

INDOPHIL RESOURCES NL

ABN 45 076 318 173

ANNUAL REPORT 2001

Corporate Directory

DIRECTORS

Bryan Davis
Non Executive Chairman

Tony Robbins
Managing Director

Chris Middleton
Director of Exploration

Kevin Robinson
Non Executive Director

COMPANY SECRETARY

Hayden Barry

PRINCIPAL AND REGISTERED OFFICE

Suite 3, Technology Enterprise Centre
2 Park Drive
Bundoora Victoria 3083

REGIONAL OFFICE

Level 3, L & F Building
107 Aguirre Street
Legaspi Village
Makati City 1299
Philippines

AUDITOR

Arthur Andersen
Level 17
360 Elizabeth Street
Melbourne Victoria 3000

SOLICITORS

Australia

Freehills
Level 43 101 Collins Street
Melbourne Victoria 3000

Philippines

Carag, Caballes, Jamora & Somera Law Offices
2nd Floor The Plaza Royale
120 Alfaro Street
Salcedo Village
Makati City
Metro Manila
Philippines

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 12 565 Bourke Street
Melbourne Victoria 3000

BANKERS

Australia and New Zealand Banking Group
Limited
388 Collins Street
Melbourne Victoria 3000

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Indophil's Mission

Indophil is a mineral exploration company incorporated in Australia in December 1996 and focusing its activities on the discovery and subsequent development of copper and gold resources in the Philippines.

Mission Statement

To grow shareholder wealth by the discovery, acquisition and subsequent development of gold and copper-gold resources in the Philippines.

Objectives

To employ effective and cost efficient modern exploration techniques, to discover gold, and copper – gold deposits.

To become a listed mining company and through the discovery and development of major ore deposits, a significant producer in the region.

Strategy

To maintain and strengthen the portfolio of quality projects in those geological provinces identified as having high prospectivity for the discovery of major deposits. These projects will be subjected to focused, effective and cost-efficient exploration.

To maintain and strengthen the experienced team of dedicated and professional staff that has already been recruited to pursue a successful program based on technical excellence.

To direct all of our efforts and resources to the acquisition and field-testing of quality properties.

Message to Shareholders

The last year has proved very frustrating for the Directors and Staff of Indophil Resources and we are sure this frustration has been shared by all Shareholders.

Last year we advised that we had signed a Memorandum of Understanding to acquire the beneficial rights to the Tampakan project in Mindanao in the southern Philippines and were planning an Initial Public Offering ("IPO") to list on the Australian Stock Exchange in early 2001.

Unfortunately we were unable to finalise either of these objectives.

The Tampakan project was acquired by the Tampakan Group of Companies ('TGC') exercising the pre-emptive right they held with WMC Resources via a Sale and Purchase Agreement in October 2000. One of the conditions of the Sale was that the TGC obtained all the necessary approvals of the Philippine Government. As the Company was in the act of submitting the documents to the Mines and Geosciences Bureau ("MGB") and the Department of Environment and Natural Resources ("DENR") a Temporary Restraining Order was taken out by Lepanto against WMC and the TGC restraining them from seeking the final approval and thus completing the Sale process. The subsequent legal proceedings took some time to complete and the Company was not free to lodge the papers to gain final approval until early August 2001. The Court challenge to the sale to the TGC has still to be resolved but the applications are now with the MGB and DENR for approval.

We completed all the steps necessary for an IPO, finalised the Prospectus, completed marketing roadshows and were ready for final sign off approvals when the events of 11 September 2001 impacted on us and circumstances forced us to defer the IPO.

It is now planned to progress the IPO as soon as appropriate in the New Year.

With the main focus of the Company during the course of the year being on the Tampakan acquisition and the IPO, progress on the remainder of the Company portfolio has been limited.

We successfully finalised the clearance of the St Bernard property in Leyte and the MPSA was granted and signed by the DENR late last year. Reconnaissance geological mapping and stream sediment sampling has been completed on the property with encouraging results and grid based exploration is planned.

A programme of Induced Polarisation ('IP') geophysics was completed at Manat and this confirmed the continuation of the Magas structure for two kilometres to the NNW of the present drilling. An orientation IP line traversing the same location as MNTD14, which intersected 227m @ 0.19% copper and 0.30 g/t gold of porphyry copper style mineralisation, gave a very broad strong anomaly.

Reinterpretation of the data at Hinotongan has reinforced the concept that the property has high potential for Tampakan style copper-gold mineralisation.

The potential of the Philippines for the discovery of world class mineral deposits was further demonstrated by the announcement of the discovery of a large high grade copper-gold deposit at Boyungan in Surigao by the Philex-Anglo American joint venture.

The Directors and staff are dedicated to a strategy of finalising the Tampakan acquisition and completing the IPO so we can concentrate on our core strengths of discovering and developing mineral resources.

It has been a very difficult year and we would like to take this opportunity to record our deep appreciation for the continuing support of Shareholders and to thank our fellow Directors and all the Indophil staff for their dedication, effort and support.

R Bryan Davis
Chairman

Tony W Robbins
Managing Director

Statement of Corporate Governance Practices

The Board of directors of Indophil Resources NL have adopted the following set of principles for the corporate governance of the Company. These principles establish the framework of how the Board carries out its duties and obligations on behalf of the shareholders.

Role of the Board

The Board is responsible for protecting the rights and interests of shareholders and for the overall corporate governance of the Company. The Board's responsibilities include

- formulating the strategic objectives of the Company and establishing goals designed to promote the achievement of those strategic objectives
- considering and approving the Managing Director's proposals for the Company's annual work programs and budgets
- monitoring the performance of management against these goals and objectives
- ensuring that there are appropriate internal controls and ethical standards of behaviour adopted and met within the Company
- ensuring that the business risks facing the Company are, wherever possible, identified and that the appropriate monitoring and reporting controls are in place to manage these risks and
- appointing the Managing Director, evaluating the performance and determining the remuneration of senior management and ensuring that the appropriate policies and procedures are in place for recruitment, remuneration and succession planning.

Composition of the Board

The Board currently consists of four directors, with two executive directors and two non-executive directors including the Chairman.

Any changes to directorships will, for the foreseeable future, be dealt with by the full Board subject to any applicable laws and accordingly a nominations committee has not been established.

Independent Professional Advice

In fulfilling their duties, each Director dealing with corporate governance matters may obtain independent professional advice at the expense of the Company subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

Board Committees

The Board has a Remuneration Committee consisting of Bryan Davis as Chairman and Kevin Robinson. The remuneration of Directors and senior management is determined periodically by the Remuneration Committee.

Statement of Corporate Governance Practice (continued)

The specific functions to be undertaken by the Committee include

remuneration arrangement for the Managing Director and other Senior Executives including incentive plans, share options and service contracts

establishing and monitoring remuneration policies and practices

recruitment and termination policies and practices

establishment and monitoring of an Employee Share and Option Plan

superannuation policies

remuneration arrangement for Directors.

The Board intends to establish an Audit Committee.

The Audit Committee will consist of non-executive Directors. At the discretion of the committee, the external auditors and the Managing Director will be invited to attend Audit Committee meetings. The Audit Committee will consider any matters relating to the financial affairs of the Company and other matters referred to it by the Board. The Audit Committee will meet at least once per year.

The Board may sometimes delegate some of its monitoring and routine functions to other committees.

Directors' and Senior Managements' Dealings in the Company's Shares and Options

The Company requires that

- directors discuss any proposed trade in shares and options with the Chairman prior to any trade
- senior management must discuss any proposed trade in shares and options with the Company Secretary or the Managing Director prior to any trade
- trades in shares and options by directors and senior management are limited to stipulated periods unless there are unusual circumstances and
- directors and senior management are aware of their obligations under the Corporations Act not to trade or procure trades in shares and options if possession of price sensitive non-public information to any other person who is likely to trade shares and options or communicate such information to another party.

Ethical Standards

The Board believes that the success of the Company to date has been partly based upon the strong ethical culture within the organisation. As the Company grows, the need to ensure that these ethical standards remain is leading to greater emphasis on developing policies to ensure that all directors, senior managers and employees act with the utmost integrity and objectivity in their business dealings.

A Code of Conduct is being prepared for adoption by the Board.

Directors' Report

The Board of Directors of Indophil Resources NL has pleasure in submitting its report in respect of the financial year ended 31 July 2001.

Directors

The names and details of the directors in office during or since the end of financial are:

R Bryan Davis BSc (Tech) FAusIMM MAICD (Chairman – Non Executive) Age - 59 years

Bryan Davis is a mining engineer with more than 30 years experience in the industry and was appointed Chairman of Indophil in November 2000. He worked for the CRA group (now Rio Tinto) from 1965 to 1987 holding senior positions of Manager Mining Zinc Corporation/New Broken Hill Consolidated Mines, Manager Technology and Development and General Manager of the CSA Mine at Cobar. He then joined the Australian Consolidated Minerals Group holding the positions of General Manager Mining and Executive Director (ACM Gold Limited). In 1991 he joined Pasmenco Limited assuming executive responsibility for base metal mines throughout Australia and becoming Executive Director Mining in 1991 before retiring in 1999. He is currently a Non-Executive Director of Coal and Allied Industries Limited and Newcrest Mining Limited. He is also Chairman of Odyssey Technologies Pty Ltd.

Tony Robbins BSc (Hons) MSc MAusIMM (Managing Director) Age - 58 years

Tony Robbins is a geologist/geochemist with over 30 years experience in mineral exploration with WMC Limited where he held a number of senior and executive positions including Senior Geochemist, Chief Geochemist, Operations Manager, Exploration Manager Eastern Australia and Exploration Manager Southeast Asia Pacific Region. In the last position he managed the exploration program in the Philippines and led the team that made the discovery of the Tampakan copper-gold ore deposit. He had been previously involved in the discovery of the Edwin nickel deposit, the Benambra copper deposit, Olympic Dam, and the Yandan, Redeemer and Junction gold deposits. He has taught and published on the subject of exploration geochemistry, and exploration opportunities in Southeast Asia, and has represented the Philippines on a United Nations project. Tony lives in the Philippines and is President of the Philippine Mineral Exploration Association and is also on the Board of the Chamber of Mines.

Chris Middleton BSc MSc FAusIMM (Director of Exploration) Age - 54 years

Chris Middleton is a geologist with over 30 years experience in the resources sector mainly with WMC Limited. Whilst with WMC he held a number of senior and executive staff positions including Senior Mine Geologist-Kambalda, Chief Geologist and Exploration Manager Brazil, Assistant Chief Scientist Exploration Division, Exploration Manager Western Pacific, Exploration Manager Eastern Australia and Manager Geology for the Exploration Division. During that time he made a significant contribution to the discovery of several mineral deposits including the Foster and Edwin nickel deposits at Kambalda, the Ernest Henry copper gold deposit in Queensland and the Jenipapo gold deposit in Brazil. In December 1996 he co-founded Indophil with Tony Robbins and served as General Manager Exploration until May 1999 when he was appointed Director of Exploration.

Kevin Robinson BSc (Hons) ASIA MAusIMM (Non Executive) Age - 43 years

Kevin Robinson was appointed a Director of the Company in 1997. He has over 18 years experience in the mining and investment industries. Kevin is a geologist by training and has held technical and investment positions with RGC, Normandy Mining Limited, Devex Limited, Prudential Assurance and Legal & General. He is an Executive Director of Selection (LSG) Management Pty Ltd, the Manager of the Lion Selection Group Limited, and a non-executive Director of Lafayette Mining Limited and Sedimentary Holdings NL.

Directors' Report (continued)

Howard Walker BSc ARSM MAusIMM (**Alternate to Kevin Robinson**) Age – 47 years

Howard Walker graduated as a mining engineer from the Royal School of Mines in London in 1975 and spent 8 years working in this capacity in South Africa and Australia. He joined stockbroker J B Were & Son in 1983 as a precious metals analyst and then Manager of the Resource Research team. Howard was appointed as a director of J B Were Corporate Services Limited in 1990 and was involved in several large resource capital raisings. He has been part of the Lion Selection Group management team since its inception in 1997.

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

Directors' Interests

Relevant interests of the directors in the shares, options or other instruments of the Company and related corporations are:

Directors	Shares	Options
R Bryan Davis	100,000	100,000 with an exercise price of 20 cents exercisable on or before 1 October 2003. 200,000 with an exercise price of 35 cents exercisable on or before 10 May 2004 200,000 with an exercise price of 50 cents exercisable on or before 10 May 2004.
Tony Robbins	1,000,000	1,055,750 with an exercise price of 35 cents exercisable on or before 10 May 2004 1,055,750 with an exercise price of 50 cents exercisable on or before 10 May 2004.
Chris Middleton	1,366,001	1,055,750 with an exercise price of 35 cents exercisable on or before 10 May 2004 1,055,750 with an exercise price of 50 cents exercisable on or before 10 May 2004.
Kevin Robinson	Nil	Nil

Directors' Meetings

The number of meetings of the Board of Directors and of the Board Committee during the year were:

Board or Committee	Number of Meetings
Full Board	22
Remuneration	1

The attendance of directors at meetings of the board and its committee were:

	Full Board *	Remuneration
R Bryan Davis	10 (10)	1
Tony Robbins	21 (22)	-
Chris Middleton	18 (22)	-
Kevin Robinson	22	1

* Where a director did not attend all meetings of the Board or committee, the number of meetings for which the director was eligible to attend is shown in brackets.

As at the date of this report, the Company had a Remuneration Committee of the Board of Directors, which met once during the year. The details of the functions and memberships of this committee of the Board is presented in the Statement of Corporate Governance Practices.

Directors' Report (continued)

Principal Activities

The principal activities of the Consolidated entity during the financial year comprised exploration for minerals in the Philippines.

Results

The consolidated loss of the Consolidated entity for the financial year after income tax was \$6,589,380.

Dividends

No dividends have been paid, declared or recommended since the end of the preceding financial year.

Review of Operations

The Consolidated entity continued to concentrate on its exploration activities, finalise the Tampakan Project acquisition, prepare for an Initial Public Offering and raised interim finance.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the Consolidated entity that occurred during the financial year, and which are reported in the consolidated financial statements, were:

- an increase in contributed equity of \$4.2 million;
- a decrease in total current assets and total non-current assets of \$471,128 and \$1,155,321

Significant Events after Year End

1. Australian Selection Pty Ltd Convertible Notes

On 3 September 2001 the Company extended the maturity date to 1 December 2003 for the \$600,000 unsecured convertible notes issued to Australian Selection Pty Ltd on 10 July 2001 with a face value of \$1.00 each.

On 12 November 2001 the Company resolved that the convertible notes be exercisable into equity at \$0.10 per share with a free attaching option exercisable at the discretion of the holder at any time prior to 31 January 2002 at \$0.10 per option. These terms were similar to the October 2001 offer to shareholders. The convertible notes were exercised on 12 November 2001 and resulted in the allotment of 6,000,000 shares and options to Australian Selection Pty Ltd.

2. MIM Holdings Limited (MIM) amending Memorandum of Understanding (MOU)

By an amendment to the Tampakan Project MOU dated 20 August 2001, the Company and MIM have agreed to vary certain terms of the original agreement dated 28 September 2000. These amendments were mainly in respect of a loan agreement, Tampakan Project allocations and future option exercise payments.

Subject to a successful capital raising through an Initial Public Offering, MIM is to subscribe for \$500,000 in shares in the Company at the issue price of \$0.25 per share or at \$0.35 if the capital is raised by alternative means. MIM is to subscribe a further \$1,000,000 at the issue price of \$0.25 per share or \$0.35 if capital is raised by alternative means when the Company has demonstrated it has \$9,000,000 in dedicated and available funds in the Tampakan Project.

Directors' Report (continued)

3. WMC Bond (Tampakan Project costs)

WMC has agreed for a US\$500,000 bond to cover ongoing Tampakan Project costs to be paid in two instalments. The first (US\$250,000) was paid on 29 July 2001 with the final instalment (US\$250,000) due on 17 March 2002 being an extension of six months from 17 October 2001. The Company has agreed to pay \$20,000 per month during the extension period, beginning in November 2001.

4. Initial Public Offering

Following the terrorist events on 11 September 2001 in the United States of America, and advice from the underwriter, the proposed Initial Public Offering was deferred until a more appropriate time, anticipated to be early 2002 unless a prior opportunity arises.

5. Share and Option Issue

On 3 October 2001 the Company invited all current shareholders to participate in a placement at \$0.10 per share with a free attaching option, exercisable at the discretion of the holder at any time prior to 31 January 2002 at \$0.10 per option. The Company received \$395,875 and allotted 3,958,750 shares and options through the issue. The arrangements are such that no disclosure document is required under the Corporations Act.

6. Operations

Early in October 2001 the Consolidated entity implemented a cost reduction program for the forthcoming six months.

Likely Developments and Future Results

The directors expect the Consolidated entity to continue its exploration activities in the Philippines.

The directors have excluded from this report any further information on the likely developments in the operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the Consolidated entity.

Environmental Regulation Performance

The Consolidated entity's environmental obligations arise primarily in the Philippines from field exploration activity and are monitored by the Board. These obligations are regulated by Philippines law. The Consolidated entity has a policy of at least complying, or in most cases exceeding its environmental performance obligations. No environmental breaches have been notified by any Government agency in the Philippines or Australia.

Options and Shares or Other Interests Under Option

Details of options granted to directors or relevant officers as part of their remuneration are set out in the section of this report headed Directors' Interests. Details of shares and interests under option, or issued during or since the end of the financial year due to the exercise of an option, are set out in Note 14 of the financial statements and form part of this report.

Directors' and Officers' Remuneration

Remuneration of Board members and senior executives are determined on the basis of market conditions and the level of responsibility associated with their position. Details of remuneration provided to directors and officer is as follows:

Directors' Report (continued)

Directors	Salary/Fees \$	Superannuation \$	Total \$
T W Robbins	137,610	9,100	146,710
CN Middleton	124,819	9,760	134,579
KP Robinson (i)	10,000	-	10,000
RB Davis	37,602	3,000	40,602

Officer

J H Barry (ii)	96,536	-	96,536
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- (i) Payable to Lion Selection Group Limited in the event the Company lists on the Australian Stock Exchange.
- (ii) Paid as fees to JHB Corporate Pty. Ltd., of which he is a Director, for company secretarial services.

Indemnification of Officers

The Company, to the extent permitted by law, indemnifies each officer of the Company on a full indemnity basis against any liability (including costs and expenses) incurred by the person as an officer of the Company or a related body Corporate of Indophil. The Company paid an insurance premium of \$12,210 in respect of a contract insuring each of the directors and officers of the Company.

This report has been made in accordance with a resolution of directors.

T W Robbins
Managing Director

Melbourne
21 November 2001

Indophil Resources NL
Statement of Financial Position
at 31 July 2001

		Consolidated		Parent	
	Note	2001	2000	2001	2000
		\$	\$	\$	\$
Current Assets					
Cash Assets	17	780,530	1,262,000	532,354	1,082,471
Receivables	5	12,953	11,737	10,486	6,539
Other	6	30,993	21,867	7,071	-
Total Current Assets		824,476	1,295,604	549,911	1,089,010
Non-Current Assets					
Property, plant and equipment	7	22,976	61,903	7,764	8,032
Capitalised exploration costs	8	2,986,519	4,102,913	-	111,758
Other financial assets	9	-	-	-	50,171
Other	10	-	-	-	4,308,987
Total Non-Current Assets		3,009,495	4,164,816	7,764	4,478,948
Total Assets		3,833,971	5,460,420	557,675	5,567,958
Current Liabilities					
Payables	11	405,856	258,962	312,517	76,383
Provisions	12	33,827	37,790	19,500	15,499
Total Current Liabilities		439,683	296,752	332,017	91,882
Non-Current Liabilities					
Interest bearing liability	13	600,000	-	600,000	-
Total Non-Current Liabilities		600,000	-	600,000	-
Total Liabilities		1,039,683	296,752	932,017	91,882
Net Assets		2,794,288	5,163,668	(374,342)	5,476,076
Equity					
Contributed equity	14	11,436,983	7,216,983	11,436,983	7,216,983
Accumulated losses	15	(8,642,695)	(2,053,315)	(11,811,325)	(1,740,907)
Total Equity	16	2,794,288	5,163,668	(374,342)	5,476,076

The accompanying notes form an integral part of this Statement of Financial Position

Indophil Resources NL
Statement of Financial Performance
for the year ended 31 July 2001

	Note	Consolidated		Parent	
		2001	2000	2001	2000
		\$	\$	\$	\$
Other revenues	2	104,485	92,189	55,028	52,547
Occupancy expenses		(62,576)	(61,486)	(18,785)	(16,496)
Administration		(386,070)	(150,595)	(326,201)	(298,161)
Borrowing costs	2	(29,750)	-	(29,750)	-
Other expenses	2	(6,215,469)	(599,137)	(9,750,709)	(426,760)
Loss from ordinary activities before income tax expense		(6,589,380)	(719,029)	(10,070,417)	(688,870)
Income tax expense relating to ordinary activities	3	-	-	-	-
Loss from ordinary activities after income tax expense		(6,589,380)	(719,029)	(10,070,417)	(688,870)
Net Loss		(6,589,380)	(719,029)	(10,070,417)	(688,870)
Total changes in equity other than those resulting from transactions with owners as owners		(6,589,380)	(719,029)	(10,070,417)	(688,870)

The accompanying notes form an integral part of this Statement of Financial Performance

Indophil Resources NL
Statement of Cash Flows
for the year ended 31 July 2001

	Note	Consolidated		Parent	
		2001	2000	2001	2000
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Payments to suppliers and employees		(580,377)	(149,258)	(331,790)	(113,856)
Interest received		73,218	56,368	55,680	52,250
Interest paid		(29,750)	-	(29,750)	-
Net operating cash flows	17	(536,909)	(92,890)	(305,860)	(61,606)
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(16,403)	(639)	(8,453)	-
Payments for exploration and evaluation		(509,794)	(1,683,107)	-	20,299
Payments for Tampakan acquisition costs		(1,148,344)	-	(1,242,576)	-
Payments for shares in related entities		(256,000)	-	(256,000)	-
Loans made		(2,794,346)	-	(3,485,594)	(1,838,076)
Loan repayments received		587,500	-	587,500	-
Net investing cash flows		(4,137,387)	(1,683,746)	(4,405,123)	(1,817,777)
Cash Flows from Financing Activities					
Proceeds from issue of shares		4,220,000	2,250,000	4,220,000	2,250,000
Proceeds from borrowings		600,000	-	600,000	-
Payments for postponed Initial Public Offering		(659,093)	-	(659,093)	-
Net financing cash flows		4,160,907	2,250,000	4,160,907	2,250,000
Net increase (decrease) in cash held		(513,389)	473,364	(550,076)	370,617
Cash at the beginning of the financial year		1,262,000	788,636	1,082,471	711,854
Exchange rate variations on foreign cash balances		31,919	-	(41)	-
Cash at the end of the financial year	17	780,530	1,262,000	532,354	1,082,471

The accompanying notes form an integral part of this Statement of Cash Flows

Indophil Resources NL

Notes to the Financial Statements

Note 1. Statement of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared as a general purpose financial report in accordance with the requirements of the Corporations Act, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus views. The accounting policies used are consistent with those adopted in the previous year. The financial statements have also been prepared in accordance with the historical cost convention and do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets.

The accounts have been prepared on a going concern basis, which contemplates the continuity of normal business activity, and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Company to continue to operate as a going concern is dependent upon the following developments:-

- (i) the ongoing financial support of Lion Selection Group Limited (Ultimate controlling entity),
- (ii) the raising of additional finance to fund future operations through an Initial Public Offering, or by other means;
- (iii) the ongoing financial support of creditors.

Having regard to these factors, the directors are of the opinion that the basis upon which the accounts are presented is appropriate in the circumstances. In adopting this basis, the directors have regard to the fact that other companies in the group have given an undertaking of continued financial support to the Company.

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Indophil Resources NL, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated entity".

All inter-entity balances and transactions have been eliminated. 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.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and general accepted accounting principles in Australia.

Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following basis:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.
- the financial statements of all foreign operations are translated using the temporal method as they are considered inter-dependent.

Exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change.

Exploration Expenditure

Exploration expenditure incurred is charged against earnings as incurred, except in the case of areas of interest where title is granted and:

- it is expected that the expenditure will be recouped by future exploitation or sale; or

Notes (continued)

- at balance date, exploration activities have not reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant operations are continuing.

In these cases the expenditure is capitalised. Ultimate recoupment of these costs is dependent on the successful development and commercial exploitation, or sale, of the respective areas of interest.

Property, Plant and Equipment

Property, plant and equipment is depreciated over the useful economic lives as follows:

Item	Life	Method
Leasehold improvements	3 years	Straight line
Owned plant and equipment	2-5 years	Straight line

Income Tax

Tax effect accounting has been adopted by the Consolidated entity. Future income tax benefits are available to the Consolidated entity in respect of tax losses. However as there is no certainty that entities in the Consolidated entity will derive sufficient future assessable income to realise these benefits, no amount has been benefited in the financial statements in respect thereof.

Recoverable Amounts of Non-current Assets

All non-current assets other than capitalised exploration expenditure are reviewed at least annually to determine whether their carrying amounts require writing down to recoverable amount. Recoverable amount is determined using net cash flows not discounted to present values.

Joint Ventures

An interest in a joint venture is brought to account by including in the respective financial statement categories:

- the Consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the Consolidated entity in relation to the joint venture including the Consolidated entity's share of any liabilities for which the Consolidated entity is jointly and/or severally liable; and
- the Consolidated entity's share of expenses of the joint venture.

Leased Assets

Assets acquired under finance leases are capitalised and amortised over the life of the relevant lease or, where ownership is likely to be obtained on expiration of the lease, over the expected useful life of the asset. Lease payments are allocated between borrowing costs and reduction in the lease liability.

Operating lease assets are not capitalised and rental payments are recorded in the Statement of Financial Performance in the period in which they are incurred.

Goodwill on Acquisition

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise. The unamortised balance of goodwill is reviewed at each balance date and are recorded in the Statement of Financial Performance to the extent that applicable future benefits are no longer probable.

Provision for Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave is not expected to be paid. All on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions. Annual leave provisions are measured at their nominal amounts.

Notes (continued)

Financial Instruments included in Assets

Bank deposits, bills of exchange, promissory notes, loans, marketable securities and marketable equity securities are carried at cost. Purchases and sales of investments are recognised on the trade date.

Other investments are included in investments at the lower of cost or recoverable amount.

Trade and other debtors are recorded at the amount of contracted proceeds.

Financial Instruments included in Liabilities

Convertible notes are recorded at cost.

Financial Instruments included in Equity

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

Superannuation Plans

The parent entity contributes to individual prescribed superannuation funds of employees. Contributions of up to 8% of employee's salaries are legally enforceable in Australia. All the funds are fully vested accumulated contribution type plans.

Comparative Figures

The Consolidated entity has adopted the presentation and requirements of Accounting Standard AASB1018 (Statement of Financial Performance), AASB1034 (Financial Report Presentation and Disclosure) and AASB1040 (Statement of Financial Position) for the first time in the preparation of this financial report. In accordance with the requirements of these standards comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of Current Assets, Non Current Assets, Current Liabilities, Non Current Liabilities, Equity or the Net Profit / Loss of the Company or Consolidated entity as reported in the prior year's financial report.

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 2. Profit and Loss Items				
Loss from ordinary activities is after crediting the following revenues:				
Other revenues:				
Interest from unrelated persons	72,566	57,020	55,028	52,001
Sundry Income	-	7,895	-	546
Net foreign exchange gains	31,919	27,274	-	-
Total other revenues	104,485	92,189	55,028	52,547
Total revenues	104,485	92,189	55,028	52,547
Loss from ordinary activities is after charging the following expenses:				
Depreciation:				
Depreciation of:				
- Plant and equipment	7,048	6,096	7,048	6,096
- Leasehold improvements	1,673	3,168	1,673	3,168
Total depreciation	8,721	9,264	8,721	9,264
Borrowing Costs:				
Interest paid or payable to:				
- Related entity	29,750	-	29,750	-
Other Expense Items:				
Net charge to provision for non-recoverable loans (a)	2,206,846	-	7,207,081	-
Write off of costs associated with Tampakan acquisition	1,285,841	-	1,285,841	-
Write off of exploration expenditure	1,626,188	599,137	110,981	126,760
Write off of postponed Initial Public Offering costs	840,594	-	840,594	-
Loan forgiveness	-	-	-	300,000
Diminution in value of investments (b)	256,000	-	306,171	-
Net foreign exchange losses	-	-	41	-
	6,215,469	599,137	9,750,709	426,760
Significant Items above:				
(a) Includes provisions for:				
Loan to Sagittarius Mines Inc	2,206,846	-	2,206,846	-
Loans to controlled entities	-	-	5,000,235	-
Net charge to provision for non-recoverable loans	2,206,846	-	7,207,081	-
(b) Includes diminution for:				
Investment in Sagittarius Mines Inc	256,000	-	256,000	-
Investment in controlled entities	-	-	50,171	-
Total diminution in value of investments	256,000	-	306,171	-

There was nil tax effect on all significant items.

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 3. Income Tax				
(a) Income tax expense				
The difference between income tax expense provided in the financial statements and the prima facie income tax expense is reconciled as follows:				
Loss from ordinary activities	(6,589,380)	(719,029)	(10,070,417)	(688,870)
Prima facie tax (benefit) thereon at 34% (2000 at 36%)	(2,240,389)	(258,850)	(3,423,942)	(247,993)
Tax effect of permanent and other differences:				
- Non deductible project acquisition costs	437,186	-	437,186	-
- Non deductible interest	10,115	-	10,115	-
- Non deductible provision for doubtful debts	-	-	2,450,408	66,430
- Diminution in value of investments	87,040	-	104,098	-
- Postponed Initial Public Offering costs written off - non deductible	279,492	-	279,492	-
- Exploration costs written off - non deductible	37,734	45,634	37,734	45,634
- Other non deductible expenses	-	-	-	1,140
- Debt defeasance	-	108,000	-	108,000
- Effect of lower rate of overseas tax	-	11,322	-	-
Future income tax benefit not brought to account	1,388,822	93,894	104,909	26,789
Total income tax attributable to profit from ordinary activities	-	-	-	-

(b) Benefit of income tax losses not brought to account

As at 30 June 2001, the Consolidated entity has estimated future income tax benefits arising from tax losses and mining expenditure of \$1,296,456 (2000: \$80,495). This benefit has not been brought to account as realisation is not virtually certain. The benefit will only be obtained if:

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

This future income tax benefit has been reduced to reflect the effect of legislated changes to income tax rates from 34% to 30%.

Note 4. Segment Reporting

Note 5. Receivables (current)

Advances to staff	1,368	2,605	-	-
Other receivables	11,585	9,132	10,486	6,539
Total current receivables	12,953	11,737	10,486	6,539

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 6. Other Assets (current)				
Prepayments	30,993	21,867	7,071	-
Note 7. Property Plant and Equipment				
(a) Leasehold Improvements:				
Cost				
Opening balance	45,288	45,288	9,586	9,586
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	45,288	45,288	9,586	9,586
Accumulated depreciation				
Opening balance	30,971	18,877	7,913	4,745
Depreciation for the year	10,598	12,094	1,673	3,168
Disposals	-	-	-	-
Closing balance	41,569	30,971	9,586	7,913
Net book value	3,719	14,317	-	1,673
(b) Plant and Equipment:				
Cost				
Opening balance	223,195	222,556	21,708	21,708
Additions	16,403	639	8,453	-
Disposals	(2,689)	-	-	-
Closing balance	236,909	223,195	30,161	21,708
Accumulated depreciation				
Opening balance	175,609	107,352	15,349	9,253
Depreciation for the year	43,779	68,257	7,048	6,096
Disposals	(1,736)	-	-	-
Closing balance	217,652	175,609	22,397	15,349
Net book value	19,257	47,586	7,764	6,359
Total property, plant and equipment	22,976	61,903	7,764	8,032
Note 8. Capitalised Exploration Costs				
Opening balance	4,102,913	2,982,675	111,758	226,927
Additions	509,794	1,719,375	(777)	11,591
Exploration written off	(1,626,188)	(599,137)	(110,981)	(126,760)
Closing balance	2,986,519	4,102,913	-	111,758

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 9. Other Financial Assets (non-current)				
Investments				
Securities, carried at cost, not quoted on prescribed stock exchanges:				
- Shares in controlled entities	-	-	50,171	50,171
- Shares in Sagittarius Mines Inc	256,000	-	256,000	-
	256,000	-	306,171	50,171
Less diminution of value of investments	(256,000)	-	(306,171)	-
Total non-current other financial assets	-	-	-	50,171
Note 10. Other Assets (non-current)				
Loans to other entities				
Loans to controlled entities	-	-	3,934,596	3,658,153
Loans to Sagittarius Mines Inc	2,206,846	-	2,206,846	-
Loans to other entities	-	-	1,786,668	1,371,863
	2,206,846	-	7,928,110	5,030,016
Less provision for non-recoverability	(2,206,846)	-	(7,928,110)	(721,028)
Total non-current other assets	-	-	-	4,308,988
Note 11. Payables (current)				
Trade creditors – unsecured	153,504	141,036	94,442	3,213
Sundry creditors and accruals	252,352	117,926	218,075	73,170
Total current payables	405,856	258,962	312,517	76,383
Note 12. Provisions (current)				
Employee entitlements	33,827	37,790	19,500	15,499
Note 13. Interest Bearing Liability (non-current)				
Unsecured:				
Convertible Notes				
600,000 of \$1 each	600,000	-	600,000	-

A loan from Australian Selection Pty Ltd was taken out on 8 January 2001 for a minimum of three months, repayable on demand with an interest rate of 8.5% p.a. payable monthly in arrears. On 10th July 2001 the loan was converted into \$600,000 unsecured convertible notes. On 12 November 2001 the Company resolved that the convertible notes be exercisable into equity at \$0.10 per share with a free attaching option exercisable at the discretion of the holder at any time prior to 31 January 2002 at \$0.10 per option. These terms were similar to the October 2001 offer to shareholders. The convertible notes were exercised on 12 November 2001 and resulted in the allotment of 6,000,000 shares and options to Australian Selection Pty Ltd.

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 14. Contributed Equity				
Ordinary shares	11,436,983	7,216,983	11,436,983	7,216,983
Movements in contributed equity for the year:				
	Value of Ordinary Shares			
	2001	2000	2001	2000
			\$	\$
On issue at start	39,052,005	27,802,005	7,216,983	4,966,983
Issued during the year	21,100,000	11,250,000	4,220,000	2,250,000
On issue at end	60,152,005	39,052,005	11,436,983	7,216,983

Options Over Ordinary Shares:

Month of issue	Note	Number issued	Number of recipients	Number exercised	Options			Expiration date
					outstanding at balance date	Exercise price	Exercise period	
Nov 1999	2	1,000,000	1	-	1,000,000	\$0.50	Nov 1999 to May 2004	10-May-04
Nov 1999	2	1,000,000	1	-	1,000,000	\$0.35	Nov 1999 to May 2002	10-May-02
Sep 2000		7,500,000	3	-	7,500,000	\$0.20	Dec 2000 to Oct 2003	1-Oct-03
Oct 2000		7,000,000	9	-	7,000,000	\$0.20	Dec 2000 to Oct 2003	1-Oct-03
Nov 2000	1	2,236,500	3	-	2,236,500	\$0.35	Nov 2000 to May 2004	10-May-04
Nov 2000	1	2,236,500	3	-	2,236,500	\$0.50	Nov 2000 to May 2004	10-May-04
Nov 2000		100,000	1	-	100,000	\$0.20	Dec 2000 to May 2004	10-Oct-03
Nov 2000		200,000	1	-	200,000	\$0.35	Dec 2000 to May 2004	10-May-04
Nov 2000		200,000	1	-	200,000	\$0.50	Dec 2000 to May 2004	10-May-04
Jan 2001		3,000,000	1	-	3,000,000	\$0.20	Jan 2001 to Oct 2003	1-Oct-03
					<u>24,473,000</u>			

(1) Expiration date extended from 11 November 2002.

(2) Pursuant to the Manat Joint Venture Agreement on 10 November 1999 the parent issued 2 million options to the joint venture participant at an exercise price of \$0.35 and \$0.50 exercisable by 10 May 2002 and 10 May 2004.

If the Tampakan Acquisition is consummated then 6,629,630 shares and 4,629,630 options (exercisable at \$0.20) will be issued to Sagittarius Mines Inc. at no cost as per the Agreement with Sagittarius Mines Inc.

Since year end, 9,958,750 options have been issued as a result of the interim capital raising and the exercise of the Australian Selection Pty Ltd convertible note.

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 15. Accumulated Losses				
Accumulated losses at the beginning of the financial year	(2,053,315)	(1,334,286)	(1,740,907)	(1,052,037)
Net loss	(6,589,380)	(719,029)	(10,070,418)	(688,870)
Accumulated losses at the end of the financial year	(8,642,695)	(2,053,315)	(11,811,325)	(1,740,907)

Note 16. Equity

Total equity at beginning of financial year	5,163,668	3,632,697	5,476,076	3,914,946
Total changes in equity recognised in the Statement of Financial Performance	(6,589,380)	(719,029)	(10,070,418)	(688,870)
Transactions with owners as owners:				
Contributed equity	4,220,000	2,250,000	4,220,000	2,250,000
Total equity at the reporting date	2,794,288	5,163,668	(374,342)	5,476,076

Note 17. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and in bank and short term deposits at call, net of outstanding bank overdrafts.

Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash on hand	192,734	128,361	32,354	71,530
Call deposits with banks	587,796	1,133,639	500,000	1,010,941
	780,530	1,262,000	532,354	1,082,471

(b) Reconciliation of Net Loss after Income Tax to Net Cash used in Operating Activities

Net loss after income tax	(6,589,380)	(719,029)	(10,070,417)	(688,870)
Adjustments for non-cash income and expense items:				
Depreciation of property, plant and equipment	8,721	9,264	8,721	9,264
Net loss for property, plant and equipment written off	953	-	-	-
Exploration costs written off	1,626,188	599,137	110,981	126,760
Loan forgiveness	-	-	-	300,000
Acquisition costs written off	1,285,841	-	1,285,841	-
Postponed Initial Public Offering costs written off	840,594	-	840,594	-
Formation expenses written off	-	-	-	150
Net foreign exchange gains (losses)	(31,919)	(27,274)	41	-
Transfers to provisions:				
Employee entitlements	(3,963)	(2,176)	4,001	(6,145)
Provision for non-recoverable loans	2,206,846	-	7,207,081	184,377
Diminution in value of investments	256,000	-	306,171	-

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 17. Notes to the Statement of Cash Flows (cont)				
Changes in assets and liabilities:				
(Increase)/decrease in assets:				
Accounts receivable	(1,868)	19,891	(3,947)	9,006
Prepayments and other assets	(8,474)	(7,408)	(7,071)	-
(Decrease)/Increase in liabilities:				
Trade Creditors	(126,448)	34,705	12,144	3,852
Net cash from operating activities	(536,909)	(92,890)	(305,860)	(61,606)

Note 18. Employee Entitlements

The number of full-time equivalents employed as at July 31 are:

15	15	3	3
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Employee Entitlements Recognised

Aggregate employee entitlement liability (refer to note 12)

33,827	37,790	19,500	15,499
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Note 19. Foreign Currency Exposure

Current assets

Amounts receivable in foreign currency which are not effectively hedged:

- Philippine pesos	2,467	5,198	-	-
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Current liabilities

Amounts payable in foreign currency which are not effectively hedged:

- United States dollars	48,612	-	12,866	-
- Philippine pesos	60,060	182,579	-	-
- Singapore dollars	-	-	5,199	-

The Australian dollar equivalents of foreign currency monetary items included in the Statement of Financial Position headings to the extent that they are not effectively hedged, are set out above.

These amounts include the payables and receivables of foreign subsidiaries which are not effectively hedged by other foreign currency denominated items.

Operating leases are entered into as a means of acquiring access to office facilities. Rental payments are generally fixed, but with inflation escalation clauses. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activity.

Notes (continued)

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$
Note 20. Commitments				
<i>(a) Operating lease expenditure contracted for is payable as follows:</i>				
Not later than one year	28,682	26,760	4,935	4,183
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>28,682</u>	<u>26,760</u>	<u>4,935</u>	<u>4,183</u>
Not later than one year	-	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>(c) Commitments for exploration expenditure are scheduled as follows:</i>				
Not later than one year	800,000	1,446,000	-	-
Later than one year but not later than five years	2,900,000	1,102,000	-	-
Later than five years	-	-	-	-
	<u>3,700,000</u>	<u>2,548,000</u>	<u>-</u>	<u>-</u>

Due to the uncertain nature of exploration the Consolidated entity believes the provision of any estimated expenditure is unable to be forecast with any reliability. The Consolidated entity is able to relinquish interest in tenements or exploration permits at any stage.

However, should the Consolidated entity decide to retain its existing interests the minimum expenditure payable over the next two years would be \$3,700,000 (included in the table above).

Note 21. Contingent Liabilities

Amounts payable to Sagittarius Mines Inc on successful acquisition of Tampakan tenements (US\$500,000)	1,000,000	-	1,000,000	-
Loan to Sagittarius Mines Inc to cover ongoing Tampakan maintenance expenses (US\$250,000).	500,000	-	500,000	-
Amount of unpaid capital (75%) in the issued capital of Sagittarius Mines Inc liable to be called.	768,000	-	768,000	-

Notes (continued)

Note 22. Controlled Entities

The consolidated financial statements at 31 July 2001 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

Name of controlled entity	Place of incorporation	% of shares held	
		2001	2000
Indophil Resources (Phils) Inc	(1) Philippines	40	40
Osprey Mineral Exploration Corporation	Philippines	64	64
Pulong Ilog Mineral Exploration Corporation	Philippines	64	64
San Leonardo Mineral Exploration Corporation	Philippines	64	64
San Eduardo Mineral Exploration Corporation	Philippines	100	100
San Christo Mineral Exploration Corporation	Philippines	100	100
Omega Mineral Exploration Co Inc	Philippines	100	100
Xenia Mineral Exploration Co Inc	Philippines	100	100
Indophil Resources Exploration Services (India) Pte Ltd	(2),(3) India	0	100
Southern Philippines Exploration Pty Ltd	(2) Australia	100	100
Luzon Resources Pty Limited	(2) Australia	100	100
Visayan Resources Pty Limited	(2) Australia	100	100
Southern Exploration Corporation	(2) Philippines	100	100

(1) Though 40% owned, Indophil Resources NL has a call option to purchase the 60% equity held by other shareholders. In consideration for the grant of the call option, the option deed requires Indophil Resources NL to advance loans to the 60% shareholders to enable those shareholders to meet cash calls for exploration expenditure. Therefore the assets and net loss have been attributed 100% to the members of Indophil Resources NL.

(2) These companies made no contribution to the consolidated results for the period.

During the year –

(3) Indophil Resources Exploration Services (India) Pte Ltd was sold for nominal consideration. Accordingly the parent entity wrote off the value of its investment and associated capitalised exploration expenditure.

Note 23. Interests in Joint Venture Operations

Joint venture name	Principal Activity	Interest held in output	
		2001 %	2000 %
Manat	(1) Mineral exploration	25	25
Leyte-Sogod	(1) Mineral exploration	0	0

(1) Earning up to 50% interest.

	Consolidated	
	2001 \$	2000 \$
Assets employed in joint venture operations:		
Capitalised Exploration Costs	1,547,873	1,449,706

Notes (continued)

Note 24. Remuneration of officers

(a) Income of Directors

The number of directors of the parent entity who were paid, or were due to be paid, income (including brokerage, commission, bonuses, retirement payments, salaries, and payments to a prescribed superannuation fund) directly or indirectly from the Company or any related party, were:

	Parent	
	2001	2000
\$10,000 – 19,999	1	1
\$40,000 – 49,999	1	-
\$130,000 – 139,999	1	1
\$140,000 – 149,999	1	1
The aggregate income of the directors referred to above	\$331,891	\$293,310

The total income paid or payable, directly or indirectly, from the respective entities of which they are director, or from any related party, to all the directors of each entity in the Consolidated entity was \$344,101 (2000: \$296,237). This amount includes the value of insurance premiums made for the benefit of directors.

(a) Income of Executives

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

	Consolidated		Parent	
	2001	2000	2001	2000
\$130,000 – 139,999	1	1	1	1
\$140,000 – 149,999	1	1	1	1
The aggregate income of the executives referred to above	\$281,289	\$283,310	\$281,289	\$283,310

Income of executives comprises amounts paid or payable to executive officers domiciled in Australia, 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. These amounts are paid to executive directors included above in Income of Directors.

	Consolidated		Parent	
	2001	2000	2001	2000
	\$	\$	\$	\$

Note 25. Remuneration of Auditors

Remuneration received, or due and receivable, by the auditor of the parent entity:

- Audit or review of the financial statements	19,000	13,500	19,000	13,500
- Other services	184,250	2,500	184,250	2,500

Remuneration received, or due and receivable, by a related practice of the auditor for:

- Audit or review of the financial statements	20,992	14,052	-	-
- Other services	110,659	3,661	-	-

Notes (continued)

Note 26. Related Party Disclosures

(a) Directors

The following persons held the position of director of Indophil Resources NL during all of the past two financial years, unless otherwise stated:

R.B Davis (chairman) (appointed 23 November 2000)
T W Robbins
C N Middleton
K P Robinson

(b) Directors' Shareholdings

	Shares issued by the Parent entity	
	2001	2000
Shares and share options acquired from the entity during the year:		
Ordinary shares	100,000	-
Ordinary share options	500,000	-
Shares and share options held at the end of the year:		
Ordinary shares	2,466,001	2,366,001
Ordinary share options	4,723,000	4,223,000

(c) Transactions with Related Parties

Loans have been made to Indophil Resources (Phils.) Inc. and other controlled entities, for funding of exploration and working capital needs.

Lion Selection Group Limited has provided equity funding for the Company's exploration and working capital needs.

Lion Selection Group Limited has also provided the Consolidated entity with third party, officers liability and contents insurances. As from 6 March 2001, Lion Selection Group Limited ceased to indemnify directors, secretary and full-time executives of group companies, against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities.

Australian Selection Pty Ltd (a wholly owned subsidiary of Lion Selection Group Limited) has provided a short term loan on commercial terms which was repaid on 10 July 2001. On the same day the Company issued to Australian Selection Pty Ltd 600,000 unsecured convertible notes with a face value of \$1 each. On 12 November 2001 the Company resolved that the convertible notes be exercisable into equity at \$0.10 per share with a free attaching option exercisable at the discretion of the holder at any time prior to 31 January 2002 at \$0.10 per option. These terms were similar to the October 2001 offer to shareholders. The convertible notes were exercised on 12 November 2001 and resulted in the allotment of 6,000,000 shares and options to Australian Selection Pty Ltd.

(d) Ultimate Controlling Entity

The ultimate controlling entity of the Consolidated entity is Lion Selection Group Limited. As at 31 July 2001, Lion Selection Group Limited holds 58.18% (2000: 80.02%) of the equity of the parent Company.

Notes (continued)

Note 27. Subsequent Events

1. Australian Selection Pty Ltd Convertible Notes

On 3 September 2001 the Company extended the maturity date to 1 December 2003 for the \$600,000 unsecured convertible notes issued to Australian Selection Pty Ltd on 10 July 2001 with a face value of \$1.00 each.

On 12 November 2001 the Company resolved that the convertible notes be exercisable into equity at \$0.10 per share with a free attaching option exercisable at the discretion of the holder at any time prior to 31 January 2002 at \$0.10 per option. These terms were similar to the October 2001 offer to shareholders. The convertible notes were exercised on 12 November 2001 and resulted in the allotment of 6,000,000 shares and options to Australian Selection Pty Ltd.

2. MIM Holdings Limited (MIM) amending Memorandum Of Understanding (MOU)

By an amendment to the Tampakan Project MOU dated 20 August 2001, the Company and MIM have agreed to vary certain terms of the original agreement dated 28 September 2000. These amendments were mainly in respect of a loan agreement, Tampakan Project allocations and future option exercise payments.

Subject to a successful capital raising through an Initial Public Offering, MIM is to subscribe for \$500,000 in shares in the Company at the issue price of \$0.25 per share or at \$0.35 if the capital is raised by alternative means. MIM is to subscribe a further \$1,000,000 at the issue price of \$0.25 per share or \$0.35 if capital is raised by alternative means when the Company has demonstrated it has \$9,000,000 in dedicated and available funds in the Tampakan Project.

3. WMC Bond (Tampakan Project costs)

WMC has agreed for a US\$500,000 bond to cover ongoing Tampakan Project costs to be paid in two instalments. The first (US\$250,000) was paid on 29 July 2001 with the final instalment (US\$250,000) due on 17 March 2002, being an extension of six months from 17 October 2001. The Company has agreed to pay \$20,000 per month during the extension period commencing November 2001.

4. Initial Public Offering

Following the terrorist events on 11 September 2001 in the United States of America, and advice from the underwriter, the proposed Initial Public Offering was deferred until a more appropriate time, anticipated to be early 2002 unless a prior opportunity arises.

5. Share and Option Issue

On 3 October 2001 the entity invited all current shareholders to participate in a placement at \$0.10 per share with a free attaching option, exercisable at the discretion of the holder at any time prior to 31 January 2002. The arrangements are such that no disclosure document is required under the Corporations Act. The Company received \$395,875 and allotted 3,958,750 shares and options through the issue.

6. Operations

Early in October 2001 the Consolidated entity implemented a cost reduction program for the forthcoming six months.

Note 28. Financial Instruments

The Consolidated entity has not entered into any forward foreign exchange agreements and foreign currency options. Remittances to the Philippines have been in Australian dollars on a needs basis. Most of the Consolidated entity's expenditure in the foreseeable future will be in Philippine pesos, so the Consolidated entity is exposed to the Australian dollar – Philippine peso exchange rate.

Net Fair Value of Financial Assets and Liabilities

The Consolidated entity does not have any financial derivative liabilities. The financial liabilities of the Consolidated entity are carried at the amount at which the liability could be settled. Accordingly the net fair value is the same as the carrying value.

Receivables, other current assets, cash and call deposits are immediately realisable. Accordingly the net fair value is the same as the carrying amount.

Notes (continued)

Interest Rate Risk Exposure

The Consolidated entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the Consolidated entity together with effective interest rates as at balance date.

2001	Floating interest rate \$	Fixed interest rate maturing in:		Non-interest bearing \$	Average interest rate	
		1 year or less \$	Over 1 to 5 years \$		Floating (a)	Fixed (b)
Financial Assets						
Cash	-	587,796	-	192,734	-	4.8%
Receivables	-	-	-	12,953	-	-
	-	587,796	-	205,687		
Financial Liabilities						
Payables	-	-	-	405,856	-	-
Interest bearing liability	-	-	600,000	-	-	8.5%
	-	-	600,000	405,856		
2000						
2000	Floating interest rate \$	Fixed interest rate maturing in:		Non-interest bearing \$	Average interest rate	
		1 year or less \$	Over 1 to 5 years \$		Floating (a)	Fixed (b)
Financial Assets						
Cash	-	1,133,639	-	128,361	-	5.3%
Receivables	-	-	-	10,486	-	-
	-	1,133,639	-	138,847		
Financial Liabilities						
Payables	-	-	-	258,962	-	-
Interest bearing liability	-	-	-	-	-	-
	-	-	-	258,962		

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(b) The fixed rate of interest rate represents the weighted average contract rate in place at year end.

Directors' Declaration

The directors' declare that:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views,
- (b) the financial statements and notes give a true and fair view of the financial position as at 31 July 2001 and the performance of the Company and Consolidated entity for the year then ended;
- (c) in the directors' opinion;
 - (i) the ability of the Company to pay its debts as and when they fall due is dependent upon certain developments outlined in Note 1 of the Notes to the Financial Statements. At the date of this declaration, there are reasonable grounds to believe that the developments will take place in such a way as to enable the Company to pay its debts as and when they fall due;
 - (ii) the financial statements and notes are in accordance with the Corporations Act, including sections 296 and 297.

Made in accordance with a resolution of the directors.

T W Robbins
Director

Melbourne
21 November 2001

Independent Audit Report

To the Members of Indophil Resources NL:

Scope

We have audited the financial report of Indophil Resources NL for the financial year ended 31 July 2001 as set out on pages 9 to 28. 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 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, 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 audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Indophil Resources NL 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 31 July 2001 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Continuation as a Going Concern

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

ARTHUR ANDERSEN
Chartered Accountants

Partner
Melbourne
Date