# Allied Mining & Processing Limited

*2002 annual report*

ABN 57 002 594 872

# Contents

# Company Particulars

## DIRECTORS

Mr Mark V Caruso – Chairman
(appointed 31 May 2002)

Mr Gregory H Steemson – Managing Director
(appointed 31 May 2002)

Mr David A Lymburn – Director
(appointed 9 July 2002)

## COMPANY SECRETARY

Mr David A Lymburn

## REGISTERED OFFICE

Unit 15, Level 1
51-53 Kewdale Road
Welshpool WA 6106
Telephone: (08) 9353 3638
Facsimile: (08) 9353 4894

## AUDITORS

BDO
Level 2 267 St George's Terrace
Perth WA 6000

## LOCATION OF REGISTERS OF SECURITIES

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
GPO Box D182
Perth WA 6001
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

## STOCK EXCHANGE

The Company is listed on the Australian Stock Exchange. (code AMS)

# Chairman's Report

**Dear Shareholders**

It is my pleasure to report to you as Chairman of Allied Mining & Processing Limited.

Since becoming a Director of the Company on 31 May this year I, along with my fellow Directors, have sought to re-define the Company's strategy to include the identification of a mining project that will deliver an enhancement in shareholder value in the near term.

This course of action was temporarily interrupted by the convening of an Extraordinary General Meeting in July, which sought to challenge the re-focused strategy. All proposed resolutions were defeated. This diversion amounted to a delay of approximately 2 months in the Company's development activities.

A key element of the re-focused strategy is to use the Company's principal asset, the mobile processing plant, in a way that achieves its maximum potential. The plant has been idle since 31 December 2001. It is one of the Board's highest priorities to put this asset to use either on a new lease arrangement, or, preferably, to put it to work on a project in which the Company may acquire a direct interest.

To this end the Board has investigated projects both in Australia and overseas. Accordingly the Company has already announced the possibility of using the plant as part of the entry contribution for an investment in an operating gold business in Peru. The Company has spent considerable time and effort in evaluating this opportunity, and will conclude its due diligence shortly.

The Board is confident that within the next 12 months it will be successful in securing a project on which it will be able to put the Company's principal assets to use.

As a consequence of this strategy, the Board has decided to divest non-core businesses including Allied Medical and the Mt Nicholas iron ore project. The Board is actively seeking a suitable party to acquire Allied Medical.

The Mt Nicholas iron ore project is located in the Pilbara, Western Australia, and is a strategic iron ore resource. This project is being managed by Iron Ore Australia Pty Ltd, who is undertaking feasibility study work in order to earn an interest in the project. Under the terms of the joint venture, this project is due for a milestone review on 21 November 2002. Following this review the Company will decide on its ongoing participation.

In closing, I thank you for your support and look forward to reporting the results of the Board's strategies to you in the forthcoming financial year.

**Mark V Caruso**
Chairman

# Directors' Report

The Directors present their report, together with the financial report of Allied Mining & Processing Ltd ("the Company") and its controlled entities for the year ended 30 June 2002.

## DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

| | |
|---|---|
| Mr Mark V Caruso – Chairman | (appointed 31 May 2002) |
| Mr Gregory H Steemson – Managing Director | (appointed 31 May 2002) |
| Mr David A Lymburn | (appointed 9 July 2002) |
| | |
| Mr Antony L Rigoll | (resigned 9 July 2002) |
| Mr Michael D Perrott | (resigned 31 May 2002) |
| Mr Mohamed El-Ansary | (resigned 31 May 2002) |
| Mr Michael Dillon | (resigned 31 May 2002) |

## DIRECTORS' PARTICULARS

### *Mr Mark V Caruso - Chairman*

Mr Caruso is a Director of Simto Australia Pty Ltd which is involved in mining, earthmoving and civil engineering construction earthworks. He is also a director of Mineral Commodities Limited.

### *Mr Gregory H Steemson – Managing Director*

Mr Steemson is a qualified geologist and geophysicist with an extensive background in exploration, development and management of mining projects. He is also a director of Gullewa Limited and Mineral Commodities Limited.

### *Mr David A Lymburn – Director*

Mr Lymburn is a Chartered Accountant with over twenty years experience in accounting and corporate management roles, both in the accounting profession and in the commercial sector. He has been Company Secretary and CFO of a number of small to medium sized public listed companies.

## DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the Directors of the Company during the year under review are:

| Director | No of Meetings Attended | No of Meetings Eligible |
|---|---|---|
| Mr Mark Caruso | - | - |
| Mr Gregory Steemson | - | - |
| Mr David Lymburn | - | - |
| Mr Michael Perrott | 7 | 8 |
| Mr Antony Rigoll | 8 | 8 |
| Mr Mohammed El-Ansary | 7 | 8 |
| Mr Michael Dillon | 7 | 8 |

In addition to the scheduled Board meetings there have been a number of matters of Board business resolved by circulating Board Resolution.

| Director | No of Circulating Resolutions Eligible | No of Circulating Resolutions Executed |
|---|---|---|
| Mr Mark Caruso | 4 | 4 |
| Mr Gregory Steemson | 4 | 4 |
| Mr David Lymburn | - | - |
| Mr Michael Perrott | 2 | 2 |
| Mr Antony Rigoll | 6 | 6 |
| Mr Mohammed El-Ansary | 2 | 2 |
| Mr Michael Dillon | 2 | 2 |

## PRINCIPAL ACTIVITIES

The principal activities of the Company in the course of the financial year were as follows.

- Ownership of the Mobile Mineral Process Evaluation Unit and operation of rental arrangements for its use by third parties.
- Exploration and evaluation of mineral resources.
- Marketing and distribution of medical products through wholly owned subsidiary Allied Medical Limited.

## RESULTS

| | 2002 $ | 2001 $ |
|---|---|---|
| Operating profit (loss) – after income tax | (298,276) | 724,193 |

## DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year and the directors do not recommend the payment of a dividend in respect of the current financial year.

## REVIEW OF OPERATIONS

- ***MMPEU***

From the beginning of the financial year the comminution, classification and thickening circuit of MMPEU was on rental to Tectonic Resources NL, for processing ore at the RAV 8 nickel project near Ravensthorpe in Western Australia. This Dry Hire Agreement terminated at the end of December 2001. No parts of the plant had become the subject of new revenue earning agreements by the end of the financial year.

Revenue from operating the MMPEU under rental agreements this year amounted to $558,789 compared to $1,183,318 in the previous financial year.

As at the date of this report the plant is still under care and maintenance. The Board is currently not marketing the plant for other rental arrangements as the whole plant has been identified for use in potential projects that have been identified in South America. These potential projects are explained further under Likely Developments.

- ***Exploration***

Mt Nicholas Iron Ore (E46/467,granted & E46/519, application) – Pilbara

On 15 April 2002 an agreement was signed with Iron Ore Australia Pty Ltd ("IOA") pursuant to which IOA are to work towards production of a full feasibility study. Under the agreement IOA has the exclusive mandate to secure funding commitments from financing parties to fund a bankable feasibility study, by 21 November 2002, and is earning a 60% interest in the mineral properties held by the Company. During the financial year IOA has been conducting exploration and evaluation activities on the Mt Nicholas properties in conjunction with its own resources, and completed a Project Assessment Report.

The Company is closely monitoring IOA's progress with the exploration, evaluation and development activities, and will be conducting a strategic review of this asset ahead of 21 November 2002.

Beverly EPM 11129 – North Queensland

The Beverly exploration permit was surrendered in May 2002.

- ***Environmental Regulations***

In the course of its normal mining and exploration activities the Company adheres to environmental regulations imposed upon it by the various regulatory authorities, particularly those regulations relating to ground disturbance and the protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements up to the date of this report.

- ***Allied Medical***

Allied Medical has been conducting the marketing and distribution of GO Medical's proprietary product range throughout the year. Sales for the year are marginally below those of the previous year at $1,303,536. The exclusive distribution agreement with GO Medical expires in November 2003, and is renewable for a further 4 years.

The Board has conducted a strategic review of this business and has considered it is a non-core operation that is incompatible with a focused mineral exploration and development business. Accordingly in the first half of the 2002/2003 financial year the Company will be examining the divestment of this non core asset.

## CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during, and since the end of, the financial year:

- On 31 May 2002 the composition of the Board changed, reflecting the change in the major shareholder from Asset Backed Holdings Limited to Mineral Commodities Limited.
- With the resignation of Mr Perrott and Mr Dillon from office on 31 May 2002 a total of 4,000,000 options in which they had an interest, expired.
- On 5 June 2002 Mr Gregory Steemson was appointed Managing Director, replacing Mr Antony Rigoll.
- On 7 June 2002 the Company successfully completed a placement of 6,660,000 fully paid ordinary shares at an issue price of $0.08 each, raising $532,800.
- On 7 June 2002 the Company announced a non-renounceable issue of 10,213,175 shares on a one for five basis also at an issue price of $0.08 each, to raise approximately $817,054. At the date of this report a total of 9,619,092 shares have been issued pursuant to this rights issue. The Board has until 29 October 2002 to place the residual shortfall.

## SUBSEQUENT EVENTS

On 5 July 2002 the Company announced entering into a Heads of Agreement to acquire a 60% interest in a company that will hold a package of gold mining projects in Peru.

The assets that will be held by the Peruvian company include two small currently operating gold plants that produce between them approximately 1.5 kgs of gold per day. There are also rights over two tailings dams that are planned to be re-processed, and a number of interests in and options to acquire, what are considered to be highly prospective mineral tenements. In addition there is a potential project that involves re-processing the substantial tailings of a currently operating iron ore beneficiation plant. These tailings are known to contain significant levels of copper and cobalt.

The material terms of the agreement include;

- The acquisition by the Company of a controlling 60% interest in the Peruvian company that will hold all of the assets.
- The transfer by the Company of the MMPEU as part of its purchase consideration.
- The Company committing to provide funding of US$3.8 million, plus a working capital facility of US$1.2 million. In July 2002 US$200,000 out of the US$3.8 million commitment, was advanced as a refundable, guaranteed deposit.
- The Company will also issue a total of 14.7 million new shares and 9.35 million options exercisable at $0.20 on or before 30 June 2004, to the vendors of the assets that will be held by the Peruvian company. The parties to whom these shares are to be issued will between them hold the other 40% of the Peruvian company.

Completion of this transaction is subject to;

- The completion of due diligence, which is well advanced at the date of this report.
- The Company securing an agreement for capital raising to fund the US$3.6 million commitment.
- The completion and execution of a Formal Agreement governing the subscription and investment, and a Shareholders Agreement for the Peruvian company.
- Compliance with ASX Listing Rules, including the requirement for shareholder approval of the issue of the new shares and options.

Other than the matters discussed above, 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 and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

## LIKELY DEVELOPMENTS

In the opinion of the Directors it may prejudice the interests of the Company to provide additional information, except as reported in this Directors' Report, in relation to likely developments in the operations of the Company and the expected results of those operations in subsequent financial years.

## SHARE OPTIONS

The number of options issued at the date of this report is as follows.

| No of Options | Exercise Price $ | Expiry Date |
|---|---|---|
| 14,120,756 | 20 cents | 30 June 2003 |

## DIRECTORS' AND AUDITORS' INDEMNITIES

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of any related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

## DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company shown in the Register of Directors' Shareholdings as at the date of this report is:

| Director | Ordinary Shares fully paid | | 30c Options expire 30 June 2003 | |
|---|---|---|---|---|
| | Direct | Indirect | Direct | Indirect |
| Mr Mark Caruso | - | - | - | - |
| Mr Gregory Steemson | 500,000 | - | - | - |
| Mr David Lymburn | - | 200,000 | - | - |

## DIRECTORS' AND EXECUTIVES' REMUNERATION

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages contain the following key elements:

(a) Directors Fees;

(b) Salary & Consultancy

(c) Termination Payment

(b) Benefits – including provision of motor vehicle, superannuation; and

(c) Incentive schemes – including performance related bonuses and share options under the executive and employee share option plan.

## SCHEDULE OF MINING TENEMENTS

Mining Tenements currently held by the consolidated entity are:

| Area | J.V. Partner | %Held | Title |
|---|---|---|---|
| Mount Nicholas | Iron Ore Australia Pty Ltd | 100% | E46/467 & E46/519 |

The following table discloses the remuneration of the directors of the company and the consolidated entity:

| | Directors Fees | Salary & Consultancy | Termination Payment | Benefits | Total |
|---|---|---|---|---|---|
| Mr M Caruso **** | - | - | - | - | - |
| Mr G Steemson **** | 2,500 | - | - | - | 2,500 |
| Mr D Lymburn * | - | - | - | - | - |
| Mr M Perrott ** | 44,000 | - | - | - | 44,000 |
| Mr A Rigoll*** | 30,000 | 82,500 | - | - | 112,500 |
| Mr M El-Ansary ** | 27,500 | 76,907 | 206,080 | 2,520 | 313,007 |
| Mr M Dillon ** | 27,500 | - | - | 2,200 | 29,700 |

* Appointed 9 July 2002

** Resigned 31 May 2002

*** Resigned 9 July 2002

**** Appointed 31 May 2002

There were no executives other than included in the table above.

Signed in accordance with a resolution of the Directors.

**Gregory H Steemson**
Managing Director

Dated at Perth this 27th day of September 2002.

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

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | Notes | 2002<br>$ | 2001<br>$ | 2002<br>$ | 2001<br>$ |
| Revenues from ordinary activities | 2 | 1,898,370 | 2,673,038 | 733,968 | 1,301,715 |
| Revenues from outside ordinary activities | 2 | 12,169 | 1,013,887 | 8,121 | 1,012,136 |
| Total revenue from ordinary activities | 2 | 1,910,539 | 3,686,925 | 742,089 | 2,313,851 |
| Cost of sales | 3 | 915,926 | 1,072,222 | - | - |
| R & D expenditure written off | 3 | - | 576,710 | - | 576,710 |
| Exploration expenditure written off | 3 | 38,741 | 44,868 | 38,741 | 44,868 |
| General & administration expenses | | 1,156,171 | 1,268,932 | 1,060,974 | 2,743,603 |
| Other expenses from ordinary activities | | 97,977 | - | 97,977 | - |
| Profit (loss) from ordinary activities before related income tax expense | | (298,276) | 724,193 | (455,603) | (1,051,330) |
| Income tax expense relating to ordinary activities | 4 | - | - | - | - |
| Profit (loss) from ordinary activities after related income tax expense | 14 | (298,276) | 724,193 | (455,603) | (1,051,330) |
| Basic earnings per share (cents) | 15 | (0.67) | 1.64 | | |

The statements of financial performance are to be read in conjunction with the notes to the financial statements.

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

| | Notes | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | |
| Cash assets | 5 | 1,348,305 | 686,162 | 1,309,262 | 656,891 |
| Receivables | 6 | 432,071 | 1,353,001 | 242,262 | 903,382 |
| Inventories | 7 | 159,925 | 156,814 | - | - |
| Total Current Assets | | 1,940,301 | 2,195,977 | 1,551,524 | 1,560,273 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 8 | 208,000 | 8,000 | 360,444 | 611,099 |
| Property, plant and equipment | 9 | 708,752 | 886,786 | 682,803 | 859,261 |
| Other financial assets | 10 | - | - | 1,788 | 1,788 |
| Total Non-Current Assets | | 916,752 | 894,786 | 1,045,035 | 1,472,148 |
| Total Assets | | 2,857,053 | 3,090,763 | 2,596,559 | 3,032,421 |
| CURRENT LIABILITIES | | | | | |
| Payables | 11 | 227,167 | 436,190 | 113,767 | 365,504 |
| Provisions | 12 | 4,742 | 237,313 | - | 234,682 |
| Total Current Liabilities | | 231,909 | 673,503 | 113,767 | 600,186 |
| Total Liabilities | | 231,909 | 673,503 | 113,767 | 600,186 |
| NET ASSETS | | 2,625,144 | 2,417,260 | 2,482,792 | 2,432,235 |
| EQUITY | | | | | |
| Contributed equity | 13 | 8,682,332 | 8,176,172 | 8,682,332 | 8,176,172 |
| Accumulated losses | 14 | (6,057,188) | (5,758,912) | (6,199,540) | (5,743,937) |
| TOTAL EQUITY | | 2,625,144 | 2,417,260 | 2,482,792 | 2,432,235 |

The statements of financial position are to be read in conjunction with the notes to the financial statements.

# **Statements of Cash Flows** for the year ended 30 June 2002

| | Notes | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | | 2,577,426 | 2,294,655 | 1,030,800 | 1,045,816 |
| Exploration expenditure | | (38,741) | (44,868) | (38,741) | (44,868) |
| Interest received | | 33,649 | 25,879 | 33,015 | 25,648 |
| Payments to suppliers & employees | | (2,405,960) | (1,678,469) | (1,518,863) | (282,151) |
| Net cash generated from (used in) operating activities | 19(a) | 166,374 | 597,197 | (493,789) | 744,445 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Payment for plant and equipment | | (10,391) | (31,557) | - | (4,000) |
| Receipts from R & D Syndicate | | - | 82,599 | - | 82,599 |
| Research and development expenditure | | - | (653,752) | - | (659,309) |
| Payment for investments | | - | - | - | (1,762) |
| Loans advanced to controlled entities | | - | - | - | (996,383) |
| Loans repaid by controlled entities | | - | - | - | 817,844 |
| Net cash used in investing activities | | (10,391) | (602,710) | - | (761,011) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from the issue of shares | | 506,160 | 617 | 506,160 | 617 |
| Repayment of borrowings | | - | (27,726) | 640,000 | - |
| Net cash (applied to) provided by financing activities | | 506,160 | (27,109) | 1,146,160 | 617 |
| Net increase (decrease) in cash held | | 662,143 | (32,622) | 652,371 | (15,949) |
| Cash at beginning of financial year | | 686,162 | 718,784 | 656,891 | 672,840 |
| Cash at end of financial year | 5 | 1,348,305 | 686,162 | 1,309,262 | 656,891 |

The statements of cash flow are to be read in conjunction with the notes to the financial statements.

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *(a) Basis of preparation*

The financial report is a general purpose financial report that 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.

The financial report covers the consolidated entity of Allied Mining & Processing Ltd and controlled entities, and Allied Mining & Processing Ltd as an individual parent entity. Allied Mining & Processing Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

### *(b) Principles of Consolidation*

The consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

### *(c) Mineral Exploration, Evaluation and Development Expenditure*

Mineral exploration expenditures and acquisition costs in relation to these areas of interest have been written off in the year in which they are incurred on projects where exploration and evaluation activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

When rights to tenure are held and expenditures have been expected to be recouped through development and economic exploitation of the area of interest, the exploration costs are capitalised and amortised against the estimated economical mine life once mining commences.

### *(d) Foreign Currency Transactions*

Transactions in foreign currencies have been converted at rates of exchange ruling on the date of those transactions. At balance date, amounts receivable and payable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Realised and unrealised gains and losses are brought to account in determining the profit or loss for the financial year.

### *(e) Acquisitions of Assets*

The cost method of accounting is used for all acquisitions 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 shares are issued in an acquisition, the value of the shares is determined by reference to the fair value of the assets acquired, including goodwill where applicable.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value at the date of acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

Where the fair value of the identifiable net assets acquired, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated.

### *(f) Non-Current Assets*

Non-current assets are included at cost less any accumulated depreciation or amortisation. The carrying amount of non-current assets is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. To the extent that a revaluation decrement reverses a revaluation increment previously credited to, and still included in the balance of the asset revaluation reserve, the decrement is debited directly to that reserve. Otherwise the decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk adjusted discount rate.

Depreciation is calculated on a reducing balance method so as to write off the net cost of each non-current asset over its estimated useful life. The following estimated useful lives are used in the calculation of depreciation:

| | | | |
|---|---|---|---|
| Furniture and fittings | 5 – 10 years | R&D Prototype Plant & Equipment | 5 years |
| Office equipment | 3 – 5 years | Motor Vehicles | 5 – 10 years |

### *(g) Receivables*

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. Collectibility of trade receivables is reviewed on an ongoing basis.

### *(h) Accounts Payable*

Trade and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and are usually payable within standard trade terms.

### *(i) Cash*

For the purposes of the statements of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis.

### *(j) Income Tax*

Tax effect accounting principles have been adopted whereby the income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences,

which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the provision for deferred income tax and future income tax benefit, as applicable.

### *(k) Research and Development Costs*

Research and development costs are charged against income as incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

The deferred costs are amortised over the period in which the corresponding benefits are expected to arise, commencing with the commercial use of the product.

The unamortised balance of research and development costs deferred in previous periods are reviewed regularly and at each reporting date, to ensure the criterion for deferring continues to be met. Where such costs are no longer considered recoverable, they are charged to the statement of financial performance for the financial year.

### *(l) Revenue Recognition*

Revenue from the sale of goods and disposal of other assets is recognised when the Consolidated Entity has passed control of the goods or other assets to the buyer.

Revenue from the rental of plant is recognised on an accruals basis.

### *(m) Inventories*

Inventories are valued at the lower of cost and net realisable value.

### *(n) Earnings per share*

The consolidated entity has applied AASB 1027 Earnings Per Share (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ("EPS") for the comparative period ending 30 June 2001 have been adjusted so that the basic calculation used is consistent with that of the current period.

### *Basic earnings per share*

Basic earnings per share ("EPS") are now calculated as net profit or loss, rather than excluding extraordinary items.

### *Diluted earnings per share*

Diluted EPS earnings are now calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather that the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

### *(o) Segment reporting*

The consolidated entity has applied the revised AASB 1005 Segment Reporting (issued in August 2000) for the first time from 1 July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns.

Comparative information has been restated for the changes in definitions of segment revenue and results.

### *(p) Leases*

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

### *(q) Employee Entitlements*

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount.

Contributions are made by the consolidated entity to employee superannuation funds and are charged as expenses when incurred.

### *(r) Comparative Figures*

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2002 $** | **2001 $** | **2002 $** | **2001 $** |

## 2. REVENUE

| | | | | |
|---|---|---|---|---|
| Revenue from Operating Activities | | | | |
| Sales Revenue | 1,303,536 | 1,371,092 | - | - |
| Rental of Plant | 558,789 | 1,183,318 | 558,789 | 1,183,318 |
| Other Revenue | | | | |
| R & D income | - | 83,884 | - | 83,884 |
| Interest received or due and receivable | 33,649 | 25,879 | 33,015 | 25,648 |
| Management Fees | - | - | 139,768 | - |
| Foreign exchange gain | 2,396 | 8,865 | 2,396 | 8,865 |
| | 36,045 | 118,628 | 175,179 | 118,397 |
| Revenue from Operating Activities | 1,898,370 | 2,673,038 | 733,968 | 1,301,715 |
| Revenue from Outside Operating Activities | | | | |
| Recoupment of costs | - | 941,532 | - | 941,532 |
| Other income | 12,169 | 72,355 | 8,121 | 70,604 |
| | 12,169 | 1,013,887 | 8,121 | 1,012,136 |
| Total Revenue from Ordinary Activities | 1,910,539 | 3,686,925 | 742,089 | 2,313,851 |

## 3. PROFIT FROM ORDINARY ACTIVITIES

| | | | | |
|---|---|---|---|---|
| Profit (loss) from ordinary activities before income tax has been arrived at after charging the following: | | | | |
| Foreign exchange loss | - | 4,983 | - | 4,983 |
| Exploration expenditure written off | 38,741 | 44,868 | 38,741 | 44,868 |
| R & D expenditure written off | - | 576,710 | - | 576,710 |
| Provision for non-recovery – intercompany loan | - | - | - | 1,645,755 |
| Write off – intercompany loan | - | - | - | 249,250 |
| Write off – WWFM goodwill | - | 113,350 | - | - |
| Write off – MedHealth goodwill | - | 70,000 | - | - |
| Operating lease rentals | 44,190 | 29,414 | 34,978 | 18,207 |
| Depreciation – plant and equipment | 180,354 | 197,439 | 171,265 | 193,582 |
| Cost of goods sold | 915,926 | 1,072,222 | - | - |
| Loss on plant & equipment | 8,072 | - | 5,193 | - |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002<br>$ | 2001<br>$ | 2002<br>$ | 2001<br>$ |

## 4. INCOME TAX

The prima facie income tax expense (benefit) on the operating profit (loss) from ordinary activities is reconciled to the income tax provided in the statements of financial performance as follows:

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| Operating profit (loss) | (298,276) | 724,193 | (455,603) | (1,051,330) |
| Income tax expense (benefit) calculated at 30% (2000: 34%) | (89,482) | 246,226 | (136,681) | (357,452) |
| Tax effect of permanent differences: | | | | |
| Other non-deductible | 3,371 | - | 3,363 | - |
| Tax effect of timing differences: | | | | |
| R & D transactions | - | 540,390 | - | 540,390 |
| Provision for intercompany loan | - | - | - | 559,556 |
| Recoupment of tax losses | - | (806,968) | - | (761,702) |
| Other | (56,550) | 20,352 | (59,096) | 19,208 |
| Future income tax benefit not brought to account | 142,661 | - | 192,414 | - |
| | - | - | - | - |
| Future income tax benefits not brought to account as assets at 30% | | | | |
| Tax losses – revenue | 652,658 | 509,997 | 192,414 | - |
| Tax losses – capital | 6,710,831 | 6,710,831 | 6,710,831 | 6,710,831 |
| | 7,363,489 | 7,220,828 | 6,903,245 | 6,710,831 |

The taxation benefits will only be obtained if:

(a) the Consolidated Entity derives assessable income of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;

(b) the Consolidated Entity continues to comply with the conditions for deductibility imposed by law; and

(c) there are no changes in tax legislation adversely affecting the Consolidated Entity in realising the benefit from the deductions.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 $ | 2001 $ | 2002 $ | 2001 $ |

## 5. CASH ASSETS - CURRENT

| | | | | |
|---|---|---|---|---|
| Cash on hand | 200 | 200 | 200 | 200 |
| Cash at bank | 208,105 | 504,270 | 169,062 | 474,999 |
| Deposits at call | 1,140,000 | 181,692 | 1,140,000 | 181,692 |
| | 1,348,305 | 686,162 | 1,309,262 | 656,891 |

## 6. RECEIVABLES – CURRENT

| | | | | |
|---|---|---|---|---|
| Trade receivables | 192,761 | 698,434 | - | 237,924 |
| Less: provision for doubtful debts | (17,452) | (10,891) | - | - |
| | 175,309 | 687,543 | - | 237,924 |
| Other debtors | 256,762 | 665,458 | 242,262 | 665,458 |
| | 432,071 | 1,353,001 | 242,262 | 903,382 |

## 7. INVENTORIES – CURRENT

| | | | | |
|---|---|---|---|---|
| Finished goods: | | | | |
| At cost | 159,925 | 156,814 | - | - |

## 8. RECEIVABLES – NON-CURRENT

| | | | | |
|---|---|---|---|---|
| Other debtors | 200,000 | - | 200,000 | - |
| Security deposits – mining tenements | 8,000 | 8,000 | 8,000 | 8,000 |
| Loans and advances – controlled entities | - | - | 2,316,563 | 2,248,854 |
| Less: provision for non-recovery | - | - | (2,164,119) | (1,645,755) |
| | 208,000 | 8,000 | 360,444 | 611,099 |

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| Plant and office equipment – at cost | 51,683 | 172,243 | 41,292 | 167,243 |
| Accumulated depreciation | (30,881) | (149,398) | (29,925) | (147,277) |
| | 20,802 | 22,845 | 11,367 | 19,966 |
| R & D prototype plant and equipment – at cost | 1,026,853 | 1,026,853 | 1,026,853 | 1,026,853 |
| Accumulated depreciation | (355,416) | (187,558) | (355,417) | (187,558) |
| | 671,437 | 839,295 | 671,436 | 839,295 |
| Motor vehicles – at cost | 27,557 | 155,049 | - | 127,492 |
| Accumulated depreciation | (11,044) | (130,403) | - | (127,492) |
| | 16,513 | 24,646 | - | - |
| Total property, plant and equipment | 708,752 | 886,786 | 682,803 | 859,261 |
| Reconciliation | | | | |
| Plant and office equipment | | | | |
| Carrying amount at beginning of year | 22,845 | 31,024 | 19,966 | 21,990 |
| Additions | 10,391 | 4,000 | - | 4,000 |
| Disposal | (8,072) | (5,209) | (5,193) | - |
| Depreciation | (4,361) | (6,970) | (3,406) | (6,024) |
| Carrying amount at end of year | 20,803 | 22,845 | 11,367 | 19,966 |
| R & D prototype | | | | |
| Carrying amount at beginning of year | 839,295 | 1,026,853 | 839,295 | 1,026,853 |
| Depreciation | (167,859) | (187,558) | (167,859) | (187,558) |
| Carrying amount at end of year | 671,436 | 839,295 | 671,436 | 839,295 |
| Motor vehicles | | | | |
| Carrying amount at beginning of year | 24,646 | - | - | - |
| Additions | - | 27,557 | - | - |
| Depreciation | (8,133) | (2,911) | - | - |
| Carrying amount at end of year | 16,513 | 24,646 | - | - |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 $ | 2001 $ | 2002 $ | 2001 $ |

## 10. OTHER FINANCIAL ASSETS – NON-CURRENT

| | | | | |
|---|---|---|---|---|
| Unquoted investments – at cost | | | | |
| Shares in controlled entities | - | - | 1,788 | 1,788 |

## 11. PAYABLES – CURRENT

| | | | | |
|---|---|---|---|---|
| Trade payables | 130,323 | 334,310 | 31,342 | 276,275 |
| Other payables and accruals | 96,844 | 101,880 | 82,425 | 89,229 |
| | 227,167 | 436,190 | 113,767 | 365,504 |

## 12. PROVISIONS – CURRENT

| | | | | |
|---|---|---|---|---|
| Employee entitlements | 4,742 | 237,313 | - | 234,682 |
| Average number of employees during the financial year | 3 | 3 | 2 | 2 |

## 13. CONTRIBUTED EQUITY

| | 2002 Number of shares | 2001 Number of shares | 2002 $ | 2001 $ |
|---|---|---|---|---|
| (a) Ordinary shares fully paid: | | | | |
| Balance at beginning of financial year | 44,405,880 | 44,402,795 | 8,176,172 | 8,175,555 |
| Share placement at 8 cents, June 2002 | 6,660,000 | 3,085 | 532,800 | 617 |
| Issue Costs | - | - | (26,640) | - |
| Balance at end of financial year | 51,065,880 | 44,405,880 | 8,682,332 | 8,176,172 |

Fully paid ordinary shares entitle the holder to participate in dividends and to one vote.

(b) Options over fully paid ordinary shares:
The number of options on issue at balance date:

| No of Options | Exercise Price $ | Expiry Date |
|---|---|---|
| 14,120,756 | 20 cents | 30 June 2003 |

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 $ | 2001 $ | 2002 $ | 2001 $ |

## 14. ACCUMULATED LOSSES

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| Accumulated losses at beginning of the year | (5,758,912) | (6,483,105) | (5,743,937) | (4,692,607) |
| Net profit (loss) attributable to members | (298,276) | 724,193 | (455,603) | (1,051,330) |
| Accumulated losses at end of the year | (6,057,188) | (5,758,912) | (6,199,540) | (5,743,937) |

## 15. EARNINGS (LOSS) PER SHARE

| | Consolidated | |
|---|---|---|
| | 2002 | 2001 |
| Weighted average number of ordinary shares on issue used in calculation of basic earnings (loss) per share | 44,825,551 | 44,403,694 |
| Net (loss)/profit used in the calculation of basic earnings per share | (298,276) | 724,193 |

There were 14,120,756 options with an exercise price of 20 cents and an expiry date 30 June 2003 on issue as at 30 June 2002, These potential ordinary shares were not considered dilutive.

## 16. SEGMENT INFORMATION

| **Primary Reporting Business Segments** | **Mining & Exploration** | | **Medical** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **2002 $** | **2001 $** | **2002 $** | **2001 $** | **2002 $** | **2001 $** |
| Revenue | | | | | | |
| External segment revenue | 602,321 | 2,331,815 | 1,308,218 | 1,355,110 | 1,910,539 | 3,686,925 |
| Total segment revenue | 602,321 | 2,331,815 | 1,308,218 | 1,335,110 | 1,910,539 | 3,686,925 |
| Total Revenue from ordinary activities | | | | | 1,910,539 | 3,686,925 |
| Result | | | | | | |
| Segment result | (447,674) | 729,211 | 149,398 | (5,018) | (298,276) | 724,193 |
| Profit from ordinary activities after tax | | | | | (298,276) | 724,193 |
| Net Profit | | | | | (298,276) | 724,193 |
| Assets | | | | | | |
| Segment assets | 2,596,318 | 2,427,535 | 414,726 | 663,228 | 3,011,044 | 3,090,763 |
| Eliminations | | | | | (153,991) | - |
| Total assets | | | | | 2,857,053 | 3,090,763 |

## 16. SEGMENT INFORMATION (continued)

| Primary Reporting Business Segments | Mining & Exploration 2002 $ | Mining & Exploration 2001 $ | Medical 2002 $ | Medical 2001 $ | Consolidated 2002 $ | Consolidated 2001 $ |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | |
| Segment liabilities | 113,767 | 5,258 | 270,345 | 668,245 | 384,112 | 673,503 |
| Eliminations | | | | | (152,203) | - |
| Total liabilities | | | | | 231,909 | 673,503 |
| Other | | | | | | |
| Depreciation & Amortisation | 171,265 | 193,582 | 9,089 | 3,857 | 180,354 | 197,439 |
| Exploration expenditure written off in respect of areas if interest abandoned | 38,741 | 44,868 | - | - | 38,741 | 44,868 |

### *Business Segments*

The consolidated entity has the following two business segments

- The Mining and exploration division which is involved in the exploration, evaluation and development of mineral resources.
- The Medical division which markets and distributes medical products throughout Australia and New Zealand.

### *Secondary Reporting*

Geographical Segments

The consolidated entity operated predominantly in the geographical location of Australia.

## 17. AUDITORS' REMUNERATION

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| Amounts received or due and receivable by auditors for: | | | | |
| Auditing – the financial report | 21,600 | 21,000 | 21,600 | 9,418 |
| Other services | - | 12,660 | - | 11,978 |
| | 21,600 | 33,660 | 21,600 | 21,396 |

## 18. DIRECTORS' REMUNERATION

The directors of Allied Mining & Processing Ltd during the year were:

| | |
|---|---|
| Mr M Caruso | (appointed 31 May 2002) |
| Mr G Steemson | (appointed 31 May 2002) |
| Mr D Lymburn | (appointed 9 July 2002) |
| Mr M Perrott | (resigned 31 May 2002) |
| Mr A Rigoll | (resigned 9 July 2002) |
| Mr M El-Ansary | (resigned 31 May 2002) |
| Mr M Dillon | (resigned 31 May 2002) |

| | Consolidated 2002 $ | Consolidated 2001 $ | Company 2002 $ | Company 2001 $ |
|---|---|---|---|---|
| The aggregate of income paid or payable or otherwise made available, in respect of the financial year, to all directors of the Company, directly or indirectly, by the Company or by any related party | | | 501,707 | 267,268 |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the Consolidated Entity, directly or indirectly, by the entities in which they are directors or by any related party | 501,707 | 267,268 | | |

The number of directors whose income from the Company was within the specified band are as follows:

| | Consolidated 2002 No | Consolidated 2001 No | Company 2002 No | Company 2001 No |
|---|---|---|---|---|
| $0 - $9,999 | 1 | 1 | 1 | 1 |
| $10,000 - $19,999 | - | 1 | - | 1 |
| $20,000 - $29,999 | 1 | - | 1 | - |
| $30,000 - $39,999 | - | 2 | - | 2 |
| $40,000 - $49,999 | 1 | - | 1 | - |
| $110,000 - $119,999 | 1 | 1 | 1 | 1 |
| $310,000 - $319,999 | 1 | - | 1 | - |

## 19.(a) RECONCILIATION OF OPERATING PROFIT/(LOSS) FROM ORDINARY ACTIVITIES TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | Consolidated | | Company | |
|---|---|---|---|---|
| | **2002 $** | **2001 $** | **2002 $** | **2001 $** |
| Operating loss before income tax | (298,276) | 724,193 | (455,603) | (1,051,330) |
| Depreciation | 180,354 | 197,439 | 171,265 | 193,582 |
| R & D syndicate income | - | (83,884) | - | (83,884) |
| R & D expenditure | - | 576,710 | - | 576,710 |
| Loss on sale of assets | 8,072 | - | 5,193 | - |
| Provision – doubtful debts | 5,413 | 10,891 | (10,891) | - |
| Provision – employee entitlements | (231,423) | 237,313 | (234,682) | 234,682 |
| Write off – intercompany loan | - | - | (189,344) | 1,887,866 |
| Write off – investments assets and goodwill | - | 201,446 | - | - |
| Amortisation of goodwill | - | 2,957 | - | - |
| Changes in assets and liabilities during the year: | | | | |
| Increase (decrease) in trade payables | (225,129) | (166,787) | (251,737 | (51,337) |
| (Increase) decrease in trade receivables | 715,101 | (1,041,132) | 472,010 | (886,844) |
| Movement in unearned income | - | (75,000) | - | (75,000) |
| (Increase) decrease in inventory | 12,262 | 13,051 | - | - |
| Net cash generated by (outflow) from operating activities | 166,374 | 597,197 | (493,789) | 744,445 |

## 19.(b) NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no non-cash financing and investing activities during the financial year.

## 20. FINANCIAL INSTRUMENTS

### *(a) Credit Risk Exposures*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

### *(b) Interest Rate Risk*

Cash balances are subject to very little interest rate risk as the Company only has at call bank accounts and term deposits which have variable interest rates. The interest rates earned/paid during the year are as follows:

| **2002 Financial Assets** | **Note** | **Weighted Average interest rate** | **Floating interest rate** | **Fixed interest maturing in 1 year or less** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|---|---|
| | | **%** | **$** | **$** | **$** | **$** |
| Cash | 5 | 2.66 | 208,105 | - | 200 | 208,305 |
| Short Term deposit | 5 | 4.41 | - | 1,140,000 | - | 1,140,000 |
| Receivables | 6,8 | - | - | - | 640,071 | 640,071 |
| | | | 208,105 | 1,140,000 | 640,271 | 1,988,376 |
| Financial Liabilities | | | | | | |
| Payables | 11 | - | - | - | 227,167 | 227,167 |
| | | | - | - | 227,167 | 227,167 |
| Net financial assets | | | 208,105 | 1,140,000 | 413,104 | 1,761,209 |

| **2001 Financial Assets** | **Note** | **Weighted Average interest rate** | **Floating interest rate** | **Fixed interest maturing in 1 year or less** | **Non-interest bearing** | **Total** |
|---|---|---|---|---|---|---|
| | | **%** | **$** | **$** | **$** | **$** |
| Cash | 5 | 3.1 | 585,962 | - | 200 | 586,162 |
| Short Term deposit | 5 | 4.8 | - | 100,000 | - | 100,000 |
| Receivables | 6,8 | - | - | - | 1,361,001 | 1,361,001 |
| | | | 585,962 | 100,000 | 1,361,201 | 2,047,163 |
| Financial Liabilities | | | | | | |
| Payables | 11 | - | - | - | 436,190 | 436,190 |
| | | | - | - | 436,190 | 436,190 |
| Net financial assets | | | 585,962 | 100,000 | 925,011 | 1,610,973 |

## Note 20. FINANCIAL INSTRUMENTS (continued)

### *(c) Net Fair Value*

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## 21. COMMITMENTS

### *(a) Leasing Commitments*

Operating leases

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2002 $ | 2001 $ | 2002 $ | 2001 $ |
| Office premises due within 1 year | 37,800 | 37,800 | - | - |
| Office premises due greater then 1 year and less than 5 | 91,350 | 129,150 | - | - |
| Total | 129,150 | 166,950 | - | - |

### *(b) Exploration Tenement Leases – Commitments for Expenditure*

In order to maintain current rights of tenure to exploration tenements, the Company and consolidated entity is required to outlay lease rentals and to meet the minimum expenditure requirements of $25,800 over the next financial year (2001 $150,000).

Financial commitments for subsequent periods are contingent upon future exploration results and can not be estimated. These obligations are subject to renegotiation upon expiry of the exploration leases or when application for a mining licence is made and have not been provided for in the accounts.

## 22. RELATED PARTY TRANSACTIONS

The Directors during the year

The directors who held office during the financial year are listed in note 18, Directors' Remuneration.

Directors' share holdings

The total numbers of shares and options held by the directors and their director related entities at the end of the financial year is as follows.

| | **2002 Number** | **2001 Number** |
|---|---|---|
| Ordinary shares | - | 1,403,815 |
| Options (listed) exercisable at $0.20 on or before 30 June 2003 | - | 3,068,836 |
| Options (unlisted) exercisable at $0.20 on or before 30 June 2002 | - | 2,000,000 |
| Options (unlisted) exercisable at $0.30 on or before 30 June 2003 | - | 2,000,000 |
| Total options | - | 7,068,836 |

Transactions with Director related entities

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Mr Michael Perrott (resigned as director on 31 May 2002) has an interest in Troika Management Limited. Up until 31 May 2002 this entity provided consulting services to the Company. Fees paid to Troika Management Limited during the year were $312,000 and includes an amount payable upon termination of the management agreement of $150,000. This amount is not included in the aggregate of directors' remuneration in note 18.

Mr Mohamed El-Ansary (resigned as a director on 31 May 2002) has an interest in Lucky Bay Investment Trust. The Company has entered into a Lease Agreement with the Trust for the lease of office premises. Rent paid and payable during the year was $44,189. This amount is not included in the aggregate of directors' remuneration in note 18.
Mr El-Ansary also has an interest in El Aura Pty Ltd, a company which provided consultancy services to the Company. Fees paid and payable to El Aura Pty Ltd during the year were $227,440. This amount is included in the aggregate of directors' remuneration in note 18.

Mr Antony Rigoll (resigned as a director on 9 July 2002) has an interest in Anstal Investments Pty Ltd. This entity provided consulting services to the Company. Fees paid and payable to this entity during the years was $82,500. This amount is included in the aggregate of directors' remuneration in note 18.

Mr Mark Caruso and Mr Greg Steemson are directors of Mineral Commodities Limited. Since 1 June 2002 this entity has provided managerial, consulting, accounting and administration services to the Company. Fees paid and payable to Mineral Commodities Limited during the year were $20,500. This amount has not been included in the aggregate of directors' remuneration in note 18.

## 23. INVESTMENT IN CONTROLLED ENTITIES – UNLISTED

| Company | Class of share | Place of Incorporation | Equity Holding | | Cost to Company | |
|---|---|---|---|---|---|---|
| | | | 2002 | 2001 | 2002 | 2001 |
| | | | % | % | $ | $ |
| Parent Entity | | | | | | |
| Allied Mining & Processing Ltd | | Australia | - | - | - | - |
| Controlled Entities | | | | | | |
| Advance R & D Pty Ltd | Ordinary | Australia | 100 | 100 | 20 | 20 |
| Advance Mining NL | Ordinary | Australia | 100 | 100 | 4 | 4 |
| Allied Medical Ltd | Ordinary | Australia | 100 | 100 | 1 | 1 |
| Allied Internet Technology Ltd | Ordinary | Australia | 100 | 100 | 1 | 1 |
| Worldwidefm.Net Pty Ltd | Ordinary | Australia | - | 64 | - | - |
| Aretrend Pty Ltd | Ordinary | Australia | 100 | 100 | 1,762 | 1,762 |
| | | | | | 1,788 | 1,788 |

In the previous year, Worldwidefm.Net Pty Ltd was put into voluntary liquidation.

During the financial year, the Company provided accounting and administration services to other entities in the wholly-owned group, at no cost.

## 24.CONTINGENT LIABILITIES

There are no contingent liabilities. (2001: nil).

## 25. SUBSEQUENT EVENTS

On 5 July 2002 the Company announced entering into a Heads of Agreement to acquire a 60% interest in a company that will hold a package of gold mining projects in Peru. The assets that will be held by the Peruvian company include two small currently operating gold plants that produce between them approximately 1.5 kgs of gold per day. There are also rights over two tailings dams that are planned to be re-processed, and a number of interests in and options to acquire, what are considered to be highly prospective mineral tenements. In addition there is a potential project that involves re-processing the substantial tailings of a currently operating iron ore beneficiation plant. These tailings are known to contain significant levels of copper and cobalt.

## NOTE 25 SUBSEQUENT EVENTS (continued)

The material terms of the agreement include;

- The acquisition by the Company of a controlling 60% interest in the Peruvian company that will hold all of the assets.
- The transfer by the Company of the MMPEU as part of its purchase consideration.
- The Company committing to provide funding of US$3.8 million, plus a working capital facility of US$1.2 million. In July 2002 US$200,000 out of the US$3.8 million commitment, was advanced as a refundable, guaranteed deposit.
- The Company will also issue a total of 14.7 million new shares and 9.35 million options exercisable at $0.20 on or before 30 June 2004, to the vendors of the assets that will be held by the Peruvian company. The parties to whom these shares are to be issued will between them hold the other 40% of the Peruvian company.

Completion of this transaction is subject to;

- The completion of due diligence, which is well advanced at the date of this report.
- The Company securing an agreement for capital raising to fund the US$3.6 million commitment.
- The completion and execution of a Formal Agreement governing the subscription and investment, and a Shareholders Agreement for the Peruvian company.
- Compliance with ASX Listing Rules, including the requirement for shareholder approval of the issue of the new shares and options.

Other than the matters discussed above, 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 and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

# Directors' Declaration

The Directors of Allied Mining & Processing Ltd declare that:

1. The financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

   (b) complying with Accounting Standards and the Corporations Regulations 2001; and

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

**Gregory H Steemson**
Managing Director

Dated at Perth this 27th day of September 2002

# Independent Audit Report

## TO THE MEMBERS OF ALLIED MINING & PROCESSING LTD

### SCOPE

We have audited the financial report of Allied Mining & Processing Ltd for the financial year ended 30 June 2002 as set out on pages 10 to 31. The financial report includes the consolidated accounts of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them 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 Australian Accounting Standards, other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

### AUDIT OPINION

In our opinion, the financial report of Allied Mining & Processing Ltd is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

**B. G. McVeigh**
Partner
BDO Chartered Accountants

Dated at Perth this 27th day of September 2002

# Additional ASX Information

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is as follows. The information is made up to 26 September 2002.

## STATEMENT OF SHAREHOLDINGS

### *(a) Ordinary Shares – Fully Paid*

| Names of the 20 Largest Shareholders | Number of shares | % held |
|---|---|---|
| Mineral Commodities Ltd | 10,700,000 | 17.63 |
| NEFCO Nominees Pty Ltd | 5,000,000 | 8.24 |
| Boldbow Pty Ltd | 4,074,099 | 6.71 |
| WSF Pty Ltd | 2,747,900 | 4.53 |
| El Aura Pty Ltd | 1,798,799 | 2.96 |
| John Cunningham & Associates Pty Ltd | 1,500,000 | 2.47 |
| Synthe Pty Ltd | 1,281,850 | 2.11 |
| WWB Investments Pty Ltd | 1,147,840 | 1.89 |
| C3D Holdings Pty Ltd | 1,000,000 | 1.65 |
| Kathryn Yule | 900,000 | 1.48 |
| Michael Dillon | 797,144 | 1.31 |
| Kassett Pty Ltd | 660,000 | 1.09 |
| Berne No. 132 Nominees Pty Ltd | 650,000 | 1.07 |
| N & E Royal Investments Pty Ltd | 601,689 | 0.99 |
| Warren Brown & Marilyn Brown | 600,000 | 0.99 |
| State One Equities Pty Ltd | 577,400 | 0.95 |
| State One Stockbroking Ltd | 525,915 | 0.87 |
| Abesque Pty Ltd | 500,000 | 0.82 |
| IEC Investments Pty Ltd | 500,000 | 0.82 |
| Kingarth Pty Ltd | 500,000 | 0.82 |

| Holding Range | Number of holders |
|---|---|
| 1 – 1,000 | 60 |
| 1,001 – 5,000 | 199 |
| 5,001 – 10,000 | 199 |
| 10,001 – 100,000 | 324 |
| 100,001 or more | 77 |
| | 859 |

Voting Rights

All ordinary fully paid shares carry one vote per share without restrictions

| | |
|---|---|
| Total Fully Paid Shares Issued | 60,684,967 |
| Proportion held by 20 Largest Shareholders | 59.40% |
| Number of Shareholders holding less than a marketable parcel | 314 |

### (b) Options – Exercisable at 20c Expiring 30 June 2003

| Names of the 20 Largest Optionholders | Number of options | % held |
|---|---|---|
| El Aura Pty Ltd | 2,568,836 | 18.19 |
| State One Equities Pty Ltd | 799,690 | 5.66 |
| WSF Pty Ltd | 663,549 | 4.70 |
| Beachwalk Pty Ltd | 661,900 | 4.69 |
| Brian Lee & Audrey Lee | 549,000 | 3.89 |
| Uwe Schumacher | 539,727 | 3.82 |
| Troika Securities Limited | 500,000 | 3.54 |
| Inxs Pty Ltd | 499,726 | 3.54 |
| Gaetano Morali | 454,458 | 3.22 |
| Best Holdings Pty Ltd | 370,000 | 2.66 |
| MMC Investments Pty Ltd | 344,833 | 2.44 |
| Bruce Sceresini Holdings | 250,000 | 1.77 |
| Technology Management & Marketing Pty Ltd | 250,000 | 1.77 |
| Lorraine Graham | 235,000 | 1.66 |
| John Cunningham & Associates Pty Ltd | 219,532 | 1.55 |
| Boldbow Pty Ltd | 215,400 | 1.53 |
| Copper Tree Enterprises Pty Ltd | 200,000 | 1.42 |
| Nicholas Richards | 200,000 | 1.42 |
| Anthony Vetter | 200,000 | 1.42 |
| Peter Wallner | 200,000 | 1.42 |

| Holding Range | Number of holders |
|---|---|
| 1 – 1,000 | 17 |
| 1,001 – 5,000 | 69 |
| 5,001 – 10,000 | 50 |
| 10,001 – 100,000 | 69 |
| 100,001 or more | 29 |
| | 234 |

| | |
|---|---|
| Total Options Issued | 14,120,756 |
| Proportion held by 20 Largest Optionholders | 70.31% |

### (a) Substantial shareholders

The names of those shareholders with a substantial shareholding in the Company at 26 September 2002 are;

| | Relevant interest in shares | % held |
|---|---|---|
| Mineral Commodities Limited | 10,700,000 | 17.63% |
| Alan David Hill | 7,886,374 | 13.0% |

# Corporate Governance Statement

This statement outlines the main Corporate Governance practices that are adopted by the Board.

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role the Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

## BOARD COMPOSITION

The Board is comprised of three directors.  Details of the Directors are set out in the Directors' Report.

The Board (subject to members voting rights in general meeting) is responsible for selection of new members and has regard to a candidate's experience and competence in areas such as mining, exploration, geology, finance and administration that can assist the Company in meeting its corporate objectives and plans.  The Board delegates responsibility for the Company's administration to its Managing Director who is accountable to the Board.

Under the Company's Constitution:

- the minimum number of directors on the Board is three and the maximum number of directors on the Board is ten;
- a director (other than the Managing Director) may not retain office for more than three years without submitting for re-election; and
- at the Annual General Meeting each year effectively one third of the directors in office (other than the Managing Director) retire by rotation and must seek re-election by shareholders.

## INDEPENDENT ADVICE

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

## CONFLICTS OF INTEREST

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of any Director related entity transactions with the Company are set out in Note 22.

## REMUNERATION COMMITTEE

As at the date of this report the Company does not have a Remuneration Committee. All compensation arrangements for Directors and Senior Executives are determined at Board level after taking into account the current competitive rates prevailing in the market, performance of the Company and contribution made to the Company.

## AUDIT COMMITTEE

As at the date of this report the Company does not have a formally constituted audit committee of the Board of Directors.  Accordingly all matters that would normally be addressed by an audit committee are dealt with by the whole Board.

## EXTERNAL AUDITORS

The auditors of the Company have open access to the Board of Directors at all times.

## MANAGING RISKS

The Board meets regularly to review, evaluate and implement the Company's operations and strategic objectives.

Controls established by the Board include:

- regular, periodic financial reporting; and
- delegated authority to the Managing Director to ensure approval of expenditure obligations.

The Board recognises the need to identify areas of significant business risk and to develop and implement strategies to mitigate these risks.

## ETHICAL STANDARDS

The Board supports the highest standards of corporate governance and requires its members and the staff of the Company to act with integrity and objectivity in relation to:

- Compliance with the law;
- Professional conduct;
- Dealings with advisors and regulators;
- Dealings with customers, suppliers and employees;
- Record keeping;
- Conflicts of interests;
- Confidentiality; and
- Inside Information.

## SHAREHOLDERS

The Board aims to ensure that shareholders are at all times fully informed in accordance with the spirit and letter of the Stock Exchange's continuous disclosure requirements.

Information is communicated to shareholders as follows;

- Distribution of the Annual Report;
- Distribution of the Half Yearly Report;
- Notices of meetings of shareholders that include adequate explanatory information;
- All documents that are released publicly as ASX announcements are immediately made available on the Company's website, www.alliedmining.com.au

**Allied Mining &**
**Processing** Limited
Unit 15, Level 1
51-53 Kewdale Road
Welshpool WA 6106
Telephone:(08) 9353 3638
Facsimile:(08) 9353 4894
Web: www.alliedmining.com.au