

# Eagle Bay

Resources N.L.



ANNUAL REPORT

2 0 0 2

## Tenement Schedule



PROJECT	TENEMENTS	EBR %	JOINT VENTURER
<i>GOLD WA</i>			
Bronzewing	P36/1059 P36/1060 MLA36/331	100% 100% 100%	
<i>PETROLEUM - VIC Gippsland Basin</i>	VIC P41 VIC P47	100% 100%	BSOC 20% subject to Government approval
<i>PETROLEUM - TIMOR SEA</i>	AC/P32	30%	Northwest Energy 34% Bounty Oil & Gas NL 18% Daytona Energy Corporation 18%
<i>PETROLEUM - CARNARVON BASIN</i>	EP 423 TP 21	25% 25%	Rawson Resources 25% Empire Oil 25% Icon Energy 25%
<i>GRAPHITE (SA) Uley</i>	ML5561 ML5562  RL46 to RL67 Subject to Native Title Claim SC6011/98 of 4 July 2000	100% 100%  100%	

**Corporate Directory**

<b>DIRECTORS</b>	Anthony Rechner Terrence Salotti James B Craib Richard E Diermajer
<b>SECRETARY</b>	Paul Fromson
<b>REGISTERED OFFICE</b>	1st Floor, 14 Outram Street, West Perth Western Australia Telephone: (08) 9481 3322 Facsimile: (08) 9481 3330 Email: ebr@indigo.net.au Web: www.eaglebay.indigo.net.au Postal Address: PO Box 913, West Perth Western Australia 6872
<b>ACN</b>	051 212 429
<b>AUDITORS</b>	PKF Chartered Accountants Level 7, BGC Centre 28 The Esplanade, Perth Western Australia
<b>BANKERS</b>	ANZ Bank 1275 Hay Street, West Perth Western Australia
<b>STOCK EXCHANGE</b>	The Company's shares are quoted on the official list of the Australian Stock Exchange Ltd, ASX Code EBR
<b>SHARE REGISTRY</b>	Advanced Share Registry Level 7, 200 Adelaide Terrace, Perth Western Australia Telephone (08) 9221 7288
<b>SOLICITORS</b>	Blakiston & Crabb Hay Street, West Perth Western Australia

**Contents**

Chairman's Report	2
Review Of Operations	3
Directors' Report	8
Independent Audit Report To The Members	11
Directors' Declaration	12
Statements Of Financial Performance	13
Statements Of Financial Position	14
Statements Of Cash Flows	15
Notes To And Forming Part Of The Financial Statements	16
Additional Information	27
Corporate Governance Statement	28

COVER:  
THE "GECO-BETA" 3D SEISMIC BOAT IN EIGHT STREAMER  
CONFIGURATION. THIS VESSEL WAS CONTRACTED BY ESSO  
TO RECORD EAGLE BAY'S VICP47 3D SEISMIC SURVEY.

## Chairman's Report

### Dear Shareholders

Eagle Bay Resources N.L. (EBR) is committed to progressing expeditiously, prospects within our portfolio of oil and gas permits to the stage where drilling can be completed. Your company successfully operated on time and under budget in the offshore Gippsland Basin when we drilled Northright 1 in April 2001. While Northright failed to find hydrocarbons, it has provided us with the experience and confidence to operate offshore. Our efforts over the past year have been focussed on maturing prospects located in permits VIC/P47 and VIC/P41 through both 2D and 3D seismic surveys and additional geological and geophysical reviews.

Two separate 3D Seismic surveys (including the Esso Australia survey) have now been completed within VIC/P47. Bass Strait Oil Company Limited (BSOC) has been granted an option over VIC/P47 and is required to interpret the Esso Australia survey, estimated to cost \$250,000. Following this interpretation, BSOC can elect to drill the North Kipper prospect, estimated to cost \$6 million, to earn a 75% interest in the permit. Interpretation of the Esso 3D seismic survey is expected to commence shortly and should allow North Kipper to be sufficiently defined by the time the BSOC option expires on 31 October, 2002.

A third 3D seismic survey is contractually committed by BSOC, subject only to Government approval, over prospects located within VIC/P41. BSOC must elect to sole fund the cost of a well in VIC/P41 by 13 February 2003 to increase its equity by 55% to a total of 75% interest in VIC/P41. The combined cost of all three 3D surveys is estimated at approximately \$5 million. EBR is not required to contribute financially to these surveys.

### OIL DRILLING ACTIVITY UPDATE

Following the work completed over the past year, EBR is planning to drill two wells this year in VIC/P47 based on completed and interpreted 2D and 3D seismic surveys. These wells are expected to be drilled with farmin partners.

The East Patricia prospect (VIC/P47, EBR 100%) is an eastern extension of the Patricia/Baleen group of fields which are expected to commence production later this year. Mapping completed by EBR highlights "direct hydrocarbon indicators" of gas and the potential for an oil column to underlie the gas. EBR believes East Patricia is highly likely to contain a gas reservoir.

North Kipper is a major prospect located in the southern portion of VIC/P47 and lies within the recently shot 3D seismic survey completed by Esso Australia. The North Kipper prospect is a deep faulted geological concept within the Golden Beach and Emperor Subgroups.



The substantial Kipper oil and gas field, located in the permit south of VIC/P47 is an analogue for the postulated Golden Beach geological concept that might exist at North Kipper. The only well in the vicinity of North Kipper, Judith 1, had good gas shows at the Golden Beach level.

Other exploration highlights include;

- EBR has completed a 2D seismic survey over the Scorpion prospect in VIC/P41. BSOC will now complete a 3D seismic survey for a 20% interest and an option to earn a further 55% interest in the permit by drilling a prospect later this summer once all the seismic data has been processed and interpreted. A farminee will be sought to help fund the drilling of Scorpion which has the potential for 1 trillion cubic feet of gas (very large gas potential).
- Exploration for oil continues in our Timor Sea Acreage AC/P32 (EBR 30%) and an excellent structure has been identified.
- An application for an offshore oil exploration block has been filed in West Africa. This block contains prospects with oil potential in excess of 1 billion barrels.

### ULEY GRAPHITE PROJECT - Negotiations to Purchase Production

The Uley Graphite project contains a world class resource of high grade flake graphite. The reserves and resources are sufficient to support a mine life in excess of 100 years. Uley is located 23km from Port Lincoln and is well served by existing infrastructure including an established deep water port.

During the early 1990's, approximately \$14 million was spent by Pittston Mineral Ventures, our previous North American joint venture partner, on the construction and commissioning of a 14,000 tonnes per annum capacity processing plant.

The closure of two overseas graphite mines and a water shortage in China has restricted the supply of high grade graphite and has resulted in negotiations with a major international commodities trading house to purchase Uley's production on a long term contract. More details will be released as negotiations progress.

Yours sincerely

A. Rechner  
Chairman

## Review of Operations

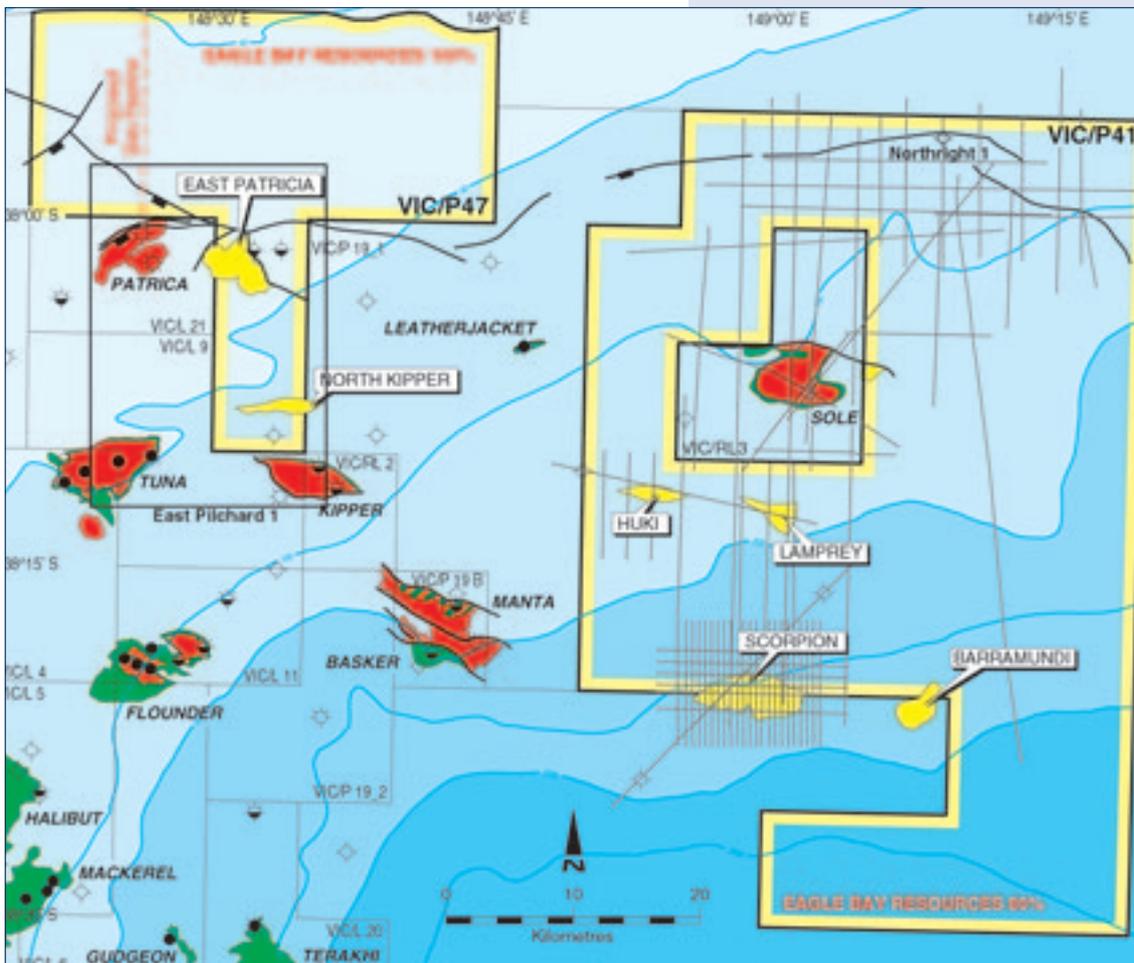
Eagle Bay Resources N.L. (EBR) holds a portfolio of oil and gas permits in proven hydrocarbon prolific basins and is committed to maturing prospects within these permits for the earliest possible drilling. In addition, the feasibility of the company's graphite mine has been bolstered following supply side disruptions in the world graphite market and EBR is moving to capitalise on this improved market outlook.

### OIL AND GAS

#### GIPPSLAND BASIN, OFFSHORE VICTORIA (VIC/P41 AND VIC/P47)

EBR holds two petroleum exploration permits (VIC/P41 and VIC/P47) in the Gippsland Basin, located offshore Victoria. The Gippsland Basin is widely regarded as Australia's premier oil province and hosts a number of major oil and gas production facilities. Exploration within the basin has enjoyed a high degree of success with reserves within the Basin now estimated to exceed 4 billion barrels of oil and a further 11 trillion cubic feet of gas. The company's two permits cover a combined 2878km<sup>2</sup> of the Basin.

During the past year there has been significant activity in the Gippsland basin with the largest 3D seismic survey in the Basin being completed, two further 3D surveys are underway, the further development of gas fields and the announcement of additional investment in infrastructure. The gas industry in south east Australia has changed dramatically over the past six years which has encouraged additional exploration in the Basin. Previously gas was sold by Esso/BHP under long term contracts to the State owned monopoly which transmitted, distributed and sold the gas to consumers. The de-regulation of the industry has spawned a dramatic change in the market place, with multiple producers and gas plants now operating to supply the south east market. The construction of a gas pipeline to Sydney and two projected to Adelaide has opened up additional markets for Gippsland and Otway Basin sourced gas. EBR, with its VIC/P41 and VIC/P47 permits, is well placed to access these markets should our exploration programs result in success.



LOCATION PLAN

## Review of Operations

*continued*

### *VIC/P47 (EBR 100%- Subject to Option)*

This permit lies on the northern perimeter of the Gippsland Basin and was awarded to the company in May, 2001. The permit covers approximately 718km<sup>2</sup>. During the year Esso Australia completed its Northern Fields Survey of the Gippsland Basin which included the southern portion of VIC/P47. EBR will receive the data recorded over VIC/P47 at no expense to the company. Following receipt of the data, interpretation is expected to commence under a option deal concluded with Bass Strait Oil Company Ltd (BSOC).

Under the BSOC option agreement, BSOC is required to interpret the Esso data at an estimated cost of \$250,000. Following interpretation of the 3D seismic, BSOC has an option to earn a 75% interest in the permit by drilling a well during the current round of drilling being completed by the semi submersible drilling rig, Ocean Bounty. BSOC is required to fund the first \$6 million of the well costs, and EBR will only be required to contribute if the well cost exceeds the budgeted \$6 million. This well would most likely be scheduled for the fourth quarter of calendar year 2002 and be focussed on the North Kipper prospect.

### **North Kipper**

Numerous fault block repetitions of Kipper are mapped on a 1988 3D seismic grid in EBR's acreage. Esso Australia has recently completed its extensive Northern Fields 3D seismic survey with the data acquired within VIC/P47 expected to be handed by Esso to EBR shortly. BSOC will commence interpretation of the survey as soon as the data has been received. North Kipper is a large prospect and could contain up to 300 billion cubic feet of gas.

Approximately 1km south of the VIC/P47 southern boundary is the large but undeveloped Kipper wet gas and oil field. The western portion of Kipper is held by ESSO/BHP and the eastern section by Woodside/Santos. Reserves of approximately 1 trillion cubic feet of wet gas are believed to be contained in this field but development will depend on an equitable partition of development costs, reserve estimates and an agreement to proceed by both Joint Ventures.

### **East Patricia**

VIC/P47 contains one of the largest palaeo-basement high features in the basin, the "Greater Flathead High". This feature was confirmed to be on an oil migration path and proved to have been oil bearing by ESSO/BHP with the drilling of Flathead-1 in 1969. This well encountered a

gross oil column of approximately 50 metres at shallow depths, but poor drilling practices (typical of the day) and poor reservoir development at this near crestal location may have led to the incorrect interpretation that the oil at Flathead-1 was not producible.

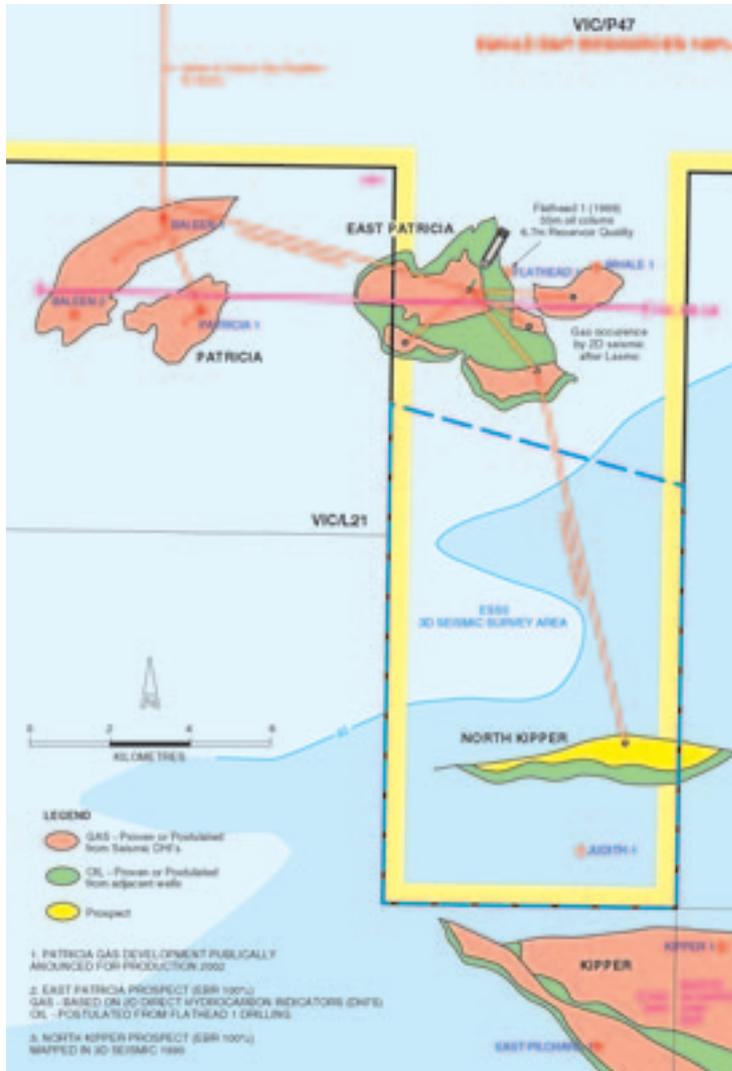
An independent reservoir engineering study commissioned by EBR indicates a high degree of formation damage in the well and considerable ambiguity in the Flathead-1 well results. The report concluded that the well is severely damaged and that there is a 50% likelihood that the Flathead-1 contains a live oil column. It also concluded that it is possible that crude oil could be recovered from wells drilled in the Flathead area using modern drilling techniques in areas of better reservoir quality.

A fairway of better quality reservoir sands is developed downdip and around the "Greater Flathead High". The Patricia/Baleen gas fields are located within this fairway, some 3.5km west of EBR's permit boundary. The Patricia Baleen development is expected to commence gas supplies later this year.

A potentially large structural stratigraphic feature known as East Patricia has been mapped by EBR and previous operators (Shell, Lasmo). The prospect is located between the Patricia/Baleen development and the crest of the Greater Flathead High located in VIC/P47. East Patricia is characterised by bright seismic events or direct hydrocarbon indicators (DHI's) which indicate the presence of gas sands with a thickness in excess of 7 metres. There is the potential for an oil zone to underlie the gas sands. EBR is now seeking farmin partners with a well planned to drill East Patricia later this year. Although the presence of gas is indicated by the DHI, the presence of an oil leg at West Flathead can only be confirmed by exploration drilling.

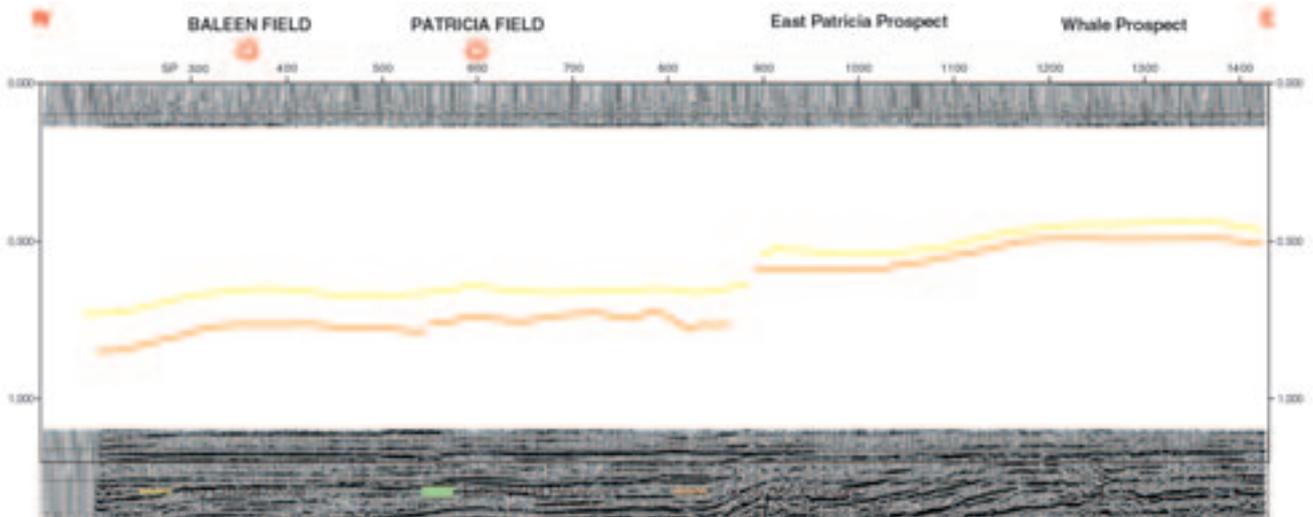
The P50 (most likely) reserve estimate for East Patricia is 50 billion cubic feet of gas.

Review of Operations  
*continued*



VIC/P47 LOCATION PLAN & SEISMIC SECTION

LINE GL 88-54



## Review of Operations

*continued*

### *VIC/P41 (EBR 80%, BSOC 20%)*

VIC/P41 is located in the north east of the Gippsland Basin and is prospective for both oil and wet gas in the Latrobe and Golden Beach reservoirs. The permit covers an area of approximately 2165km<sup>2</sup>.

During the year EBR completed the processing and interpretation of 449km<sup>2</sup> of 2D seismic survey over the Scorpion prospect located in the deeper water southern portion of VIC/P41. EBR has now concluded a farmout agreement with BSOC whereby BSOC will complete a 50km<sup>2</sup> 3D seismic survey with an option to drill the structure. This option must be exercised by February, 2003.

### **Scorpion**

The Scorpion prospect is on trend and approximately 20km to the east of the large Basker/Manta/Gummy wet gas/oil discoveries. The larger Kipper wet gas discovery is located 32km northwest. Current mapping of Scorpion indicates a potential maximum area of closure of 20km<sup>2</sup> at the Golden Beach level. Preliminary estimates of the unrisks wet gas reserves could exceed one trillion cubic feet with additional oil potential in the Latrobe sandstones.

Additional seismic was acquired during the year to further investigate the potential of the Huki and Lamprey prospects. These structures were previously identified by Shell Australia and lie along the Rosedale Fault to the north of Scorpion. Evaluation and review of the seismic survey over these two structures is continuing.

### **PETROLEUM EXPLORATION, OFFSHORE TIMOR SEA (AC/P32, EBR 30%)**

A consortium including EBR was granted AC/P32 for a 6 year term commencing in February, 2001. AC/P32 is located in the prospective Ashmore-Cartier Territory offshore north west Australia. The block comprises approximately 1100km<sup>2</sup>. The permit is well positioned with respect to hydrocarbon accumulations with the Cassini-Challis oil field located to the north while the Puffin and Skua oil fields lie to the west. The Montara and Talbot oil and gas accumulations are located to the south and east of AC/P32.

A number of prospects and leads have been identified within AC/P32. Trial seismic reprocessing is being undertaken on a number of lines covering the prospects and levels.

### **PETROLEUM EXPLORATION, OFFSHORE NORTH WEST AUSTRALIA (EP 423 and TP 21, EBR 25%)**

EBR has been awarded, in conjunction with three joint venture partners, two exploration permits located in the Carnarvon Basin near the coastline and between Barrow Island and Karratha. These two permits are located on trend and 12kms to the southwest of the Stag oil field which has recoverable reserves estimated at 50 million barrels.

Two wells are expected to be drilled shortly in nearby permits. Ceres #1 is located 12kms to the northwest of EBR's permits while Altostratus #1 is located 8kms due west. Both these prospects have similarities to those prospects mapped in EBR's permits.

The most prospective reservoir units occur within and below the lower Cretaceous Muderong Shale which is also the regional sealing unit for the major hydrocarbon accumulations in the Barrow and Dampier Sub Basins and also the Exmouth Sub Basin onshore. The Stag and Wandoo Oil fields are on trend and to the northwest of the permit applications.

### **PETROLEUM EXPLORATION, OFFSHORE WEST COAST OF AFRICA (Application: EBR 100%)**

Following the success of Hardman Resources N.L in the areas A and B in the offshore Senegal-Mauritania basins in a joint venture with Woodside and AGIP, EBR has completed in country research on the prospectivity of the offshore West African basins. EBR completed and lodged an application to acquire a 100% interest in a deep-water block. The application block shows world class seismically defined structures with potential oil in place estimates of around 1 billion barrels in 2 reservoir targets (ECL Report October 1998). It is likely that both targets can be intersected by one exploration well down to 1600m located in 900m of water.

### **GRAPHITE**

#### **ULEY GRAPHITE PROJECT, SOUTH AUSTRALIA (EBR 100%)**

The Uley Graphite project contains a world class resource of high-grade flake graphite. The project is located 23km from Port Lincoln in South Australia and is well served by infrastructure including an established deep-water port.

## Review of Operations

*continued*

During the early 1990's, approximately \$14 million was spent by Pittston Mineral Ventures, our previous North American joint venture partner on the construction and commissioning of a 14,000 tonnes per annum capacity processing plant. The plant was placed on care and maintenance in 1993 during a period of low graphite prices. The plant remains in reasonable condition and capital expenditure to allow production to recommence is expected to be relatively modest.

The supply of high grade graphite flake has been disrupted following the closure of several large mines and a water shortage in China. As a result, buyers of graphite are seeking new long term sources of supply and EBR has been contacted by a number of interested parties. EBR is continuing to progress discussions with a major international commodity trader who is interested in purchasing EBR's graphite production.

Reserves at Uley are substantial and are estimated to be sufficient to support a mine life in excess of 100 years.

### **GOLD**

#### *OLD BRONZEWING PROJECT, WESTERN AUSTRALIA (EBR 100%)*

Under the provisions of the Mining Act 1978, the exploration titles are being converted to a mining lease and the Company will seek new farm-in terms for a joint venture with Newmont.

*The information contained in this Annual Report as it relates to mineralisation is based on information compiled by Mr A Rechner who is a Director of the Company and a competent person as described in Appendix 5A to the ASX Listing Rules. The report accurately reflects the information compiled by Mr A Rechner. Mr Rechner has been involved in several oil discoveries in his 30 years as a geologist including as operations manager for West Australian Petroleum and Chevron Oil in North Africa. The text of this report has been approved by Bass Strait Oil Company Ltd.*

### **Layman's Glossary Of Terms - As They Relate To This Report**

- Hydrocarbons - oil and/or gas;
- Esso - a major oil Company;
- 2D and 3D seismic survey - an earth profiling technique used to define geological structure prior to drilling. Can be done in 2 dimensions or 3 dimensions of spatial orientation;
- Farminee - a Company which expends money to earn an interest in a petroleum permit;
- Direct hydrocarbon indicators - a seismic expression of the presence of gas or other velocity anomalism;
- Golden Beach, Emperor sub groups - a geological rock type of a certain geological age, which is commonly mapped seismically;
- Structure - a seismically defined target to hold hydrocarbons;
- Lead - a partially defined structure;
- Graphite - a type of carbon used amongst other things to line blast furnaces for the manufacture of steel;
- Ocean Bounty - an offshore drilling rig;
- Geco Beta - an offshore 3D seismic boat;
- Fault - a break in geological horizons as seen on seismic sections;
- Live Oil - able to be produced;
- Down Dip - located spatially lower down;
- Formation Damage - drilling mud blocking spaces in a rock;
- Stratigraphic Trap - where an oil bearing horizon pinches out by thinning to entrap the hydrocarbons;
- Wet Gas - contains some gas in the transition phase to oil;
- Reservoir Units - rocks which contain hydrocarbons;
- Oil In Place - maybe double the oil recoverable;
- Flake Graphite - coarse grained graphite.

## Directors' Report

The directors present the following report for the financial year ended 30 June 2002.

### DIRECTORS

The directors of Eagle Bay Resources N.L. at anytime during or since the end of the financial year are:

#### **Anthony Rechner,**

*BSc, MAusIMM (Chairman) a founder director since April 1991*  
Mr Rechner (age 55), holds a Bachelor of Science degree in Geology and Physics from the University of Adelaide, South Australia. He is a Member of the Australasian Institute of Mining and Metallurgy with over thirty years experience in Australia and overseas working in petroleum search, mineral exploration and mining.

Mr Rechner's previous involvement as Chairman and Managing Director of Windsor Resources N.L., Brunswick N.L. and Geographe Resources Ltd resulted in these companies evolving from small explorers to major producers at Mount Percy, Galtee More and Chalice respectively. Mr Rechner was operations Manager for West Australian Petroleum and Chevron Oil in North Africa.

#### **Richard Edward Diermajer**

*(Executive Director) a founder director since April 1991*  
Mr Diermajer (age 49), who is also a current Director of Yardarino Ltd, holds a Diploma of Legal Studies and has an extensive background in mining law and administration from his 12 years experience as an officer with the Department of Mines in Western Australia. In 1981 he established Sentinel Exploration Services, a consultancy firm which provided a successful service to the mining industry throughout Australia in tenement management and administration, property acquisitions, project generation, joint venture negotiations and mineral exploration.

#### **James Benton Craib JP CPA**

*(Non-executive Director) a founder director since April 1991*  
Mr Craib (age 63) is an accountant who was previously responsible for the accounting and Company secretarial functions of Eagle Bay Resources N.L., Yardarino Ltd and Geographe Resources Ltd. He has had considerable experience as an accountant, mainly in the industrial and production sectors. His application of that experience to the requirements of the Company has been invaluable.



L-R: R. Diermajer, T.G. Salotti, A. Rechner, J.B. Craib

#### **Terrence George Salotti FAIM,**

*FAICD (Non-executive Director) a director since 20 May 1999*  
Terrence George Salotti (age 64) has had a career of 28 years in the finance industry including chief executive in three Australian states before joining the Wyllie Group where he was managing director for 12 years. He is currently a non-executive director of Wyllie Group Pty Ltd.

As at the date of this report the directors hold the following beneficial interests in the capital of the Company:

	Shares	
	In own name	In other names
A Rechner	34	6,008,042
R E Diermajer	-	2,530,590
J B Craib	24,800	703,000
T.G. Salotti	250,000	-

### PRINCIPAL ACTIVITIES

The consolidated entity is actively engaged in exploration for oil and gas and continues to care for and maintain the Uley graphite mine in South Australia with a view to bring it into commercial production. There have been no significant changes in the nature of these activities during the year.

## Directors' Report

*continued*

### REVIEW OF OPERATIONS AND RESULTS

Details of the operations of the consolidated entity are set out in the Review of Operations on pages 4 to 7.

The consolidated entity incurred an after tax operating loss of \$893,299 (2001: Loss \$5,334,823).

### DIVIDENDS

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the year under review not disclosed in this report or in the financial statements.

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

No matters have arisen since 30 June 2002 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2002, of the consolidated entity constituted by Eagle Bay Resources N.L. and the entities it controls from time to time; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 30 June 2002, of the consolidated entity other than disclosed in Note 21 to the financial statements.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the consolidated entity have been set out in the accompanying Review of Operations. Further information on the likely developments and expected results of operations of the consolidated entity have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the negotiations.

### MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2002.

There were seven directors meetings during the year and the number of meetings attended by each director were:

A Rechner	7	J B Craib	7
R E Diermayer	7	T G Salotti	7

### AUDIT COMMITTEE

The Company does not normally form separate board sub-committees as there are only four directors, however the board has resolved to form an audit committee comprised of Messrs Salotti and Craib.

### ENVIRONMENTAL ISSUES

The Company's policy is to comply with all relevant legislation and best practice conventions in respect of its exploration and mining activities on the tenements it holds.

### DIRECTORS' BENEFITS

Since the date of the last Directors' Report, no director of the Company has received, or become entitled to receive, (other than a remuneration benefit included in Note 13 to the financial statements), a benefit because of a contract that:

- (a) the director; or
- (b) a firm of which the director is a member; or
- (d) an entity in which the director has a substantial financial interest; has made (during the year ended 30 June 2002, or at any other time) with
- (d) the Company; or
- (e) an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive, the benefit (if any).

other than the provision of management and consultancy services through directors' private companies as disclosed in Note 19.

## Directors' Report

*continued*

### **DIRECTORS REMUNERATION POLICY**

- (a) The policy of the Company is to pay remuneration of directors and senior executives in cash and in amounts in line with employment market conditions relevant in the mining industry. Minor amounts of employee fringe benefits in the form of employee meals and entertainment are provided as a part of executives way of conducting business.
- (b) The Company's performance, and hence that of its directors and executives, is measured in terms of:
1. Company share price growth;
  2. Cash raised;
  3. Exploration carried out;
  4. Farm-in expenditure attracted.
- (c) The details of the nature and amounts of the elements of the involvements of each of the four directors and Company Secretary are as follows for both the Company and the consolidated entity:

Mr A. Rechner, BSc, MAus IMM

Executive Chairman, Managing Director

Senior Geologist with over 30 years experience

in both hard rock and oil/gas exploration and mining.

Annual contract fees for management and technical services	\$189,000
Annual Directors fees (inclusive of superannuation)	\$15,000
Fringe benefits - FBT grossed up value	<u>\$37,732</u>
<b>TOTAL</b>	<u><b>\$241,732</b></u>

Mr R. Diermajer, Dip. Leg. Stud.

Executive Director

Mining Administration services - over 20 years of experience

Annual contract fees for management and technical services	\$63,000
Annual Directors fees (inclusive of superannuation)	15,000
Fringe benefits - FBT grossed up value	<u>\$1,033</u>
<b>TOTAL</b>	<u><b>\$79,033</b></u>

Mr J. Craib, JP, CPA

Non-executive Director

Annual Directors fees (inclusive of superannuation)	<u>\$15,000</u>
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Mr T.G. Salotti, FAIM, FAICD

Non-executive Director

Directors fees (inclusive of superannuation)	<u>\$15,000</u>
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Mr P. Fromson

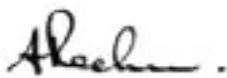
Company Secretary

Consulting Fees	<u>\$41,475</u>
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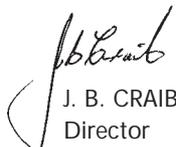
### **INDEMNIFICATION**

There are no indemnities for directors and officers nor any insurance in regard to their positions.

Signed in accordance with a resolution of the directors dated this 5th day of August 2002.



A. RECHNER  
Director



J. B. CRAIB  
Director

## Independent Audit Report

To The Members of Eagle Bay Resources N.L.

### SCOPE

We have audited the financial report of Eagle Bay Resources N.L. for the financial year ended 30 June 2002 as set out on pages 12 to 26. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the 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 as to 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 reporting requirements and statutory requirements in Australia 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 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 Eagle Bay 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 2002 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 reporting requirements in Australia.

### *Inherent Uncertainty Regarding Going Concern*

Without qualification to the opinion expressed above, attention is drawn to the following matter. As indicated in Note 1, the ability of the Company to continue as a going concern is dependent upon the Company obtaining additional funds through successful capital raisings and/or the future profitability of the Company through the successful development or sale of its exploration interests

PKF  
Chartered Accountants  
Western Australian Partnership

N. G. SMITH  
Partner

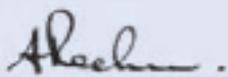
Dated at Perth this 5th August 2002

## Directors' Declaration

In the opinion of the directors of Eagle Bay Resources N.L.

- (a) The accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the accounting standards and give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date.
- (b) At the date of this declaration 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. RECHNER  
Director



J. B. CRAIB  
Director

Perth, dated this 5th day of August 2002.

## Statements of Financial Performance *for the year ended 30 June 2002*

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2002	2001	2002	2001
		\$	\$	\$	\$
Revenue from ordinary activities	2	48,759	359,798	48,759	359,798
Expenses from ordinary activities	3	(942,058)	(5,694,621)	(941,921)	(5,687,409)
(Loss) from ordinary activities before income tax expense		(893,299)	(5,334,823)	(893,162)	(5,327,611)
Income tax expense/(revenue) relating to ordinary activities	4	-	-	-	-
(Loss) from ordinary activities after related income tax expense/(revenue)		(893,299)	(5,334,823)	(893,162)	(5,327,611)
Net (loss) attributable to outside equity interest		-	-	-	-
Net (loss) attributable to members of parent equity		(893,299)	(5,334,823)	(893,162)	(5,327,611)
Total changes in equity other than those resulting from transactions with owners as owners		(893,299)	(5,334,823)	(893,162)	(5,327,611)
Earnings Per Share (cents)					
Basic Earnings/(Loss) per share	23	(1.23)	(7.65)		
Diluted Earnings/(Loss) per share	23	(1.22)	(7.63)		

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

**Statements of Financial Position** *as at 30 June 2002*

	NOTES	CONSOLIDATED		PARENT ENTITY	
		2002	2001	2002	2001
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		631,618	1,790,319	608,695	1,781,881
Receivables	5	15,447	407,149	14,903	404,724
<b>TOTAL CURRENT ASSETS</b>		<b>647,065</b>	<b>2,197,468</b>	<b>623,598</b>	<b>2,186,605</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	6	-	-	-	-
Other financial assets	7	-	-	100,000	100,000
Property, plant & equipment	8	234,436	254,775	58,255	67,929
Exploration expenditure carried forward	9	1,651,120	1,273,537	1,651,120	1,273,537
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,885,556</b>	<b>1,528,312</b>	<b>1,809,375</b>	<b>1,441,466</b>
<b>TOTAL ASSETS</b>		<b>2,532,621</b>	<b>3,725,780</b>	<b>2,432,973</b>	<b>3,628,071</b>
<b>CURRENT LIABILITIES</b>					
Payables	10	107,670	474,841	104,222	473,469
Interest bearing liabilities	10	39,924	-	39,924	-
Provisions	10	29,962	2,575	29,962	2,575
<b>TOTAL CURRENT LIABILITIES</b>		<b>177,556</b>	<b>477,416</b>	<b>174,108</b>	<b>476,044</b>
<b>NET ASSETS</b>		<b>2,355,065</b>	<b>3,248,364</b>	<b>2,258,865</b>	<b>3,152,027</b>
<b>EQUITY</b>					
Contributed equity	11	13,183,261	13,183,261	13,183,261	13,183,261
Accumulated Losses	12	(10,828,196)	(9,934,897)	(10,924,396)	(10,031,234)
<b>TOTAL EQUITY</b>	12	<b>2,355,065</b>	<b>3,248,364</b>	<b>2,258,865</b>	<b>3,152,027</b>

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 2002

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Payments to suppliers and employees	(1,709,245)	(6,409,603)	(1,660,082)	(6,208,059)
Interest received	48,759	361,860	48,759	361,860
GST (paid)/refund	469,545	47,813	468,623	46,898
Net cash outflow from operating activities (Note b)	(1,190,941)	(5,999,930)	(1,142,700)	(5,799,301)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Capital works in progress and purchases of plant	(7,684)	(8,787)	(7,684)	(8,450)
Loans to controlled entities	-	-	(62,726)	(199,888)
Net cash outflow from investing activities	(7,684)	(8,787)	(70,410)	(208,338)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issue of shares net of raising costs	-	6,174,820	-	6,174,820
Net cash inflow from financing activities	-	6,174,820	-	6,174,820
NET INCREASE/(DECREASE) IN CASH	(1,198,625)	166,103	(1,213,110)	167,181
Cash at the beginning of the financial year (Note a)	1,790,319	1,624,216	1,781,881	1,614,700
Cash at the end of the financial year (Note a)	591,694	1,790,319	568,771	1,781,881

### NOTES

(a)

**Cash includes:**

Overdraft	(39,924)	-	(39,924)	-
Cash at Bank	30,855	190,319	7,932	181,881
Term Deposits	600,763	1,600,000	600,763	1,600,000
	591,694	1,790,319	568,771	1,781,881

(b)

**Reconciliation of net cash outflow from operating activities to operating (loss) after tax**

Operating (loss) after income tax	(893,299)	(5,334,823)	(893,162)	(5,327,611)
Exploration expenditure written off	156,499	4,969,508	156,499	4,969,508
Depreciation	28,023	26,709	17,359	14,427
Exploration expenditure incurred	(936,978)	(5,662,975)	(936,978)	(5,662,975)
Provision made on exploration expenditure incurred	-	3,200	-	3,200
Movement in provision for employee entitlements	27,387	2,575	27,387	2,575
Provision against loans to controlled entities	-	-	62,726	199,888
(Decrease)/Increase in operating receivables	-	-	-	-
Increase/(Decrease) in creditors and borrowings	37,776	400,974	33,648	406,411
(Increase)/Decrease in GST receivable	389,651	(405,098)	389,821	(404,724)
Net cash outflow from operating activities	(1,190,941)	(5,999,930)	(1,142,700)	(5,799,301)

(c)

There were no credit facilities as at 30 June 2002.

## Notes to and forming part of the Financial Statements *for the year ended 30 June 2002*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report has been prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at directors valuation. The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, consistent with those of previous years. Comparative information is reclassified where appropriate to enhance comparability.

#### a) Principles of consolidation

The consolidated financial report combines the financial report 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 consolidated financial report have been eliminated.

#### b) Principles of going concern

Eagle Bay Resources N.L. has recorded a loss of \$893,162 for the year ended 30 June 2002 and as at 30 June 2002 has net cash assets of \$568,771. The financial report has been prepared on the 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 going concern of the Company is dependent upon the Company obtaining additional funds through successful capital raisings and/or the future profitability of the Company.

#### c) Revenue recognition

##### *Interest Income*

Interest income is recognised as it accrues.

##### *Asset sales*

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

#### d) Exploration and Evaluation Expenditure

Exploration, evaluation and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest.

Costs of this nature are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- ii) exploration and evaluation activities in the area have not at balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

Exploration and evaluation expenditure which does not satisfy this criteria is written off.

Ultimate recoupment of capitalised expenditure in respect of areas in the exploration and/or evaluation stage is dependent upon successful development and commercial exploitation or alternatively sale, of the respective areas.

Once a decision has been taken to proceed with mine development, all past and future exploration expenditure in respect of that area of interest is aggregated and reclassified as Mine Properties.

### e) *Mine Properties*

Mine properties represent the accumulation of all exploration, evaluation, and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which a decision to commence mining of a mineral resource has been taken.

Where further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property, only when substantial economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production. The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined. The expected net cash flows included in determining recoverable amount are not discounted to their present value.

### f) *Acquisition of Assets*

The cost method of accounting is used for acquisition of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition. On acquisition of an investment in a controlled entity the identifiable net assets are measured at their fair value. The excess of the fair value of the purchase consideration over the fair value of identifiable net assets acquired (ie goodwill) is amortised over the period during which the related benefits are expected to arise.

### g) *Cash*

For the purpose of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand and which are used in the cash management function on the day to day basis, net of outstanding bank overdrafts and term deposits with 3 months or less to maturity.

### h) *Earnings per Share*

Basic earnings per share is determined by dividing the operating profit or loss after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### i) *Recoverable Amount*

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present value.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. To the extent that a revaluation decrement reverses a revaluation increment previously credited, and still included in the balance of the revaluation reserve, the decrement is debited to the reserve, otherwise the decrement is recognised as an expense in the statement of financial performance.

## Notes to and forming part of the Financial Statements *for the year ended 30 June 2002*

### *j) Property, plant and equipment*

Plant and equipment is stated at cost.

Motor vehicles are depreciated on a straight line basis at 15%. Plant and equipment is depreciated using both the straight line and diminishing value methods at rates between 7% and 27%.

### *k) Investments*

Monies not immediately required are placed on short term deposits with banks.

#### *Current*

Investments in marketable securities are stated at the lower of cost and current market value determined on an individual investment basis.

#### *Non Current*

Investments in other companies are carried at lower of cost and recoverable amount, being a directors' valuation based on net assets of the investee at time of valuation.

### *l) Accounts Payable*

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

### *m) Receivables*

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

### *n) Income Tax*

Income Tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of the items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as "future income tax benefits" or "provision for deferred income tax", as the case may be at current tax rates. A future income tax benefit is only being carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

### *o) Employee Entitlements*

The following liabilities arising in respect of employee entitlements are measured at their nominal value:

- Wages and salaries and annual leave regardless whether they are expected to be settled within 12 months of balance date.
- Other employee entitlements which are expected to be settled within 12 months of balance date.

### *p) Comparatives*

Certain comparatives have been reclassified to be consistent with the current year's disclosures.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
Interest received/receivable	48,759	354,510	48,759	354,510
Sundry income	-	5,288	-	5,288
	<b>48,759</b>	<b>359,798</b>	<b>48,759</b>	<b>359,798</b>

### 2. REVENUES FROM ORDINARY ACTIVITIES

### 3. EXPENSES FROM ORDINARY ACTIVITIES

#### Classification of expenses by nature:

Depreciation of plant & equipment	28,023	26,709	17,359	14,427
Exploration expenditure written off	156,498	4,969,508	156,498	4,969,508
Provision for diminution in value of tenement	-	3,200	-	3,200
Provision against loan to controlled entity	-	-	62,726	199,888
Operating lease rentals: premises	20,251	18,500	20,251	18,500
Provision for employee entitlements	27,387	2,575	27,387	2,575
Administration expenses	709,898	674,129	657,700	479,311
	<b>942,057</b>	<b>5,694,621</b>	<b>941,921</b>	<b>5,687,409</b>

### 4. INCOME TAX

(a) The prima facie tax benefit on the operating loss differs by more than 15% from the income tax provided in the financial statements and is reconciled as follows:

Operating loss before income tax	(893,299)	(5,334,823)	(893,162)	(5,327,611)
Prima facie tax benefit at 30% (2001: 34%)	(267,990)	(1,813,840)	(267,949)	(1,811,388)
<b>Tax effect of permanent differences:</b>				
Non-deductible expenditure	27,113	8,534	27,113	8,534
Provision against loans to controlled entities	-	-	18,818	67,962
<b>Other tax benefits not recognised:</b>				
Tax benefit of other amounts not recognised	-	-	-	-
Tax benefit of revenue losses not recognised	240,877	1,805,306	220,018	1,734,892
<b>Income tax benefit attributable to operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(b) As at 30 June 2002 the consolidated entity had estimated gross revenue tax losses of \$17,594,882 (2001: \$16,078,918) and estimated gross capital losses of \$3,087,443 (2001: \$3,087,443) available to offset against future taxable income. These tax losses have not been brought to account as the benefit cannot be regarded as being virtually certain of realisation.

The benefit of tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) The consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>5. CURRENT ASSETS - RECEIVABLES</b>				
GST Refund due	15,447	405,098	14,903	404,724
Other	-	2,051	-	-
	<u>15,447</u>	<u>407,149</u>	<u>14,903</u>	<u>404,724</u>
<b>6. NON-CURRENT ASSETS - RECEIVABLES</b>				
Loans to controlled entities	-	-	4,433,365	4,370,639
Less provision for non-recovery	-	-	(4,433,365)	(4,370,639)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>7. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS</b>				
Shares in controlled entities - at cost (refer note 20)	-	-	3,228,050	3,228,050
Less: provision for diminution in value	-	-	(3,128,050)	(3,128,050)
Total investments at Directors' valuation	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
<b>8. NON-CURRENT ASSETS - PROPERTY, PLANT &amp; EQUIPMENT</b>				
Plant & equipment at cost	219,017	211,333	100,238	92,553
Less: Accumulated depreciation	(84,581)	(56,558)	(41,983)	(24,624)
	<u>134,436</u>	<u>154,775</u>	<u>58,255</u>	<u>67,929</u>
Mine Properties at cost	3,567,448	3,567,448	-	-
Capital works	1,336,322	1,336,322	-	-
	<u>4,903,770</u>	<u>4,903,770</u>	<u>-</u>	<u>-</u>
Less Provision for diminution in value	(4,803,770)	(4,803,770)	-	-
	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>Total Property, plant and equipment</b>	<u>234,436</u>	<u>254,775</u>	<u>58,255</u>	<u>67,929</u>
Movements in Property Plant and Equipment:				
Balance at beginning of the year	254,775	272,697	67,929	73,906
Additions	7,684	8,787	7,684	8,450
Disposals	-	-	-	-
Depreciation expense	(28,023)	(26,709)	(17,359)	(14,427)
Balance at end of year	<u>234,436</u>	<u>254,775</u>	<u>58,255</u>	<u>67,929</u>

The directors have provided for a diminution of the assets comprising the Uley graphite project. The mine continues to be held on care and maintenance, with minor refurbishment being carried out pending a decision to re-commence production.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>9. NON-CURRENT ASSETS -</b>				
<b>EXPLORATION EXPENDITURE CARRIED FORWARD</b>				
Exploration expenditure incurred net of refunds received on mineral tenements and joint ventures	534,082	5,662,975	534,082	5,662,975
Capitalised expenditure at the beginning of the financial year	1,273,537	775,902	1,273,537	775,902
	<b>1,807,619</b>	<b>6,438,877</b>	<b>1,807,619</b>	<b>6,438,877</b>
Less: expenditure written off to statements of financial performance	(156,499)	(4,969,508)	(156,499)	(4,969,508)
Less: value diminution provided for	-	(195,832)	-	(195,832)
	<b>1,651,120</b>	<b>1,273,537</b>	<b>1,651,120</b>	<b>1,273,537</b>

Capitalised exploration expenditure, represents the accumulated cost of acquisition and subsequent cost of exploration and evaluation of the properties less amounts written off and provided for. In the opinion of the directors the value of the tenements is at least that at which they are carried in the financial statements.

Generally, native title processes are an issue of great concern to the mining industry in Australia. The Company is in the position of having all its mining titles granted and not disputed except in the case of Uley where its Retention Licences are now under application for Native Title claim recognition.

### 10. CURRENT LIABILITIES

<b>PAYABLES</b>				
Other creditors and accruals	107,670	474,841	104,222	473,469
<b>PROVISIONS</b>				
Employee entitlements	29,962	2,575	29,962	2,575
There were two full time and two casual employees at reporting date				
<b>INTEREST BEARING LIABILITY</b>				
Bank Overdraft (Unsecured)	39,924	-	39,924	-

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

### 11. CONTRIBUTED EQUITY

	2002	2001	2002	2001
	NUMBER OF SHARES		\$	
(a) Issued up and full paid capital Ordinary Shares	72,879,285	72,879,285	13,183,261	13,183,261
(b) Movements in issued and paid up ordinary capital of the Company during the past year were as follows:				
	NUMBER OF SHARES		\$	
Balance at the beginning of year		72,879,285		13,183,261
Issues		-		-
Balance at the end of year		72,879,285		13,183,261

The Company has also issued 100,000 unlisted options exercisable at 39 cents per option by November 2005.

### 12. RESERVES, RETAINED PROFITS/(ACCUMULATED LOSSES) AND TOTAL EQUITY

#### Accumulated losses:

Balance at the beginning of the year	(9,934,897)	(4,600,074)	(10,031,234)	(4,703,623)
Net loss attributable to members of the parent equity	(893,299)	(5,334,823)	(893,162)	(5,327,611)
Balance at the end of the year	(10,828,196)	(9,934,897)	(10,924,396)	(10,031,234)

#### Total equity:

Total equity at the beginning of the year	3,248,364	2,408,367	3,152,027	2,304,818
Total changes in equity recognised in the statement of financial performance	(893,299)	(5,334,823)	(893,162)	(5,327,611)
Transactions with owners as owners:				
Contributions of equity	-	6,174,820	-	6,174,820
Total equity at the end of the year	2,355,065	3,248,364	2,258,865	3,152,027

### 13. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available to the directors by the Company and related parties:	350,765	377,912	350,765	377,912
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The number of parent entity directors whose remuneration from the parent entity or related bodies corporate in connection with the management of the parent entity and controlled entities was within the specified bands are as follows:

		Number		
		2002	2001	
\$10,000	-	\$19,999	2	2
\$70,000	-	\$79,999	1	1
\$240,000	-	\$249,999	1	-
\$260,000	-	\$269,999	-	1

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

### 14. REMUNERATION OF EXECUTIVES

One executive officer, being a director, (2001: one) received remuneration in excess of \$100,000 for the year (refer Note 13 for details).

### 15. REMUNERATION OF AUDITORS

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
Auditors of parent entity:				
Audit and review of financial report	10,640	7,300	10,640	7,300
Other services	10,475	11,602	10,475	11,602
	<b>21,115</b>	<b>18,902</b>	<b>21,115</b>	<b>18,902</b>

### 16. JOINT VENTURES

#### (a) Exploration

The Company has entered into unincorporated joint ventures where the joint venturer may earn its interest in mining and exploration tenements held by the Company, as set out in the various agreements. The Company's interest in the joint ventures is as follows:

The joint ventures have been formed for the purposes of exploration for gold and other minerals.

Project	Percentage Interest		Total Project	
	2002	2001	Expenditure	Commitments
			2002	2001
			\$	\$
Timor Sea AC P/32	30%	30%	5,800,000	180,480
Old Bronzewing ML(A) 36/331	100%	100%	-	-

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not by themselves generate revenue and profit. The Company's direct and indirect interests in the joint ventures are included in the statement of financial position.

### 17. CONTINGENT LIABILITIES

The directors are of the opinion that there are no contingent liabilities as at 30 June 2002.

## Notes to and forming part of the Financial Statements *for the year ended 30 June 2002*

### 18. COMMITMENTS

#### *Exploration Licence Commitments*

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity are required to outlay lease rentals to meet the minimum expenditure requirements of the Western Australian, Victorian and South Australian Departments of Minerals and Energy. These obligations are subject to renegotiation upon expiry of the exploration licences or when application for a mining lease is made. These obligations are not provided for in the financial statements.

The major commitments which related to wells to be drilled in various permits are farmed out such that incoming parties will, subject to obtaining a suitable target, bear all drilling costs. In other cases permits with large commitments are being sold or relinquished.

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
Not later than one year	5,620,000	964,883	5,550,000	900,068
After one year but less than two years	10,840,000	5,734,883	10,770,000	5,670,068
After two years but less than five years	1,440,000	19,109,649	1,370,000	18,915,204
After five years	7,680,000	616,895	7,610,000	-
	<u>25,580,000</u>	<u>26,426,310</u>	<u>25,300,000</u>	<u>25,485,340</u>

#### *Operating Lease Commitments*

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	\$	\$	\$	\$
Not later than one year	29,520	15,417	29,520	15,417
After one year but not later than five years	27,060	-	27,060	-
	<u>56,580</u>	<u>15,417</u>	<u>56,580</u>	<u>15,417</u>

There is one operating lease being a rental lease on the Company's premises.

### 19. RELATED PARTIES

#### *Directors*

The names of persons who were directors of Eagle Bay Resources N.L. at any time during the financial year are as follows: A Rechner; J B Craib; T. G. Salotti and R E Diermajer.

Information on remuneration of directors is disclosed in Note 13.

#### *Transactions with Directors or Director Related Entities*

##### Consultancy services

Messrs A Rechner and R Diermajer are respectively directors and shareholders of Tangram Pty Ltd and Frontlaw Pty Ltd (trading as Sentinel Exploration Services) respectively, which have provided exploration and administrative consultancy services to the Company on normal terms and conditions. Amounts paid to these companies during the year in respect of professional services rendered are included in remuneration of directors as disclosed in Note 13.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

### 19. RELATED PARTIES (cont.)

#### Directors' interests in shares and options

Aggregate number of shares of Eagle Bay Resources N.L. held directly, indirectly or beneficially by directors or their director-related entities at balance date was:

	2002	2001
	No	No
Ordinary fully paid shares	9,857,935	8,857,935

Movements in this aggregate number of shares and options of Eagle Bay Resources N.L. acquired directly, indirectly or beneficially by directors or their director-related entities from the Company were as follows:

Acquisitions of Ordinary fully paid shares	1,000,000
Sales of Ordinary fully paid shares	Nil

#### Office facilities

During the year the consolidated entity provided office facilities to Yardarino Ltd. These facilities were charged at an amount equal to its share of the direct costs of providing these facilities. The amount charged to Yardarino Ltd was \$20,251. (2001: \$18,500). The consolidated entity also paid Yardarino Ltd \$59,486 for its share of the direct costs of Yardarino Ltd staff providing services to the consolidated entity.

### 20. INVESTMENT IN CONTROLLED ENTITIES

Details of investments in the ordinary share capital of controlled entities is as follows:

Name of Entity	Place of Incorporation	Equity Holding		Cost of Parent Entity's Investment	
		2002	2001	2002	2001
Parent Entity	%	%	\$	\$	
Eagle Bay Resources N.L.	Australia			-	-
<b>Controlled Entities</b>					
Taroola Gold Limited	Australia	100	100	3,228,050	3,228,050
Eagle Bay Graphite Pty Ltd	Australia	100	100	-	-
				<b>3,228,050</b>	<b>3,228,050</b>

Eagle Bay Resources N.L. provides working capital to all its controlled entities. Transactions between the parent entity and the controlled entities consist of interest free unsecured loans which have no fixed repayment terms.

### 21. EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any matters that have arisen since 30 June 2002, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

### 22. SEGMENT REPORTING

The operations of the consolidated entity involve a single industry segment being that of mining and mineral exploration within Australia.

## Notes to and forming part of the Financial Statements for the year ended 30 June 2002

### 23. EARNINGS PER SHARE

	2002 Cents per share	2001 Cents per share
a) Basic loss per share	(1.23)	(7.65)
b) Diluted loss per share	(1.22)	(7.63)
c) Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share	72,879,285	69,767,568
d) Weighted average number of ordinary shares outstanding during the year used in calculating diluted earnings per share	72,979,285	69,867,568

\* Diluted earnings per share are calculated based on the assumption that the 100,000 options on issue have been converted to ordinary full paid shares.

### 24. FINANCIAL INSTRUMENTS

#### a) Interest Rate Risk Exposures

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

	Floating Interest rate		Fixed Interest Less than 1 year		Non-interest Bearing		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$				
<b>Financial Assets</b>								
Cash assets	7,932	7,869	600,763	1,600,000	22,923	182,450	631,618	1,790,319
Receivables	-	-	-	-	15,447	407,149	15,447	407,149
	<b>7,932</b>	<b>7,869</b>	<b>600,763</b>	<b>1,600,000</b>	<b>38,370</b>	<b>589,599</b>	<b>647,065</b>	<b>2,197,468</b>
Interest rate	2%	2%	5.00%	5.00%				
<b>Financial Liabilities</b>								
Payables	-	-	-	-	107,670	474,841	107,670	474,841
Overdraft	39,924	-	-	-	-	-	39,924	-
	<b>39,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107,670</b>	<b>474,841</b>	<b>147,594</b>	<b>474,841</b>
Interest rate	11.6%							

#### b) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the Company and consolidated entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Company and consolidated entity are not materially exposed to any individual overseas country or individual customer.

#### c) Net Fair Values

The financial assets and liabilities included in current assets and current liabilities in the statement of financial position are carried at amounts that approximate net fair values.

## Additional Information

The additional information set out below as it relates to shares and options was applicable at 2 August 2002.

### SHARES

#### DISTRIBUTION OF SHAREHOLDINGS

Size of holding	Number of shareholders	
1 - 1,000		1121
1,001 - 5,000		594
5,001 - 10,000		355
10,001 - 100,000		654
100,001 and over		79
Total shareholders		2803
Number of shareholders with less than a marketable parcel of \$500 at 9c per share		1742

#### TWENTY LARGEST SHAREHOLDERS

Name of Holder	No of shares	%
1. TPIC Ltd	12,000,000	16.47
2. EERC Australasia Pty Ltd (EERC Super Fund)	6,008,042	8.24
3. Mrs Philippa Helen McGuckin (McGuckin Family Fund A/C)	3,356,484	4.61
4. Harry Wallis	3,000,000	4.12
5. Avon Management Co Pty Ltd	2,530,590	3.47
6. Mr AMB Brown & Mr EC Brown	1,001,668	1.37
7. Ms Michele Marshall (Marshall Discretionary A/C)	1,000,080	1.37
8. Egmont Pty Ltd (C Carter Super Fund No1 A/C)	1,000,000	1.37
9. Toltec Holdings Pty Ltd	821,750	1.13
10. Candye Pty Ltd	703,000	0.96
11. Litho Art Pty Ltd	600,000	0.82
12. Mr Ian Sterling	600,000	0.82
13. Anz Nominess Ltd	596,499	0.82
14. Mr Thomas Mannix Landy	500,000	0.69
15. Resort Bay Pty Ltd	484,100	0.66
16. Bow Lane Nominees Pty Ltd	450,000	0.62
17. Scandanavia Pty Ltd (McGuckin Family S/F A/C)	370,975	0.51
18. Westcoast Gyprock Pty Ltd	355,500	0.49
19. Cav Investments Pty Ltd	329,930	0.45
20. Towergrange Pty Ltd	325,700	0.45
Top 20 largest shareholders	36,034,318	49.44
Total Shares Issued	72,879,285	100.00

#### SUBSTANTIAL SHAREHOLDERS

Name	No of shares
TPIC Ltd	12,000,000
EERC Australasia Pty Ltd	6,008,042
Mrs Philippa Helen McGuckin	3,737,475

#### VOTING RIGHTS

All ordinary shares issued by the Company carry one vote per share without restriction.

#### OPTIONS

There is one Optionholder being Mr Milton Schmedje who holds 100,000 unlisted options exercisable at 39 cents on or before 24 November 2005.

## Corporate Governance Statement

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Eagle Bay Resources N.L. ("the Company") have adhered to the principles of corporate governance. A description of the main corporate governance practices is set out below. Unless otherwise stated, the practices were in place for the entire year.

The Directors of the Company have aspired to the very highest standards of corporate governance.

### *Board of Directors*

The Board of Directors of the Company is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The responsibility for the operation and administration of the Company is carried out by two of the Directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and has in place procedures to assess the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders;
  - other periodic reports which are lodged with ASX and available for shareholder scrutiny;
  - special purpose information memoranda issued to shareholders as appropriate; and
  - the Annual General Meeting and other meetings called to obtain approval for board action as appropriate.
- Board Composition

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next Annual General Meeting of the Company.

### *Board Committees*

The Company does not normally form separate board sub-committees as there are only four directors, however the board has resolved to form an audit committee comprised of Messrs Salotti and Craib. Other matters ordinarily addressed by such committees are dealt with by the full Board, with investigation and advice where appropriate being provided by non-executive directors, Mr J Craib and Mr T. Salotti.

### *Remuneration*

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by non-executive directors, Mr J Craib and Mr T. Salotti. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision-making.

### *Independent Professional Advice*

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

