



**ASHBURTON MINERALS LTD**  
ABN 99 008 894 442

# 2003 ANNUAL REPORT

# ASHBURTON MINERALS LTD

## CORPORATE DIRECTORY

### Directors

RW Crabb            Chairman  
TP Dukovcic        Director  
RJ Dunn             Director

### Solicitors

Blakiston & Crabb  
1202 Hay Street  
West Perth WA 6005

### Company Secretary

RG Ledger

### Auditors

Moore Stephens BG  
Level 3, 12 St George's Terrace  
Perth WA 6000

### Principal & Registered Office

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West Perth WA 6005

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Website: [www.ashburton-minerals.com.au](http://www.ashburton-minerals.com.au)

### Bankers

BankWest Limited  
108 St George's Terrace  
Perth WA 6000

### Postal Address

PO Box 517  
West Perth WA 6872

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

### Stock Exchange Listing

Australian Stock Exchange  
ASX Code: ATN

CHAIRMAN'S ADDRESS

I am pleased to present the 2003 Annual Report for Ashburton Minerals Ltd, your Company's tenth such report.

On 2 May next year the Company will record the tenth anniversary of its listing on the Australian Stock Exchange. The last five of those years will have been under the management of the present Board.

This past year was particularly active and rewarding for the Company as an increased effort was applied to secure an appropriate gold project that showed potential for an early cash flow. It is satisfying to be able to report that those efforts paid off when on 21 November 2002 the Company announced that it had won the tender to acquire the Drummond Basin Gold Assets in Queensland. This acquisition was completed on 28 August 2003 with the purchase, from Placer Dome Asia Pacific Limited, of Wirralie Mines Pty Ltd, the owner of the Drummond Assets.

The extensive Drummond Assets comprise 440,000 oz of remaining gold resources at the Wirralie mine, a 1.5 Mtpa treatment plant, an accommodation village, administration buildings and some 3,600 km<sup>2</sup> of exploration tenements in the prospective Drummond Basin epithermal province.

The Company's primary aim will be to move towards recommencement of gold mining operations at Wirralie, based initially on the 140,000 oz oxide gold resource. Independent studies by RSG Global indicate the potential for an economic operation at Wirralie recovering 83,000 oz of gold at a gold price of A\$550/oz.

Subsequent financial modelling of this resource suggested the operation could generate an operating cash flow of almost A\$12 million in under two years.

The Company then intends to investigate the development of the underlying sulphide resource at Wirralie by extending the oxide open pit operation. The current resource is open along strike and at depth and good potential exists to increase the resource base to over 500,000 oz by additional drilling. Recent testwork commissioned by the Company shows that in excess of 96% gold recovery can be achieved from a float concentrate of the sulphide ore, thus confirming the significant economic potential of this resource.

Additional opportunities exist within the Drummond tenements for the discovery of new resources. Some 1.1 M oz of gold has been produced from mines within the tenements, mostly in the past 15 years, attesting to the richness of the district.

On the basis of these encouraging scoping level results, the Company was able to secure the support of Macquarie Bank Limited, which provided a performance bond facility of \$1.5 million and agreed to replace up to \$2.75 million in environmental bonds lodged against the Drummond tenements.

Immediately following the completion of the acquisition, the Company commenced a detailed evaluation of the Wirralie resource with a view to preparing a bankable implementation study, which will hopefully lead to the commencement of production by the middle of 2004.

Because of the exciting potential represented by the Company's new holdings in the Drummond Basin, activity in the Ashburton has been scaled back and several tenements in that area have been relinquished. Landholdings at Soldiers Secret and Top Camp have been maintained as these areas continue to show the best promise.

On the other hand, the Company's holdings in the East Kimberley region of Western Australia became the focus of renewed interest on the back of a strong nickel sector, confirmation of the go-ahead of the Sally Malay nickel mine, and several significant joint ventures in this region which, though under-explored, is regarded as highly prospective for nickel and platinum group metals.

During the year the Company completed several fundraisings. On the back of the successful tender for the Drummond Assets, the Company implemented a Share Purchase Plan, raising \$769,000 in working capital to fund the due diligence evaluation phase of the acquisition.

On 18 August 2003, the Company held a general meeting of shareholders at which, critically, approval was granted for the consolidation of the Company's issued capital on a 1 for 15 basis and the issue of new shares at 12 cents each under a prospectus to enable the completion of the Drummond Assets acquisition.

On 17 September 2003, following a successful road trip and promotional efforts by management at the Diggers and Dealers forum, in conjunction with a timely strengthening in the gold price, the Company closed its prospectus fully oversubscribed, raising \$3.5 million.

The Company currently has 53,214,525 shares on issue, trading at 17.5 cents and giving a market capitalisation of \$9.31 million.

After four years as an executive director, on 12 June 2003, Mr Tom Dukovcic was appointed to the position of Managing Director of the Company. Tom has provided invaluable service and leadership. I congratulate Tom and fellow executive director Rod Dunn on their tireless efforts in pursuing the Drummond Basin project. On behalf of shareholders I also thank other staff and consultants who supported us through a challenging period.

In summary, 2003 was a year of major change for the Company. The acquisition of the Drummond Assets and the consolidation of the capital have resulted in a new look Ashburton Minerals with an exciting opportunity to move into gold production.

I look forward to the year ahead.



**Rick W Crabb**  
CHAIRMAN  
21 October 2003

REVIEW OF OPERATIONS

Most of the Company’s activities during the year were of a corporate nature, with efforts devoted to securing the Drummond Assets, including due diligence investigations; the commissioning of an independent review of the assets by RSG Global; corporate and promotional visits to the eastern states; site visits to the Wirralie gold mine in Queensland; and fundraising activities.

Ground based exploration activity was restricted to the Ashburton region where infill auger work was completed at the Soldiers Secret/Top Camp area.

Field work has not yet begun over the East Kimberley tenements. A recent increase in support for nickel has generated third party interest in the Company’s ground.

The Company now controls major ground holdings in three regions across Australia. Consequently, the Company is reassessing its exploration portfolio with a view to rationalising its holdings so as to maximise future benefits to shareholders and the Company.



FIGURE 1. Project location map

1. ASHBURTON PROJECT

The Company currently holds ten granted exploration licences in the Ashburton Basin region of Western Australia, having surrendered six tenements and having a further five granted during the year.

Work completed by the Company during the year was limited to infill auger soil sampling at the Top Camp East and Soldiers Secret prospects. Some 470 auger soil samples were collected to better define the extensive gold geochemical anomalies identified in this area. A number of targets are now ready for drilling.

With the increase in focus on the Drummond Basin project, the Company is considering opportunities to farm out its Ashburton tenements.

1.1 House Creek Joint Venture (E08/941)

Following a further programme of RAB drilling Newcrest Mining Limited decided to withdraw from this joint venture in the north western part of the Ashburton Basin due to insufficiently encouraging exploration results.

2. EAST KIMBERLEY PROJECT

In March 2002, the Company, in 50:50 partnership with Ripplesea Pty Ltd, applied for ten Exploration Licences (E80/2897 - 2906) within the Lamboo Complex in the East Kimberley area of northern Western Australia. The applications cover an area of approximately 2,000 km<sup>2</sup> and comprise the northern Mt Remarkable, the central Three Sisters, and the southern Ramsay Project groups.

The applications encompass a substantial amount of strategic ground on strike and proximal to the major nickel and platinum group metals (“PGM”) prospects in the district, as shown in Figure 2.

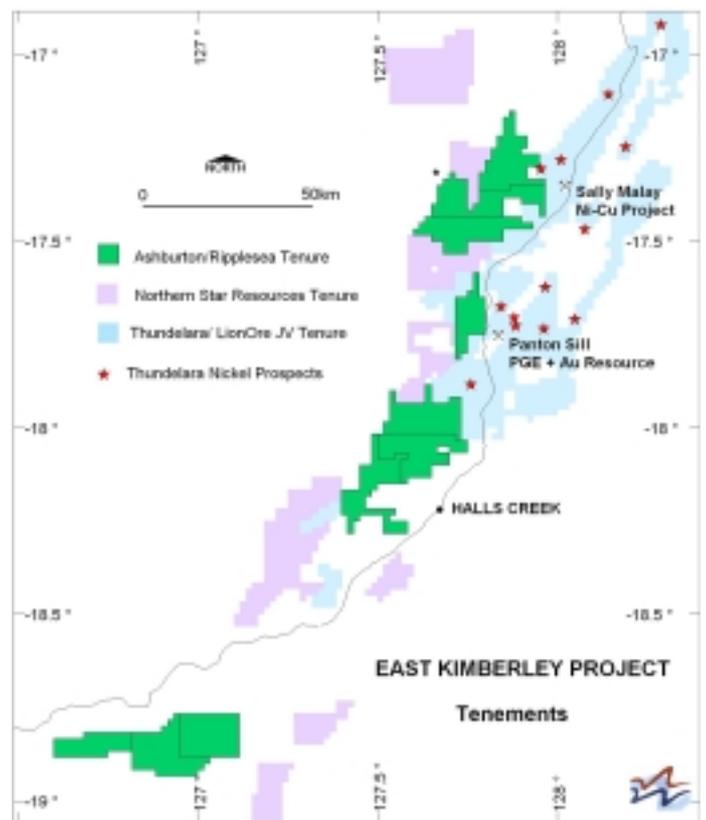


FIGURE 2: East Kimberley tenements and prospects

The Ashburton/Ripplesea tenements cover three conceptual target areas prospective for nickel, copper and PGMs. The targeting is based on research conducted by Orbital Research Exploration Pty Ltd (“ORE”), an associate company of Ripplesea. Through detailed interpretation of aeromagnetic, gravity, and digital elevation modelling data, ORE has identified targets with equivalent geophysical signatures to the Sally Malay nickel deposit and the Panton Sill ultramafic intrusive.

*Review of Operations Continued*

Importantly, geophysical data indicates that the three target areas identified by ORE are all loci of interpreted feeder zones to the mafic/ultramafic intrusions, a critical point in their prospectivity because, if proved to be the case, it indicates a similarity to the setting of the giant Voisey Bay nickel deposit in Canada.

Four of the Company's tenements have been granted, with the balance pending agreement on terms of access with the Kimberley Land Council.

The East Kimberley region has received a notable boost with the announcement by Sally Malay Mining Ltd that it has secured an off-take agreement with a Chinese company for its nickel product and that it will finally move into production at the Sally Malay mine in 2004.

In other significant developments, a further two nickel producers have entered into the region through joint ventures with junior explorers. LioOre Mining International Limited has taken a \$3.5 million placement in Thundelarra Exploration Ltd and will sole fund the first \$5 million of exploration over Thundelarra's nickel tenements. Meanwhile, successful WA nickel producer Jubilee Mines NL has taken a \$750,000 seed capital position in IPO company Northern Star Resources Ltd.

As can be seen in Figure 2, the Company's tenements are integrally situated between the Thundelarra and Northern Star tenements and include ground on strike of a number of significant nickel and PGM prospects.

The Company is expecting imminent delivery of a comprehensive study report, commissioned from ORE, into the prospectivity of the East Kimberley tenements. This information will be used to prepare and guide ground based investigations in the coming field season.

Meanwhile, the Company has begun to receive overtures from interested parties wishing to farm into the East Kimberley project.

**3. MULGABBIE WEST PROJECT/YACAMUNDA JV**

The Mulgabbie West project comprises one exploration licence, E28/553, in the North East Coolgardie Mineral Field, some 110 km northeast of Kalgoorlie in Western Australia. The project is situated some 3 km east of the Carosue gold mining operation owned by Sons of Gwalia Limited ("Gwalia").

The Company reached agreement with Gwalia whereby the existing joint venture over the project was terminated and a new agreement was entered into under which Gwalia acquired a 100% interest in the Mulgabbie West tenement from the Company. In return, Gwalia waived a remaining expenditure commitment of approximately \$100,000 which the Company had to incur to earn a 51% participating joint venture interest in the Yacamunda JV in the Drummond Basin in Qld. The Company became a party to the Yacamunda JV as a result of its acquisition of Wirralie Mines Pty Ltd.

Under the Mulgabbie West/Yacamunda agreement, the

Company retains a royalty of \$1.00 per tonne of ore mined and processed from the Mulgabbie West tenement.

**4. DRUMMOND BASIN PROJECT**

After considerable effort and a number of delays, the company completed the acquisition of the Drummond Basin project on 28 August 2003 by purchasing Wirralie Mines Pty Ltd ("WMPL"), the holder of the assets, from Placer Dome Asia Pacific Limited.

The Company's primary reason for the acquisition is the potential to recommence profitable gold mining operations from the oxide resources at the Wirralie Mine and thus generate cash flow for the Company. Although residual resources are low-grade, the likelihood of this occurring is enhanced by the presence on site of a treatment plant and associated infrastructure, which represents a huge saving in cost that would otherwise be prohibitive.

The Wirralie Mine also contains significant sulphide resources at depth, while excellent exploration potential is present throughout the extensive tenement package, which encompasses most of the highly prospective Cycle 1 rock units of the Drummond Basin epithermal gold province.

The Drummond Basin assets owned by WMPL, now a wholly owned subsidiary of the Company, include the Wirralie Mine and infrastructure and approximately 3,600km<sup>2</sup> of surrounding exploration tenements in the Devonian-Carboniferous Drummond Basin in northeast Queensland (Figures 1 and 3). The tenements are situated approximately 200 km south of Townsville and 200 km west of Mackay, and include centres of recent mining activity at Wirralie, Yandan, Mt Coolon, Glen Eva and Belyando (Figure 3). A total of 1.12 Moz of gold has been produced from within the tenements, mostly in the last 15 years.

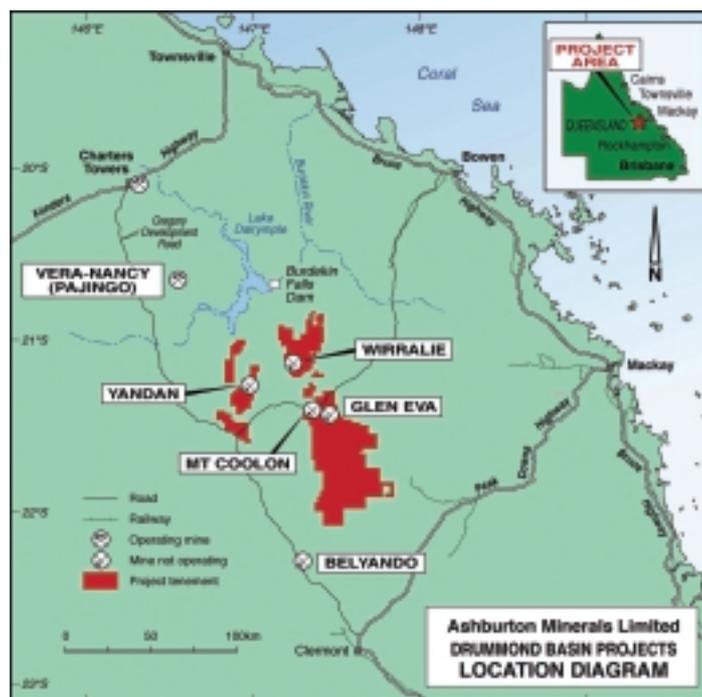


Figure 3: Drummond Basin Project Location

Review of Operations Continued

The Drummond Basin as a province contains numerous epithermal style gold deposits of which a number have been economically exploited. The most significant of these deposits is the recently (1995) discovered, and the only currently operating, Vera Nancy Mine, which is owned by Newmont Mining (Australia) Pty Ltd, and which had a pre-mining resource of approximately 3 million ounces of gold. RSG Global, independent geologists, reports total resources and production from all mines within the Drummond Basin as being approximately 5.4 million ounces. Most of these deposits are situated within the prospective Drummond Basin Cycle 1 rock units, making this one of the most gold-endowed geological settings in Australia. As can be seen in Figure 4, the Company's tenements cover a large portion of the known Cycle 1 units.

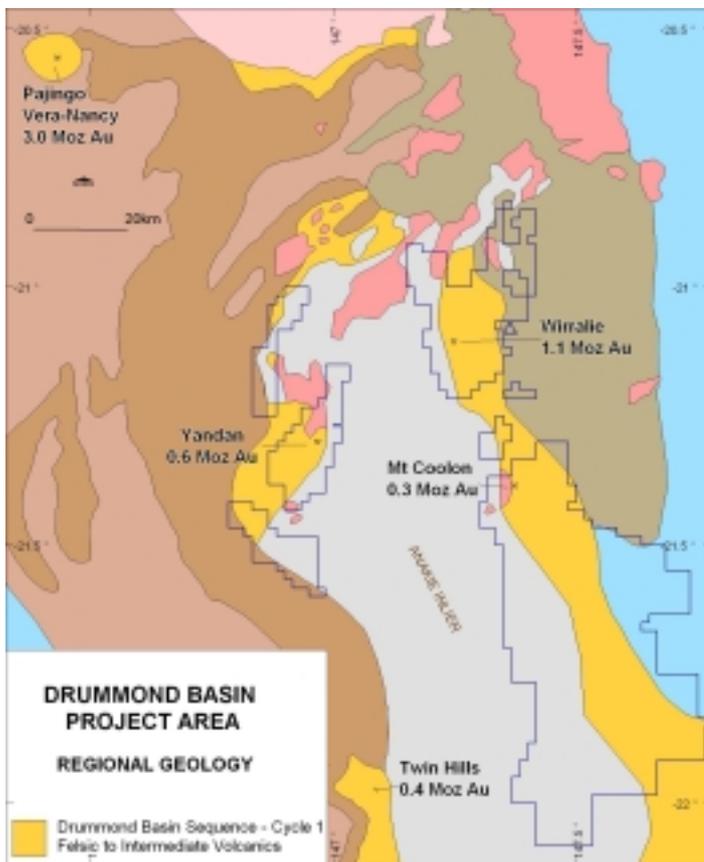


FIGURE 4: Drummond Basin regional geology and WML tenement location

4.1 Wirralie Mine

Gold mineralisation was discovered at Wirralie in 1986 and by the following year open pit mining by ACM Limited had commenced. The mine was subsequently operated by Poseidon Limited, Ross Mining NL and Delta Gold Limited, with mining taking place in two campaigns: 1987-1993, and 1999-2002. Combined production from Wirralie is recorded as 7.93 Mt at an average grade of 1.97 g/t, from which 477,000 oz of gold was recovered.

The mine is presently on care and maintenance following the cessation of operations in early 2002.

The Wirralie Mine has in place all of the infrastructure required for an operating gold mine, including a 1.5 Mtpa processing plant, tailings dam, mine operations buildings and an 80-person accommodation village (Figure 5). RSG Global has confirmed that Wirralie contains identified low-grade oxide resources totalling 4.21 Mt @ 1.0 g/t for a contained 143,000 oz. At a gold price of \$A550/oz, the oxide resource has the potential to sustain up to two years of mining. Financial modelling by Southern Mining Consultants suggests that such an operation could generate almost \$12 million in operating cash flow in that time. The Company estimates that the treatment plant and infrastructure can be returned to fully operational status at a cost of less than \$2 million.

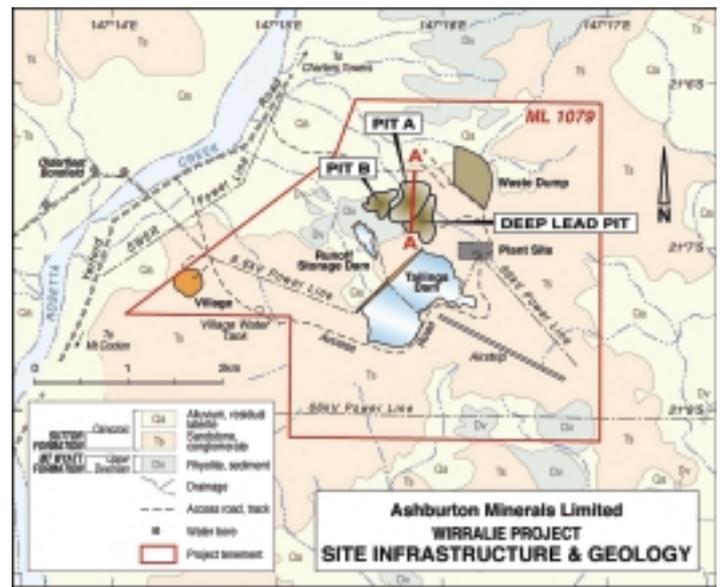


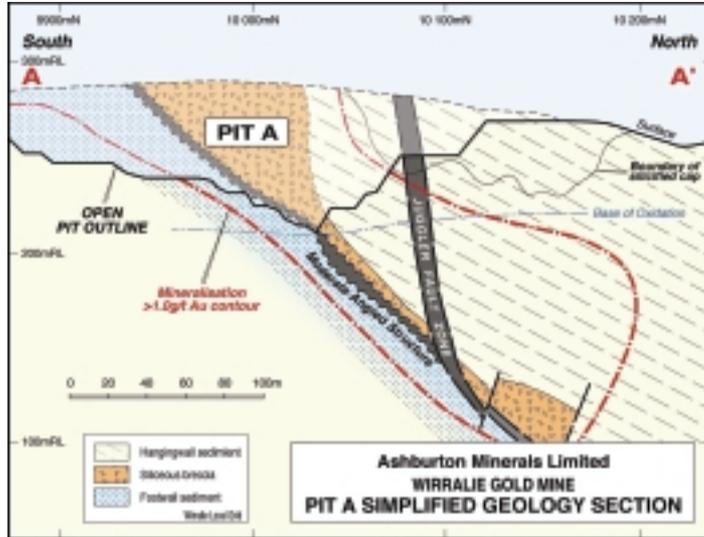
FIGURE 5: Wirralie Mine site infrastructure

The Wirralie Mine also contains a significant sulphide resource at depth, totalling 4.1 Mt @ 2.3 g/t for a contained 297,000 oz (Figure 6). This resource is refractory and requires treatment by an oxidative process to increase recovery to an acceptable level. Recent work commissioned by the Company, together with work completed by previous owners, shows recoveries from sulphide concentrate of between 93% and 96%, thus confirming that the gold can be won from the ore. Applicable processes include GeoCoat, Albion Process and Intec Refractory Gold Process, all of which are largely at the developmental stage. More costly processes include conventional stirred-tank bio-oxidation and low-pressure acid leaching, which could be applicable if the resource was increased.

The sulphide resource was found to be refractory early in the exploration history at Wirralie which meant that only limited subsequent drilling was targeted below the oxide resource. As a result, the sulphide resource remains open at depth and along strike and this offers the Company an excellent opportunity to significantly increase the size of this resource relatively quickly at a low cost. For example, an existing intercept from hole ORD 27 of 96 m @ 1.59 g/t from 131 m, including 14 m @ 2.37 g/t from 161 m, is not included in the current resource figure. This hole sits some 100 m west of the resource and confirms the continuity of the Wirralie deposit as a broad low grade halo enclosing higher grade cores (see Figure 6).

*Review of Operations Continued*

There has so far been little detailed exploration further than 500 m beyond the mine environs. There is therefore good potential for the discovery of additional gold deposits, both oxide and sulphide, in the vicinity of Wirralie through future exploration.



*FIGURE 6: Wirralie gold deposit schematic cross-section showing wide low-grade halo ideally suited to cheap bulk mining methods*

The Company will focus its initial attention on evaluating the potential to mine and process the existing oxide resource at Wirralie as the key to commencing operations and generating an early cash flow. The sulphide resource represents future potential to the operation. Good potential exists to significantly extend mine life through new discoveries through exploration and possibly from exploitation of the lesser oxide resources that remain at Yandan, Mt Coolon and Glen Eva.

**4.2 Purchase terms**

The Company acquired Wirralie Mines Pty Ltd for a consideration of \$100,000 cash and a royalty capped at \$2 million. The royalty is payable after the first 50,000 of production and only if the gold price is A\$560 or above.

The Company can buy this royalty out prior to commencement of production for \$1 million within 18 months of settlement, or \$1.5 million between 18 months and 30 months of settlement.

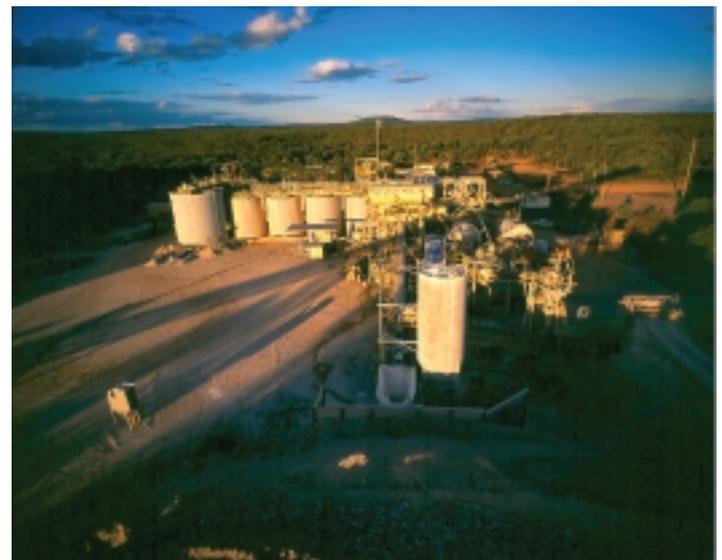
In addition, the Company had to replace the current environmental bonds in place over the tenements totalling \$2.61 million. Bank guarantees for the bonds have been secured through Macquarie Bank, with the Company required to provide Macquarie with a cash-backing for only \$1.1 million of the bonds.

**4.3 Environmental and Native Title Issues**

Jurisdiction over environmental issues associated with mining in Queensland recently passed from the Department

of Natural Resources and Mines to the Queensland Environmental Protection Authority (“EPA”). The EPA is in the process of reviewing all past bonds, including the bonds over the Drummond Basin tenements, which may result in an increase in the required bonded amount.

All the tenements within the Drummond Basin project are covered by an underlying Native Title claim by the Jaanga people (NNTT File No. QC98/10). The Jaanga people have signed the state-wide Indigenous Land Use Agreement. The pastoral holding underlying Glen Eva mine lease has extinguished Native Title.



*Wirralie CIP/CIL treatment plant*

## ASHBURTON MINERALS LTD

### Review of Operations Continued

#### 5. SCHEDULE OF TENEMENTS

PROJECT GROUP	TENEMENT	EXPIRY DATE	ASHBURTON EQUITY (%)	
Ashburton, WA	E08/922	07.04.04	100	
	E08/824	07.04.04	100	
	E08/930	07.07.04; ext'n pending	100	
	E08/941	12.11.04; ext'n pending	100	
	E08/1144	15.04.07	100	
	E08/1302	10.04.08	100	
	E08/1303	10.04.08	100	
	E08/1304	10.04.08	100	
	E08/1305	10.04.08	100	
	E08/1306	10.04.08	100	
	Mulgabbie West, WA	E28/553	20.02.02; extension, pending grant of replacement mining leases	Royalty; \$1.00/t
	East Kimberley, WA	E80/2897	Pending grant	50
E80/2898		Pending grant	50	
E80/2899		Pending grant	50	
E80/2900		Pending grant	50	
E80/2901		21.10.07	50	
E80/2902		21.10.07	50	
E80/2903		01.10.08	50	
E80/2904		21.10.07	50	
E80/2905		Pending grant	50	
E80/2906		Pending grant	50	
Drummond Basin, Qld	ML 1029	31.05.04	100	
	ML 1079	31.10.08	100	
	ML 1085	31.10.08	100	
	ML 1086	27.04.04	100	
	ML 1095	30.06.06	100	
	ML 1096	30.06.06	100	
	ML 2292	31.08.09	100	
	ML 2312	28.10.10	100	
	ML 10227	31.12.06	51	
	MDL 22	31.10.04; pending renewal	100	
	EPM 8257	01.09.04; pending renewal	100	
	EPM 8908	16.07.04; pending renewal	100	
	EPM 8909	16.07.04; pending renewal	100	
	EPM 9308	13.04.04; pending renewal	100	
	EPM 9310	13.04.04; pending renewal	100	
	EPM 9718	30.11.04; pending renewal	100	
	EPM 11488	22.04.04; pending renewal	100	
	EPM 11492	02.05.04; pending renewal	100	
	EPM 11814	22.08.04; pending renewal	100	
	EPM 12112	05.07.04; pending renewal	100	
	EPM 12257	16.08.04; pending renewal	100	
	EPM 12341	pending grant	100	
	EPM 12526	16.08.04; pending renewal	100	
	EPM 13114	pending grant	100	
	EPM 13155	pending grant	100	
	EPM 13156	pending grant	100	
	Yacamunda JV;	EPM 9080	25.10.04; pending renewal	51
Drummond Basin, Qld;	EPM 9081	25.10.04; pending renewal	51	
Sons of Gwalia 49%	EPM 9252	03.03.04; pending renewal	51	
	EPM 9981	07.03.04; pending renewal	51	

**DIRECTORS' REPORT**

The directors present their report on the financial statements of Ashburton Minerals Ltd ("the Company") and the consolidated entity for the year ended 30 June 2003 as follows:

**1. DIRECTORS**

The names and details of the directors of the Company holding office at the date of this report are:

NAME & QUALIFICATION	EXPERIENCE & SPECIAL RESPONSIBILITIES
Rick Wayne Crabb (46) B.Juris, LLB, MBA	Non-Executive Chairman (Appointed 1.9.99)  Rick is a lawyer and partner with the legal practice Blackiston & Crabb. He specialises in mining, technology, corporate and commercial law and has had extensive experience in legal issues arising in resource development, including contract negotiation and financing. He brings to the Board valuable legal, corporate and mining experience and is a director of several listed companies including Paladin Resources Limited, Port Bouvard Limited, Thundelarra Exploration Ltd, Alcaston Mining NL, Deep Yellow Limited and ST Synergy Limited. Rick (together with Mr Dunn) was also a founding member of the successful Gasgoyne Gold Mines NL, which operated the profitable Yilgarn Star gold mine until that company's takeover by Sons of Gwalia Limited.
Tom Peter Dukovcic (43) BSc (Hons) MAIG	Managing Director (Appointed 22.4.99)  Tom is a geologist with over 18 years experience in exploration and development. He has worked in a variety of regions, which include Yalgoo, Southern Cross, Murchison, Leonora, Eastern Goldfields and Kimberley and for a number of companies, such as Sons of Gwalia Limited, Mawson Pacific Limited and Johnson's Well Mining NL. As Senior Geologist with Finders Gold NL he was responsible for managing all aspects of exploration, including the investigation of gold opportunities in southeast Asia. Tom has been directly involved with the management of gold discoveries at various locations in Western Australia, including Transvaal, Cuddingwarra, Leonora and Mulgabbie. Tom is a director of several private mineral exploration companies and brings valuable exploration, geological and management expertise to the Board.
Rodney John Dunn (43)	Executive Director (Appointed 22.4.99)  Rod has been actively involved in the mining industry for approximately 20 years. Rod (together with Mr Crabb) was a founding director of the successful Gasgoyne Gold Mines NL. He is also a director of a number of private companies involved in mineral exploration. Rod brings valuable corporate and contract management experience to the Board.

Unless indicated otherwise, all directors held their position as a director throughout the entire financial year and up to the date of this report.

**2. DIRECTORS' MEETINGS**

The number of director's meetings attended by each of the directors of the Company during the financial year and up to the date of this report were:

	Attended	Maximum possible Attended
RW Crabb	7	7
TP Dukovcic	7	7
RJ Dunn	7	7

**3. PRINCIPAL ACTIVITY**

The principal activity of the consolidated entity during the financial year was mineral exploration.

*Directors' Report Continued*

**4. RESULTS**

The consolidated net operating loss of the consolidated entity attributable to the members of Ashburton Minerals Ltd after providing for income tax for the financial year was \$854,464 (2002: \$1,842,679).

**5. DIVIDENDS**

Since the end of the previous financial year, no dividend has been paid or declared by the Company.

**6. REVIEW OF OPERATIONS**

The initial focus of the Company during the year was the identification and evaluation of acquisition opportunities that would allow the Company to move from junior explorer to gold producer. These investigations culminated in the signing of a Heads of Agreement on 21 November 2002 with Delta Gold Limited ("Delta", then a wholly owned subsidiary of Aurion Gold Limited, now controlled by Placer Dome Asia Pacific Ltd) to acquire the Drummond Basin Gold Assets in Queensland.

The terms of the Heads of Agreement were subsequently revised in April 2003, whereby the Company would acquire Wirralie Mines Pty Ltd (the owner of the Drummond Basin Gold Assets) from Delta. The formal Share Sale Agreement was executed on 8 July 2003 and settlement was completed on 28 August 2003.

The major focus of the Company has been on the review of the assets and operations of Wirralie Mines Pty Ltd, including tenure, environmental obligation, resource evaluation, corporate due diligence, etc.

Exploration activities have continued on the Ashburton and East Kimberley projects in Western Australia at a reduced rate.

**7. SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any item transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

- a) the operations of the consolidated entity;
- b) the results of the operations;
- c) the state of affairs of the consolidated entity in the financial year subsequent to 30 June 2003, other than as described below.

On 17 June 2003 the Company announced that it had signed a letter of offer with Macquarie Bank Limited ("MBL") under which MBL would provide a Performance Bond Facility for up to \$2.75 million to replace existing bonds over the Drummond Basin project tenements. Under the terms, Ashburton is to cash back that amount of bonds over \$1.5 million. In consideration, subsequent to shareholder approval at a General Meeting held on 18 August 2003, Ashburton issued MBL with options to the value of \$500,000, exercisable at 12 cents each (post consolidation) and expiring on 30 June 2006. Any options exercised are to be offset against the facility.

On 8 July 2003 the Company executed a formal Share Sale Agreement with Delta Gold Exploration (1995) Pty Ltd, a wholly owned subsidiary of Placer Dome Asia Pacific Limited, for the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin Project. The Company settled and completed the acquisition of Wirralie Mines and its wholly owned subsidiary Belyando Mining Pty Ltd on 28 August 2003.

On 17 July 2003, the Company lodged a prospectus with ASIC offering 25 million fully paid ordinary shares at a price of 12 cents each, following a consolidation of existing shares on a 1 for 15 basis, to raise \$3 million (with provision for oversubscriptions). The offer closed on 5 September 2003 oversubscribed, raising a total of \$3.5 million. The fundraising will allow the Company to complete the acquisition of the Drummond Basin Project in Queensland, where it intends to recommence gold mining at the Wirralie Mine.

On 12 August 2003, the Company raised \$82,000 working capital through a placement of 10,250,000 fully paid ordinary shares at an issue price of 0.8 cents per share. This capital raising did not relate to the prospectus issue described above, and the shares were allotted pre consolidation of the issued capital of the Company.

A Shareholders Meeting was held on 18 August 2003, whereby shareholders approved the proposed issue of shares under the prospectus and the consolidation of the Company's issued capital on a 1 for 15 basis.

# ASHBURTON MINERALS LTD

## Directors' Report Continued

### 8. LIKELY DEVELOPMENTS AND FUTURE RESULTS

The likely developments in the operations of the consolidated entity are set out in the Review of Operations.

### 9. SHARE OPTIONS

No options over unissued shares in the Company were issued during the year.

### 10. ENVIRONMENTAL ISSUES

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

### 11. DIRECTORS' INTERESTS

At the date of this Directors' Report, with the consolidation of the share capital completed, the direct and indirect interest of each director of the Company in the issued securities of the Company was as follows:

	Ashburton Minerals Ltd			Options Total
	Fully Paid Shares		Total	
	Direct	Indirect		
RJ Dunn	40,000	3,464,391	3,504,391	283,334
TP Dukovcic	151,681	444,445	596,126	150,000
RW Crabb	18,834	88,334	107,168	120,000

The options expire on 31 December 2005. Of these options, 346,667 have an exercise price of 28.8 cents per share and 206,667 options have an exercise price of \$1.50 per share.

### 12. DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named officers receiving the highest emoluments are set out below (refer to the Corporate Governance Statement for details of remuneration policy):

	Options \$	Base Emolument \$	Superannuation \$	Other \$	Total \$
<b>Directors</b>					
Mr TP Dukovcic	-	120,000	10,800	-	130,800
Mr RJ Dunn	-	100,000	9,173	-	109,173
Mr RW Crabb	-	27,000	2,430	9,900	39,330

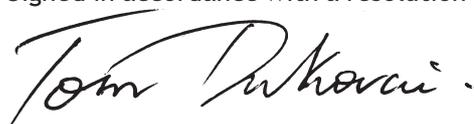
### 13. OFFICERS AND AUDITORS INDEMNIFICATIONS

During the financial year, the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy included directors RW Crabb, RJ Dunn and TP Dukovcic.

The liabilities insured included costs and expenses that may be incurred in defending certain proceedings that may be brought against the officers in their capacity as officers of the Company.

Dated this 22nd day of September 2003

Signed in accordance with a resolution of directors:



Tom P Dukovcic  
Director

**CORPORATE GOVERNANCE STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2003**

This statement outlines the main Corporate Governance practices that were in place throughout the period 1 July 2002 to 30 June 2003.

**1. BOARD OF DIRECTORS**

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing the goals for management and monitoring the achievement of these goals. Due to the size of the Board, issues of Nomination and Remuneration of Directors and Business Risk Management are considered by the full Board. The Board has established a framework for the management of the Company including an overall framework of internal control, a business risk management process and the establishment of appropriate ethical standards.

**Composition of the Board**

The Directors of the Company in office at date of this statement are:

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Special Expertise</b>
R Crabb	46	Non Executive Chairman	Law
T Dukovic	43	Managing Director	Resources Industry
R Dunn	43	Executive Director	Resources Industry

The composition of the Board is determined using the following principles:

- The board comprises three directors and may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.
- The board should comprise directors with a range of expertise, relevant to the principal activities of the Company.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When and if a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select a panel of candidates with the appropriate expertise and experience. Potential candidates will be identified by the Board with advice from an external consultant, if necessary. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

**Independent Professional Advice**

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

**Remuneration**

Remuneration packages and policies applicable to directors, executive directors and senior executives are determined and reviewed by the Board. The Board obtains independent advice on the appropriateness of remuneration packages.

Further details of the directors' remuneration are set out in Note 16 to the financial statements.

**Audit Committee**

The Board has not established a separate audit committee due to the small size of the Company, the number of the directors, and the fact that the external auditor has full access to the Board throughout the year.

The responsibilities of the Board do ordinarily include:

- Reviewing internal controls and recommending enhancements;
- Monitoring compliance with Corporations Law, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions;
- Improving the quality of the accounting function;

*Corporate Governance Statement Continued*

**1. BOARD OF DIRECTORS** *(continued)*

- 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.
- Liaising with the external auditors and ensuring that the annual audit and half year review are conducted in an effective manner.

The Board reviews the performance of the external auditors on an annual basis.

**2. ETHICAL STANDARDS**

The Board subscribes to the statement of Ethical Standards as published by the Australian Institute of Company Directors.

All directors and employees are expected to act with the utmost integrity, striving at all times to enhance the reputation and performance of the Company.

**ASHBURTON MINERALS LTD**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2003**

		Consolidated		Company	
	Note	2003 \$	2002 \$	2003 \$	2002 \$
Revenue from ordinary activities		-	-	-	-
Other revenues from ordinary activities	3	126,849	401,876	126,849	401,876
<b>Total Revenue</b>		<b>126,849</b>	<b>401,876</b>	<b>126,849</b>	<b>401,876</b>
Expenses from ordinary activities:					
Costs of shares sold		(177,740)	(390,873)	(177,740)	(390,873)
Depreciation expenses	4	(10,317)	(13,533)	(10,031)	(13,329)
Consultants fees		(282,172)	(92,854)	(282,172)	(92,854)
Employee expenses (salaries, wages & directors' fees)		(276,668)	(287,773)	(276,668)	(287,773)
Legal fees		(35,316)	(88,669)	(35,316)	(88,669)
Occupancy costs		(34,311)	(29,750)	(34,311)	(29,750)
Other expenses from ordinary activities		(164,789)	(196,104)	(164,789)	(196,104)
Share of net loss of an associated company		-	(75,000)	-	(75,000)
Provision for doubtful debt (loan to an associated company)		-	(365,000)	-	(365,000)
Provision for diminution in value of investment in associated company		-	(704,999)	-	(704,999)
<b>Loss from ordinary activities before related income tax expense</b>		<b>(854,464)</b>	<b>(1,842,679)</b>	<b>(854,178)</b>	<b>(1,842,475)</b>
Income tax (expense)/benefit relating to ordinary activities	5	-	-	-	-
<b>Loss from ordinary activities after related income tax expense</b>		<b>(854,464)</b>	<b>(1,842,679)</b>	<b>(854,178)</b>	<b>(1,842,475)</b>
Profit/(loss) from extraordinary item after related income tax expense		-	-	-	-
<b>Net Loss</b>		<b>(854,464)</b>	<b>(1,842,679)</b>	<b>(854,178)</b>	<b>(1,842,475)</b>
Net loss attributable to outside equity interests		-	-	-	-
<b>Net Loss attributable to members of parent entity</b>	14	<b>(854,464)</b>	<b>(1,842,679)</b>	<b>(854,178)</b>	<b>(1,842,475)</b>
<b>Non-Owner transaction changes in equity:</b>					
Increase in asset revaluation reserve	13	-	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		-	-	-	-
Total changes in equity from non-owner related transactions attributable to members of the parent entity.		(854,464)	(1,842,679)	(854,178)	(1,842,475)
Basic earnings per share (cents per share)		(0.28)	(0.79)		
Diluted earnings per share (cents per share)		N/A	N/A		

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 12 to 26.

**ASHBURTON MINERALS LTD**

**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2003**

	Note	Consolidated 2003 \$	2002 \$	Company 2003 \$	2002 \$
<b>Current Assets</b>					
Cash		100,540	124,501	100,540	124,501
Receivables	6	41,043	24,675	41,043	24,675
Other financial assets	8	2,000	96,210	2,000	96,210
Total Current Assets		<u>143,583</u>	<u>245,386</u>	<u>143,583</u>	<u>245,386</u>
<b>Non-Current Assets</b>					
Receivables	6	-	-	65,150	65,150
Investments accounted for using the equity method	7	1	1	3	3
Other financial assets	8	1	1	878,501	878,501
Property, plant and equipment	9	32,811	41,133	31,886	39,972
Exploration Tenements	10	1,898,809	1,738,580	1,020,309	860,080
Total Non-Current Assets		<u>1,931,622</u>	<u>1,779,715</u>	<u>1,995,849</u>	<u>1,843,706</u>
Total Assets		<u>2,075,205</u>	<u>2,025,101</u>	<u>2,139,432</u>	<u>2,089,092</u>
<b>Current Liabilities</b>					
Payables		165,166	62,562	165,116	62,562
Total Current Liabilities		<u>165,166</u>	<u>62,562</u>	<u>165,116</u>	<u>65,562</u>
Net Assets		<u>1,910,039</u>	<u>1,962,539</u>	<u>1,974,316</u>	<u>2,026,530</u>
<b>Equity</b>					
Contributed equity	12	14,761,847	13,959,883	14,761,847	13,959,883
Reserves	13	408,109	408,109	408,109	408,109
Accumulated losses	14	(13,259,917)	(12,405,453)	(13,195,640)	(12,341,462)
Total Equity		<u>1,910,039</u>	<u>1,962,539</u>	<u>1,974,316</u>	<u>2,026,530</u>

The accompanying notes form an integral part of these financial statements.

## ASHBURTON MINERALS LTD

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated		Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		(824,817)	(667,195)	(824,817)	(667,195)
Interest received		8,382	18,197	8,382	18,197
Dividends received		52	6,410	52	6,410
Net Operating Cash flows	15(b)	<u>(816,383)</u>	<u>(642,588)</u>	<u>(816,383)</u>	<u>(642,588)</u>
<b>Cash flows from investing activities</b>					
Payments for equity investments		(22,840)	(218,638)	(22,840)	(218,638)
Payments for property, plant & equipment		(1,945)	(4,791)	(1,945)	(4,791)
Payments for exploration expenditure		(203,152)	(297,754)	(203,152)	(297,754)
Proceeds from sale of share investment		118,395	376,769	118,395	376,769
Net investing cash flows		<u>(109,542)</u>	<u>(144,414)</u>	<u>(109,542)</u>	<u>(144,414)</u>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		801,964	263,200	801,964	263,200
Loans to associated entity		-	(25,000)	-	(25,000)
Loan from related party		150,000	-	150,000	-
Loan repaid to related party		(50,000)	-	(50,000)	-
Net financing cash flows		<u>901,964</u>	<u>238,200</u>	<u>901,964</u>	<u>238,200</u>
Net increase/(decrease) in cash held		(23,961)	(548,802)	(23,961)	(548,802)
Adjustment re-acquisition		-	-	-	-
Cash at beginning of financial year		124,501	673,303	124,501	673,303
Cash at end of financial year	15(a)	<u>100,540</u>	<u>124,501</u>	<u>100,540</u>	<u>124,501</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT 30 JUNE 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Preparation**

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

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

**Principles of Consolidation**

The consolidated financial statements comprise the accounts of Ashburton Minerals Ltd and all of its controlled entities, referred to collectively as the "Consolidated Entity".

On acquisition of a controlled entity, the difference between the fair value of the purchase consideration plus incidental expenses and the fair values of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Discount on acquisition is then eliminated by reducing proportionately the fair value of the non-monetary assets acquired. Purchased goodwill is amortised over the period during which the benefits are expected to arise but not exceeding twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit and loss to the extent that applicable future benefits are no longer probable.

A list of controlled entities is contained in Note 22 to the accounts. All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

**Acquisition of Assets**

The cost method of accounting is used for all 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. Where goodwill arises it is brought to account on the basis described above.

**Recoverable Amounts of Non-current Assets**

All non-current assets are reviewed at least annually to determine whether their carrying values require write down to a recoverable amount. Recoverable amount is determined using net cash flows discounted to present values.

**Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost and depreciated over their expected useful lives using the straight-line method.

The depreciation rates used for each class of depreciable assets are:

Office furniture and equipment 20.0 - 40.0%

Motor vehicles 22.5%

The gain or loss on disposal of fixed assets is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal and is included in operating profit before income tax of the consolidated entity in the year of disposal.

**Investments**

***Controlled entities***

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

***Associates***

In the Company's financial statements and the consolidated financial statements, investments in associates are accounted for using equity accounting principles.

***Other entities***

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

Investments in marketable securities held for the purpose of trading are measured at fair value.

*Notes to the Financial Statements Continued*

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Mineral Exploration Expenditure**

Ongoing costs of acquisition, exploration, evaluation and development will continue to be capitalised in relation to each separate area of interest and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploration of the area or alternatively by their sale; or
- (ii) exploration and evaluation activities in the area have not yet reached the stage which permits a reasonable assessment of the existence of economically recoverable reserves and active and significant operations are continuing.

The directors review the carrying value of each area of interest at balance date and exploration expenditure which no longer satisfies the above criteria is written off or a provision for non-recovery is made against the carrying value.

Once an area of interest reaches production the deferred exploration and development costs are amortised over the life of the area of interest.

Costs of an indirect or administrative nature are charged to the profit and loss account.

**Financial Instruments**

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of shareholders.

Loans and other debt instruments are recognised at the amount of the net proceeds received with interest (where applicable) recognised as an expense on an effective yield basis.

Trade debtors are recorded at the amount invoiced or contracted and a provision for doubtful debts is raised to the extent that any recovery of the book value may be in jeopardy or is considered doubtful.

The premium or discount on forward currency exchange contracts and options are amortised over the period of the contracts, unless the contracts are a hedge for future transactions whereby the premium or discount is recorded against the hedged transaction.

Other financial securities are carried at cost with interest revenue recognised on an effective yield basis and dividend income recognised on a declaration basis.

Other investments are brought to account at the lower of cost or net recoverable amount.

**Income Tax**

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense or benefit shown in the profit and loss statement is based on the operation profit or loss before income tax adjusted for any permanent differences.

Consistent with exploration activities, substantial tax losses are available to the consolidated entity. Future income tax benefit in relation to tax losses and other timing differences are not brought to account because recoupment does not pass the test of virtual certainty in relation to realisation of the benefit.

**Foreign Currency Transactions**

Transactions in foreign currencies are translated to Australian dollars at exchange rates in effect at the time of the transaction.

Foreign currency monetary balance at year end has been translated into Australian currency at the exchange rate ruling at balance date with exchange differences taken to account in the profit and loss account as gains or losses.

**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 Taxation 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.

*Notes to the Financial Statements Continued*

**2 CHANGES IN ACCOUNTING POLICY**

**Revaluation of non-current assets**

The consolidated entity has applied AASB 1041 Revaluation of Non-Current Assets. The standard requires each class of non-current asset to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, foreign currency monetary assets, goodwill, investments accounting for using the equity method, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance.

The consolidated entity has applied AASB 1041 as follows.

**Other financial assets**

The Company has continued to apply the cost basis of valuation for shares in controlled entities and for unlisted shares in associates.

The consolidated entity has continued to apply the cost basis of valuation to unlisted shares in other entities.

**Plant and Equipment**

The consolidated entity has continued to apply the cost basis, being the original cost, for measuring plant and equipment.

**Exploration Tenements**

The consolidated entity has continued to apply the cost basis for Exploration Tenements.

**3 REVENUE FROM ORDINARY ACTIVITIES**

**Other Revenues:**

*From Operating Activities*

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Dividends - Other Parties	52	6,410	52	6,410
Interest - Other Parties	8,382	18,197	8,382	18,197
Sale of Shares	118,395	376,769	118,395	376,769

*From Outside Operating Activities*

Miscellaneous Income	20	500	20	500
<b>Total revenue from ordinary activities</b>	126,849	401,876	126,849	401,876

**4 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE**

Loss from ordinary activities before income tax expense has been arrived at after charging the following items:

Depreciation of plant & equipment	10,317	13,533	10,031	13,329
Operating lease rental expense	34,311	29,751	34,311	29,751
Provision for diminution in value of listed investments	-	9,233	-	9,233
Exploration costs written off	42,923	-	42,923	-
Disposal of listed investments	(1,345)	14,104	(1,345)	14,104

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>5 INCOME TAX</b>				
a) Prima facie income tax benefit on operating loss at 30% (2002: 30%)	256,339	552,804	256,253	552,743
Increase/(decrease) in income tax benefit due to:				
Permanent differences	-	-	-	-
Timing differences	-	-	-	-
Income tax benefit not brought to account	(256,339)	(552,804)	(256,253)	(552,743)
Income tax attributable to operating loss	-	-	-	-
b) The future income tax benefit (not brought to Account) comprises the estimated future benefit at the applicable rate of 30% on the following items:				
Unconfirmed un-recouped revenue losses	2,415,898	2,159,559	2,371,599	2,115,346
Exploration expenditure	1,276,169	1,276,169	1,198,185	1,198,185
	3,692,067	3,435,728	3,569,784	3,313,531

The future income tax benefit will only be realised if:

- (i) the Company and the Economic Entity derive 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 Company and Economic Entity continue to comply with the conditions for deductibility imposed by law; and
- (iii) no changes on tax legislation adversely affect the Company's or the Economic Entity's ability to realise the benefit from the deductions for the losses.

## 6 RECEIVABLES

### Current

Other debtors	21,532	-	21,532	-
Tenement deposits	19,511	24,674	19,511	24,674
Loan to an associated company	365,000	365,000	365,000	365,000
Less: Provision for doubtful debt	(365,000)	(365,000)	(365,000)	(365,000)
	41,043	24,674	41,043	24,674

### Non Current

Loans to controlled entities	-	-	65,150	65,150
	-	-	65,150	65,150

The loan to an associated Company is secured by a first ranking fixed and floating charge over the assets of the associated Company, and is repayable in Australian dollars.

## 7 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associated entities at cost

Unlisted	-	-	2	2
Optics Storage Pte Limited - refer Note 25	2,135,021	2,135,021	2,135,021	2,135,021
Less: Provision for diminution in value	(2,135,020)	(2,135,020)	(2,135,020)	(2,135,020)
	1	1	3	3

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>8 OTHER FINANCIAL ASSETS</b>				
<b>Current</b>				
Listed shares at cost	2,000	157,000	2,000	157,000
Provision for diminution in value	-	(60,790)	-	(60,790)
Listed shares at current market value	<u>2,000</u>	<u>96,210</u>	<u>2,000</u>	<u>96,210</u>
<b>Non Current</b>				
Investment in Controlled Entity at Cost <sup>(i)</sup>	-	-	502,486	502,486
Revaluation (refer to Note 10) at Independent Valuation 24 May 1999	-	-	641,014	641,014
	-	-	1,143,500	1,143,500
Less: Write down of investment previously revalued	-	-	(265,000)	(265,000)
	-	-	<u>878,500</u>	<u>878,500</u>
Investments in Other Corporations at cost				
Unlisted	270,450	270,450	270,450	270,450
	<u>270,450</u>	<u>270,450</u>	<u>270,450</u>	<u>270,450</u>
Provisions for diminution in value	(270,449)	(270,449)	(270,449)	(270,449)
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>1</u>	<u>1</u>	<u>878,501</u>	<u>878,501</u>

(i) The above investment in Ashburton Gold Mines NL, a wholly owned subsidiary, was originally acquired in August 1999 at a cost of \$502,486 in consideration for 25,124,326 fully paid shares at 2 cents each in the Company.

## 9 PROPERTY, PLANT & EQUIPMENT

Motor vehicle at cost	42,000	42,000	42,000	42,000
Accumulated depreciation	(24,209)	(19,044)	(24,209)	(19,044)
	<u>17,791</u>	<u>22,956</u>	<u>17,791</u>	<u>22,956</u>
Plant and equipment at cost	107,244	105,299	100,832	98,887
Accumulated depreciation	(92,224)	(87,122)	(86,737)	(81,871)
	<u>15,020</u>	<u>18,177</u>	<u>14,095</u>	<u>17,016</u>
Total	<u>32,811</u>	<u>41,133</u>	<u>31,886</u>	<u>39,972</u>

### Reconciliations

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

#### Motor vehicle

Carrying amount at beginning of year	22,956	29,620	22,956	29,620
Additions	-	-	-	-
Depreciation	(5,165)	(6,664)	(5,165)	(6,664)
Carrying amount at end of year	<u>17,791</u>	<u>22,956</u>	<u>17,791</u>	<u>22,956</u>

#### Plant and Equipment

Carrying amount at beginning of year	18,177	20,255	17,016	18,890
Additions	1,945	4,791	1,945	4,791
Depreciation	(5,102)	(6,869)	(4,866)	(6,665)
Carrying amount at end of year	<u>15,020</u>	<u>18,177</u>	<u>14,095</u>	<u>17,016</u>

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>10 EXPLORATION TENEMENTS</b>				
<b>Capitalised Exploration Expenditure</b>				
Exploration and/or evaluation phase at cost	1,020,309	860,080	1,020,309	860,080
Exploration and/or evaluation phase at valuation (less accumulated write downs of \$265,000)	878,500	878,500	-	-
	1,898,809	1,738,580	1,020,309	860,080
Represented by:				
<b>Capitalised expenditure - Exploration and/or Evaluation phase</b>				
Opening balance	1,738,580	1,440,884	860,080	562,384
Current year exploration expenditure capitalised	203,152	297,696	203,152	297,696
Expenditure written off in the statement of financial performance	(42,923)	-	(42,923)	-
Closing Balance	1,898,809	1,738,580	1,020,309	860,080

Ultimate recoupment of this expenditure is dependent upon the continuance of the Company's right to tenure of the areas of interest and the discovery of commercially viable mineral reserves, their successful development and exploitation or, alternatively, sale of the respective areas of interest at an amount at least equal to book value.

The independent valuation on the Ashburton Gold Mines NL tenements was performed by Wilkinson and Associates Pty Limited, Independent Consulting Geologists, on 24 May 1999 as part of the Information Memorandum issued by the Company in July 1999. In August 1999, the Company's shareholders resolved to acquire all the issued capital in Ashburton Gold Mines NL, thereby acquiring all interests in the tenements.

### 11 EARNINGS PER SHARE

Weighted average number of ordinary shares issued in the calculation of basic earnings per share	-	-	297,647,048	232,242,404
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### 12 CONTRIBUTED EQUITY

#### Issued Share Capital

350,111,412 (2002: 245,173,912) ordinary fully paid shares		14,761,847	13,959,883
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Number of  
Shares

Paid Value  
\$

#### Movement in issued shares during the year

Fully Paid Shares on issue at beginning of year	245,173,912	13,959,883
Issued during the year:		
October 2002 to January 2003		
Placements to raise working capital, after deducting Capital raising costs of \$37,536	104,937,500	801,964
Closing as at 30 June 2003	350,111,412	14,761,847

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>13 RESERVES</b>				
<b>Asset Realisation Reserve</b>				
Balance at beginning and end of year	32,095	32,095	32,095	32,095
<b>Asset Revaluation Reserve</b>				
Balance at the beginning of year	376,014	376,014	376,014	376,014
	408,109	408,109	408,109	408,109

There was no movement in asset realisation reserve or asset revaluation reserve during the year.

### Nature and Purpose of Reserves

#### Asset Revaluation

The asset revaluation reserve includes the net valuation increments and decrements arising from the revaluation of non-current assets in accordance with AASB 1041. The amount of \$408,109 is not available for future asset write downs as a result of using the deemed cost election where adopting AASB 1041.

### 14 ACCUMULATED LOSSES

Accumulated losses at beginning of year	(12,405,453)	(10,562,774)	(12,341,462)	(10,498,987)
Net Loss attributable to members of parent entity	(854,464)	(1,842,679)	(854,178)	(1,842,475)
Accumulated losses at the end of the year	(13,259,917)	(12,405,453)	(13,195,640)	(12,341,462)

### 15 NOTES TO THE STATEMENT OF CASH FLOWS

#### a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes, on hand and in banks, deposits and negotiable instruments which are fully liquid net of outstanding back overdrafts.

Cash at the end of the year is shown in the balance sheet as:

Cash	100,540	124,501	100,540	124,501
Other Negotiable instruments	-	-	-	-
	100,540	124,501	100,540	124,501

#### b) Reconciliation with Operating Loss

Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:

Operating Loss after income tax	(854,464)	(1,842,679)	(854,178)	(1,842,475)
Non cash flows in operating loss:				
Provision for doubtful debt	-	365,000	-	365,000
Provision for diminution in value of investment in associated company	-	704,999	-	704,999
Depreciation of plant & equipment	10,317	13,533	10,031	13,329
Diminution of listed investments	-	9,233	-	9,233
Exploration expenditure written-off	42,923	-	42,923	-
Share of loss of associated company	-	75,000	-	75,000
Changes in operating assets and liabilities net of the effects of purchase and disposal of controlled entities:				
(Increase)/Decrease in trade and term debtors	(16,368)	31,707	(16,368)	31,367
Increase/(Decrease) in trade creditors and accruals	2,554	16,833	2,554	16,833
Other	1,345	(16,214)	1,345	(15,874)
Net cash used in operating activities	(816,383)	(642,588)	(816,383)	(642,588)

#### c) Non-cash transactions

Nil

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

### 16 REMUNERATION OF DIRECTORS AND EXECUTIVES

#### a) Remuneration of Directors

The number of directors of the Company who were paid, or were due to be paid, income directly or indirectly from the Company or any related party in connection with management of the affairs of the entity or consolidated entity, whether as directors or otherwise, are shown in the following bands:-

	2003	2002
Income Between	Number	Number
\$ 30,001 - \$ 40,000	1	1
\$100,001 - \$110,000	1	-
\$110,001 - \$120,000	-	1
\$130,001 - \$140,000	1	-
\$140,001 - \$150,000		1
The aggregate income of the directors referred to above:	<u>\$279,302</u>	<u>\$295,635</u>

#### b) Remuneration of Executives

The number of executive directors whose total income for the year falls within the following bands were:

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
\$100,001 - \$110,000	1	-	1	-
\$110,001 - \$120,000	-	1	-	1
\$130,001 - \$140,000	1	-	1	-
\$140,001 - \$150,000	-	1	-	1
The aggregate income of the executives referred to above	<u>239,972</u>	<u>260,545</u>	<u>239,972</u>	<u>260,545</u>

Income of executives comprises the amount paid or payable to executive officers, directly or indirectly, by the consolidated entity or any related party in connection with the management of the affairs of the entity or consolidated entity, whether as executive officers or otherwise.

### 17 SEGMENT INFORMATION

#### Geographical Segments

	Australia		Asia		Total	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
Revenue from customers	-	-	-	-	-	-
Unallocated operating revenue	126,849	401,876	-	-	126,849	401,876
Total Revenue	<u>126,849</u>	<u>401,876</u>	<u>-</u>	<u>-</u>	<u>126,849</u>	<u>401,876</u>
Segment Result	<u>(854,464)</u>	<u>(1,062,680)</u>	<u>-</u>	<u>(779,999)</u>	<u>(854,464)</u>	<u>(1,842,679)</u>
Segment Assets	<u>2,075,205</u>	<u>2,025,101</u>	<u>-</u>	<u>-</u>	<u>2,075,205</u>	<u>2,025,101</u>

#### Industry Segments

	Mineral Exploration		Optical Storage Devices	
	2003	2002	2003	2002
	\$	\$	\$	\$
Operating Revenue	-	-	-	-
Segment Results	<u>(854,464)</u>	<u>(1,062,680)</u>	<u>-</u>	<u>(779,999)</u>
Segment Assets	<u>2,075,205</u>	<u>2,025,101</u>	<u>-</u>	<u>-</u>

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

### 18 RELATED PARTY INFORMATION

The names of each person holding the position of director of Ashburton Minerals Ltd since the beginning of the financial year are:

TP Dukovcic  
RJ Dunn  
RW Crabb

Apart from the directors' remuneration disclosed in Note 16, no director has entered into a contract with the economic entity since the end of the previous financial year and there are no material contracts involving directors' interests subsisting at year end.

There is a loan payable by the consolidated entity of \$100,000 to Red Peaks Pty Ltd, a company associated with Mr RJ Dunn. During the year legal fees of \$32,991 were paid to Blakiston & Crabb, a legal firm of which Mr RW Crabb is a partner. The fees were based on normal commercial rates.

The relevant interest of each director of the Company in respect of securities of the Company or related corporations as at 30 June 2003 is set out below:

	Ashburton Minerals Ltd		
	Fully Paid Shares		
	Direct	Indirect	Total
RJ Dunn	600,000	44,463,746	45,063,746
TP Dukovcic	2,275,205	6,666,671	8,941,876
RW Crabb	282,500	1,325,000	1,607,500
		Options	Total
RJ Dunn		4,250,000	4,250,000
TP Dukovcic		2,250,000	2,250,000
RW Crabb		1,800,000	1,800,000

During the year Directors acquired 2,526,391 fully paid ordinary shares in the Company and disposed of nil fully paid ordinary shares in the Company.

### 19 REMUNERATION OF AUDITORS

The following total remuneration was received or is due and receivable, by the auditors of the Company and consolidated entity in respect of:

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Company auditors				
Auditing the accounts	9,900	9,730	9,900	9,730
Other services	2,342	940	2,343	940

### 20 CAPITAL COMMITMENTS

#### Exploration Expenditure Commitments

In order to maintain its interests in mineral tenements, the consolidated entity is committed to meet the conditions under which various leases and licences were granted.

These obligations are not provided for in the accounts and are payable:

Not later than one year	2,051,000	166,000	2,051,000	166,000
Later than one year but not later than two years	-	-	-	-
Later than two years but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	2,051,000	166,000	2,051,000	166,000

The majority of the expenditure commitments relate to tenements acquired by the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin Project.

The acquisition of this entity was concluded on 28 August 2003. Upon a full assessment of all tenements comprising the Drummond Basin Project, Ashburton Minerals may decide to joint venture, sell or relinquish some of the tenements. Accordingly, the commitment figure stated above may not be required to be met in full by the Company.

*Notes to the Financial Statements Continued*

**21 FINANCIAL INSTRUMENTS**

Overseas transactions are negotiated on foreign currencies which gives rise to assets and liabilities which are translated to Australian currency in accordance with the account policies set out in Note 1.

At balance date, amounts receivable and payable in foreign currency were nil and therefore foreign currency risk is immaterial.

Similarly, at balance date, the consolidated entity had no debt instruments or financial assets, other than cash, subject to interest and accordingly the exposure to interest rate movements is immaterial.

**22 PARTICULARS IN RELATION TO CONTROLLED ENTITIES**

Name of Company	Interest held by parent entity	
	2003	2002
	%	%
Trans Pacific Gold Pty Limited	100	100
Zephyr Minerals (NZ) Limited	100	100
Ashburton Gold Mines NL	100	100

There were no entities acquired during the 2003 financial year.

Zephyr Minerals (NZ) Limited is incorporated and registered in New Zealand. Trans Pacific Gold Pty Ltd and Zephyr Minerals (NZ) Limited are dormant and are not audited. Ashburton Gold Mines NL is audited by Moore Stephens BG.

**23 INTEREST IN JOINT VENTURES**

The consolidated entity is involved in various joint venture arrangements concerned with the commercial exploration of mineral deposits. The joint ventures are not separate legal entities but are contractual arrangements between participating co-venturers for the sharing of costs.

None of the joint ventures have reached a stage where separate books of account are required and accordingly the existence of the joint venture has no financial impact on the accounts of the economic entity as funds are made available as needed and the economic entity's share of costs is capitalised as exploration expenditure.

**24 SUPERANNUATION CONTRIBUTIONS**

The economic entity contributes to employee superannuation funds pursuant to the superannuation guarantee legislation requirements and subject to individual contracts of employment. In each case, superannuation is paid into a fully vested income accumulation type fund and there is no requirement on the part of the economic entity to meet any fund shortfalls or other payments of a defined nature.

**25 INVESTMENT IN ASSOCIATED COMPANY**

	Ownership Interest		Carrying Amount of Investment	
	2003	2002	2003	2002
	%	%	\$	\$
Optics Storage Pte Limited optical storage (incorporated in Singapore) devices	15.6	15.6	2,135,021	2,135,021
Less: provision for diminution in value			(2,135,020)	(2,135,020)
Total			1	1

- a) Ownership interest in Optics Storage Pte Limited at balance date was 15.6% of ordinary shares. The reporting date of Optics Storage Pte Limited is 31 December each year. The 31 December 2002 financial statements were audited by Chio Lim & Associates, Certified Public Accountants of Singapore.

# ASHBURTON MINERALS LTD

## Notes to the Financial Statements Continued

	Consolidated		Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>25 INVESTMENT IN ASSOCIATED COMPANY</b> <i>(continued)</i>				
b) Equity accounted investment in associated companies				
At beginning of financial year	2,135,021	2,180,021	2,135,021	2,180,021
Add: New Investments during the year	-	30,000	-	30,000
Share of associated company's operating Loss and extraordinary items after income tax (2002: 15.6% x \$474,184 loss)	-	(75,000)	-	(75,000)
Less: Dividend revenue from associated company	-	-	-	-
Disposal during the year	-	-	-	-
At end of financial year	2,135,021	2,135,021	2,135,021	2,135,021

The assets and liabilities of Optics Storage Pte Ltd, as at 30 June 2003, and the operating profit (loss) for the twelve months ended on that date, have not been disclosed above as the information could not be obtained from Optics Storage Pte Ltd.

The information is not, in any event, considered significant as the Company's investment in Optics Storage Pte Ltd had been fully provided for as at 30 June 2002.

## 26 SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 17 June 2003 the Company announced that it had signed a letter of offer with Macquarie Bank Limited ("MBL") under which MBL would provide a Performance Bond Facility for up to \$2.75 million to replace existing bonds over the Drummond Basin project tenements. Under the terms, Ashburton is to cash back that amount of bonds over \$1.5 million. In consideration, subsequent to shareholder approval at a General Meeting held on 18 August 2003, Ashburton issued MBL with options to the value of \$500,000, exercisable at 12 cents each (post consolidation) and expiring on 30 June 2006. Any options exercised are to be offset against the facility.

On 8 July 2003 the Company executed a formal Share Sale Agreement with Delta Gold Exploration (1995) Pty Ltd, a wholly owned subsidiary of Placer Dome Asia Pacific Limited, for the purchase of Wirralie Mines Pty Ltd, the owner of the Drummond Basin Project. The Company settled and completed the acquisition of Wirralie Mines and its wholly owned subsidiary Belyando Mining Pty Ltd on 28 August 2003.

On 17 July 2003, the Company lodged a prospectus with ASIC offering 25 million fully paid ordinary shares at a price of 12 cents each, following a consolidation of existing shares on a 1 for 15 basis, to raise \$3 million (with provision for oversubscriptions). The offer closed on 5 September 2003 oversubscribed, raising a total of \$3.5 million. The fundraising will allow the Company to complete the acquisition of the Drummond Basin Project in Queensland, where it intends to recommence gold mining at the Wirralie Mine.

On 12 August 2003, the Company raised \$82,000 working capital through a placement of 10,250,000 fully paid ordinary shares at an issue price of 0.8 cents per share. This capital raising did not relate to the prospectus issue described above, and the shares were allotted pre consolidation of the issued capital of the Company.

A Shareholders Meeting was held on 18 August 2003, whereby shareholders approved the proposed issue of shares under the prospectus and the consolidation of the Company's issued capital on a 15 for 1 basis.

**DIRECTORS' DECLARATION**

The directors declare that the financial statements and associated notes:

- a) comply with the Accounting Standards and the Corporations Act 2001; and
- b) give a true and fair view of the financial position as at 30 June 2003 and performance of the Company and consolidated entity for the year then ended.

In the directors' opinion:

- a) at the date of this declaration the consolidated entity is able to pay its debts as and when they fall due; and
- b) the financial statements and notes are in accordance with the Corporations Act 2001 and Corporations Regulations.

Made in accordance with a resolution of the directors:



Tom P Dukovic  
Director

Perth  
22 September 2003

INDEPENDENT AUDITORS REPORT

**MOORE STEPHENS BG**

CHARTERED ACCOUNTANTS

ABN 75 368 525 284

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**Independent Audit Report  
to the Members of Ashburton Minerals Ltd:**

**Scope**

We have audited the financial report of Ashburton Minerals Ltd for the financial year ended 30 June 2003 as set out on pages 9 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 the 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 include examination on a test basis, of evidence supporting the amounts and other disclosure 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 their cash flows.

The names of the controlled entities of which of we have not acted as auditor are disclosed in Note 22 to the financial report.

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

**Audit Opinion**

In our opinion, the financial report of Ashburton Minerals Ltd is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company 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 and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

  
**Moore Stephens BG**  
**Chartered Accountants**

  
**Neil Pace**  
**Partner**

Perth  
23 September 2003

# ASHBURTON MINERALS LTD

## SUPPLEMENTARY (ASX) INFORMATION

### Shareholding Details

The following shareholder information was applicable as at 21 October 2003.

#### 1. Distribution of shareholding

The distribution of members and their shareholdings was as follows:

Number Held	Number of Shareholders
1 - 1,000	1407
1,001 - 5,000	1012
5,001 - 10,000	320
10,001 - 100,000	683
100,001 -	88
<b>Total number of Shareholders</b>	<b>3,510</b>

A total of 2073 parcels, representing 1,632,330 shares or 3.07% of the total, were unmarketable at a basis price of 17.5cents per share.

#### 2. Top Twenty Shareholders

The twenty largest shareholders at 21 October 2003 were:

NAME	NUMBER OF ORDINARY SHARES	%
Red Peaks Pty Limited	3,107,158	5.84
Isaiah Sixty Pty Ltd	1,250,000	2.35
Gimbells Pty Ltd	818,000	1.54
McPherson Investments Pty Ltd	800,000	1.50
Berne No 132 Nominees Pty Ltd	605,000	1.14
Crishane Pty Ltd	532,000	1.00
Gregorach Pty Ltd	500,000	0.94
La Hacienda Del Rio Pty Ltd	450,000	0.85
Tenacity Resources Pty Limited	444,445	0.84
Maui Gold Pty Ltd	420,000	0.79
Dalkeith Resources Pty Ltd	416,667	0.78
Dalkeith Resources Pty Ltd	416,667	0.78
Turner, Terrence	401,667	0.75
Craig D C Copeland Investments Pty Limited	375,000	0.70
Mort, Michael & Cheryl	359,367	0.68
William, Christopher	320,000	0.60
Gardiner, Ray Wiliam	315,000	0.59
Reichers, Gunter Kurt	300,000	0.56
Mason, Paul Vincent	300,000	0.56
Beltmar Holdings Pty Ltd	300,000	0.56
	<b>12,430,971</b>	<b>23.35</b>

#### 3. Substantial Shareholders

The following shareholders have advised the Company as having a substantial interest, being 5.0% or greater, in the issued capital of the Company:

NAME	NUMBER OF ORDINARY SHARES	%
Red Peaks Pty Limited	3,107,158	5.84

#### 4. Voting Rights

In accordance with Item 73 of the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and, on a poll, every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for each share held.

#### 5. Restricted Securities

There are no restricted securities in the capital of the Company on issue.

#### 6. Stock Exchange Listing

Ashburton Minerals Ltd is listed on the Australian Stock Exchange Limited. The trading code for the Company's fully paid ordinary shares is ATN.





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