	–	600,000

Austpac Resources N.L. Share Purchase Plan

The Austpac Resources N.L. Employee Share Purchase Plan was approved at the Company's Annual General Meeting in November 1986. Under the Plan employees and directors may participate in the issue of Austpac Resources N.L. shares issued at 95% of market price. No shares were issued under the plan during the current financial year.

CONSOLIDATED		THE COMPANY	
2003	2002	2003	2002

Note 19: Directors' and Executives' Remuneration

Remuneration of Directors

The number of directors of the Company who received income from the Company or any related party within the following band is:

	No.	No.
\$20,000 – \$29,999	2	–
\$30,000 – \$39,999	1	2
\$40,000 – \$49,999	–	1
\$140,000 – \$149,999	1	–
\$170,000 – \$179,999	–	1

Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company, or any related party:

\$222,695	\$272,685	\$222,695	\$272,685
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Remuneration of Executives

The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or related partners, and from entities in the consolidated entity, falls within the following bands:

	No.	No.	No.	No.
\$140,000 – \$149,999	1	–	1	–
\$170,000 – \$179,999	–	1	–	1

Total income paid or payable from the Company, entities in the consolidated entity or related parties to executive officers of the Company and of controlled entities whose income is \$100,000 or more:

\$145,195	\$172,685	\$145,195	\$172,685
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Notes to the Financial Statements

for the year ended 30 June 2003

Note 20: Subsequent Events

Since the end of the 30 June 2003 financial year, Austpac Resources N.L. has announced that a 2.5 tonnes per hour Low Temperature Roasting (LTR) plant will be built by New Zealand Steel Limited to test the suitability of Austpac's LTR Process for treatment of mine waste from New Zealand Steel's Waikato North Head mine.

Austpac's LTR technology involves low temperature fluid bed roasting to selectively enhance the magnetic properties of specific minerals. LTR test work for New Zealand Steel at Austpac's pilot plant in Newcastle has shown that minerals now being lost as waste can be recovered and conditioned for use in the steel making process. New Zealand Steel has not made any commitments beyond the license for the 2.5 tph plant.

The LTR plant comprises a series of fluid bed roasters and magnetic separators. Austpac will be involved in the design, procurement, construction, commissioning and operation of the facility expected to be operational by the end of this calendar year.

Since the end of the 30 June 2003 financial year, Austpac Resources N.L. has placed 5,000,000 fully paid ordinary shares to raise \$325,000 for working capital.

Note 21: Interest in Joint Venture Operations

Joint Venture percentage interests are indicated in the tenement schedule appearing in the front section of the annual report. All activities relate to mineral sands and mineral technology development. No mineral sands production has occurred during the current financial year. Expenditure and activity commitments relating to these joint ventures are determined by regular review of joint venture management committees in accordance with the requirements of issuing tenement.

The directors are aware of no substantial contingencies. No capital expenditure commitments are currently a part of joint venture activity.

Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint ventures.

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Non-Current Assets				
Exploration and/or evaluation expenditure	560,226	1,406,590	560,226	1,398,923

Note 22: Segment Reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business Segments

The consolidated entity comprises one main business segment, based on the consolidated entity's management reporting system – Mineral sands and mineral sands technology development.

Notes to the Financial Statements

for the year ended 30 June 2003

Note 22: Segment Reporting (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity's business segments operate geographically as follows:

Australia: Mineral sands and technology development

India: Mineral sands and technology development which has been exited during the year after operations in India ceased.

PRIMARY REPORTING GEOGRAPHIC SEGMENTS	INDIA		AUSTRALIA		CONSOLIDATED	
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$
Revenue						
External segment revenue					-	-
Inter-segment revenue					-	-
Total segment revenue					-	-
Other unallocated revenue					1,611,968	14,011
Total revenue					1,611,968	14,011
Result						
Segment result	494,711	(162,937)	-	(47,802)	494,711	(210,739)
Unallocated corporate expenses					(1,218,141)	(1,230,893)
Loss from ordinary activities before income tax					(723,430)	(1,441,632)
Income tax expense					-	-
Net loss					(723,430)	(1,441,632)
Depreciation and amortisation	-	-	(85,527)	(85,954)	(85,527)	(85,954)
Non-cash expenses other than depreciation and amortisation	-	-	-	-	-	-
Assets						
Segment assets	-	1,257,177	12,760,522	12,619,140	12,760,522	13,876,317
Unallocated corporate assets	-	-	-	-	-	-
Consolidated total assets	-	-	12,760,522	-	12,760,522	13,876,317
Liabilities						
Segment liabilities	-	1,158,410	1,097,793	1,398,248	1,097,793	2,556,658
Unallocated corporate liabilities	-	-	-	-	-	-
Consolidated total liabilities	-	-	1,097,793	-	1,097,793	2,556,658
Acquisitions of non-current assets	-	-	-	-	-	-

Notes to the Financial Statements

for the year ended 30 June 2003

Note 23:

Notes to the Statements of Cash Flows

A. Reconciliation of Operating Loss after Tax to Net Cash used in Operating Activities

	CONSOLIDATED		THE COMPANY	
	2003 \$	2002 \$	2003 \$	2002 \$
Operating (loss)/profit after income tax	(723,430)	(1,441,632)	(723,430)	(1,441,632)
Add/(less) non-cash items:				
Amortisation	57,152	58,174	57,152	58,174
Amounts set aside to/(reversals from) provisions	–	(148,601)	–	(148,601)
Depreciation	28,375	27,780	28,375	27,780
Services rendered in exchange for equity	15,000	–	15,000	–
Exploration expenditure written off	898,765	47,802	898,765	47,802
Extinguishment of other loans	(1,255,271)	–	(1,255,271)	–
Net cash used in operating activities before change in assets and liabilities	(979,409)	(1,456,477)	(979,409)	(1,456,477)
Change in assets and liabilities during the financial year:				
(Increase)/decrease in receivables	(10,951)	36,775	(10,951)	36,775
(Decrease)/increase in payables	(147,146)	416,800	(147,146)	459,842
Net cash used in operating activities	(1,137,506)	(1,002,902)	(1,137,506)	(959,860)

B. Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the balance sheets as follows:

Cash	193,975	444,360	193,975	444,360
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C. Non cash financing activities

The Company acquired leased plant and equipment amounting to \$Nil (2002: \$67,892) by way of finance leases during the financial year.

	THE COMPANY	
	2003 \$	2002 \$

Note 24:

Earnings per Share

Basic and diluted earnings	723,430	1,441,632
Weighted average number of shares used to calculate basic and diluted earnings per share	377,855,934	354,167,285
Basic and diluted earnings per ordinary share	(\$0.002¢)	(\$0.004¢)

Note 25:

Fair Value of Assets and Liabilities

Financial assets and liabilities are stated at net fair value.

Directors' Declaration

1. In the opinion of the Directors of Austpac Resources N.L.
 - a) the financial statements and notes set out on pages 15 to 32 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 Accounting Standards in Australia 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.

Signed in accordance with a resolution of the Directors.



A.L. Paton
Director



M.J. Turbott
Director

Sydney, twenty sixth day of September 2003

Auditors' Report

Independent Auditors' Report to the Members of Austpac Resources N.L.

Scope

We have audited the financial report of Austpac Resources N.L. for the financial year ended 30 June 2003 consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes and the directors' declaration set out on pages 15 to 33. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In our opinion, the financial report of Austpac Resources N.L. is in accordance with:

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

Going Concern Concept

Without qualification to the opinion expressed above, attention is drawn to the following significant matter:

The financial report has been prepared on a going concern basis as discussed in note 1(D) which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business.

In note 1(D), the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. Without the equity raisings and joint venturing or sale of interests held in mineral tenements and projects referred to by the directors, there are uncertainties as to whether the consolidated entity will be able to continue as a going concern.

KPMG

Sydney, 26 September 2003

T. van Veen
Partner

Additional Stock Exchange Information

Directors' Interests

The maximum contingent liability of the group for termination benefits under service agreements with directors and persons who take part in the management of the parent entity amount to \$nil at 30 June 2003.

Shareholdings

SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders listed in the holding Company's register as at 11 September 2003 was: Nil.

Class of Shares and Voting Rights

At 11 September 2003 there were 3,821 holders of the ordinary shares of the holding Company. The voting rights attaching to the ordinary shares, set out in Article 32 of the holding Company's Articles of Association, are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

- a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds".

Offices and Officers

Company Secretary: Nicholas John Gaston
Principal Registered Office: Level 12, 23 Hunter Street, Sydney NSW 2000
Telephone: (02) 9221 3211
Location of Registers of Securities: ASX Perpetual Registrars Limited
Securities Registration Services, HSBC Building,
580 George Street, Sydney, NSW 2000

Austpac Resources N.L. is an Australian incorporated listed public no liability Company domiciled in Australia.

Additional Stock Exchange Information

Distribution of Shareholders as at 11 September 2003

	NUMBER OF ORDINARY SHAREHOLDERS
1–1,000	152
1,001–5,000	652
5,001–10,000	563
10,001–100,000	1,833
100,001 and over	621
	<hr/>
	3,821
	<hr/>
Holders of less than a marketable parcel	909
	<hr/>

The 20 largest shareholders hold 22.41% of the ordinary shares of the holding company.

20 Largest Shareholders as at 11 September 2003

NAME	NO. OF ORDINARY SHARES HELD	PERCENTAGE (%) HELD TO ISSUED CAPITAL
Christopher Leech	11,529,115	2.92
Midnap Pty Ltd	7,223,223	1.83
Citicorp Nominees Pty Ltd	6,585,732	1.67
Prestcorp Pty Limited	5,500,000	1.39
Commonwealth Custodial Services Limited	5,000,000	1.27
Anthony Prestia	4,950,592	1.25
Minford Pty Limited	4,500,000	1.14
Michael J. Turbott	4,500,000	1.14
Gary Koh	4,495,349	1.14
Jankit Pty Limited	4,171,435	1.06
Kerry Cameron King and Christine Margaret King	3,771,000	0.95
Nicholas John Gaston	3,330,000	0.84
Solmore Consulting Pty Limited	3,300,000	0.84
Notsag Pty Ltd	2,986,662	0.76
Mark S. Thompson and Camille H. Galvin	2,969,168	0.75
Alfred Paton & Associates Pty Ltd	2,962,500	0.75
Elena Anna Claxton	2,934,108	0.74
G & J Paul Pty Limited	2,650,000	0.67
John Rudd	2,600,000	0.66
Mark Andrew Caine	2,525,000	0.64
Top 20 subtotal:	<hr/> 88,483,884	<hr/> 22.41



Corporate Directory

Austpac Resources N.L.

MEMBERS OF THE BOARD

Mr Alfred L. Paton *BEng, FAIM, MIE, MAusIMM, FAICD*
Chairman

Mr Michael J. Turbott *BSc (Hons), FAusIMM, MAIG*
Managing Director

Mr Harold Hines *FAusIMM*
Director

Mr Terry Cuthbertson *ACA*
Director

SECRETARIES

Company Secretary
Mr Nicholas J. Gaston *ACIS*

GENERAL MANAGERS

Mr John C. Downie *MIE, MAusIMM*
General Manager, Project and Technology Development

Mr Michael J. Smith *BSc, MSc, RPGeo, FAIG, MGSA, MASEG*
General Manager Exploration

PRINCIPAL OFFICE

Level 12, 23 Hunter Street
Sydney, NSW 2000
Phone: (02) 9221 3211
Fax: (02) 9223 1975
Email: apgtio2@ozemail.com.au
Website: www.austpacresources.com

AUDITORS

KPMG, The KPMG Centre
45 Clarence Street, Sydney, NSW 2000

SOLICITORS

Allen Allen & Hemsley
Level 23, The Chifley Tower
2 Chifley Square, Sydney, NSW 2000

SHARE REGISTRY

ASX Perpetual Registrars Limited
Securities Registration Services
580 George Street, Sydney, NSW 2000

BANKERS

ANZ Bank
68 Pitt Street, Sydney, NSW 2000

STOCK EXCHANGE LISTING

Australian Stock Exchange Limited (Melbourne)

