

# **Oxiana Limited and Controlled Entities**

ABN 40 005 482 824

## **DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2003.

### **DIRECTORS**

The names of directors in office at any time during or since the end of the year are:

Barry L. Cusack	Peter W. Cassidy	Paul R Espie (retired 29/05/03)
Owen L. Hegarty	Ronald H. Beevor	W. H. John Barr (retired 29/05/03)
Michael A. Eager		

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **PRINCIPAL ACTIVITIES**

The principal activities of the economic entity during the financial year were:

- gold production at the Sepon Gold Operation in Laos.
- construction of the Khanong Copper Project at Sepon in Laos.
- exploration for further gold and copper resources at Sepon in Laos
- exploration for base and precious metals in South Australia, in Northern Thailand and in South East China.
- exploration for base and precious metals in Cyprus through subsidiary Eastern Mediterranean Minerals (Cyprus) Ltd (EMM).
- maintenance of the Company's exploration tenements in the Philippines.
- evaluation of other exploration and business development opportunities.

### **RESULTS AND DIVIDENDS**

The consolidated profit for the year was \$8,193,241 after deducting unrealized foreign currency losses of \$21,383,116.

No dividend is recommended nor has one been declared or paid since the end of the previous financial year.

## **REVIEW OF OPERATIONS**

### ***Gold Production***

Oxiana, at its Sepon Gold Operation in South Eastern Laos, produced 165,255 ounces of gold in the first year of production. It is targeting slightly higher production for 2004.

### ***Construction of Khanong Copper Project***

In 2003 Oxiana commenced construction of the Khanong Copper Project at Sepon and by the end of 2003 is on schedule to commence copper production in the first quarter of 2005. At full production it is designed to produce 60,000t/a of cathode copper.

### ***Exploration***

Oxiana continued to explore the highly mineralized Sepon tenement for gold and copper. Oxiana also entered a number of new exploration ventures and continued to explore on some of its existing properties. It entered the Prominent Hill Joint Venture, explored with Thai Goldfields in Northern Thailand and examined potential exploration areas in Yunnan Province in South Eastern China in 2003. It continued to explore in Cyprus through its interest in Eastern Mediterranean Minerals (Cyprus) Limited. In the Philippines, Oxiana's wholly owned subsidiary Oxiana Philippines Inc. was successful in obtaining exploration permits and continued limited exploration on some of its more prospective properties.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following changes in the state of affairs of the parent entity occurred during the financial year:

- On 17 January 2003, 833,335 partly paid ordinary shares were moved to fully paid following payment of the unpaid portion of 30 cents per share.
- On 21 May 2003, 115,000,000 fully paid ordinary shares were issued at 54 cents per share by way of placement.
- On 19 June 2003, 27,287,815 fully paid ordinary shares were issued at 54 cents per share, as a result of issues to shareholders under the Share Purchase Plan.
- Commencing on 22 January 2003, at various dates through to 30 December 2003 a total of 33,508,333 fully paid ordinary shares were issued at varying exercise prices from 20 cents to 50 cents following exercise of options under Executive Option Plans.

### **Changes in controlled entities**

In September 2003, Oxiana increased its interest in Eastern Mediterranean Minerals (Cyprus) Limited from 60% to 95%.

## **AFTER BALANCE DATE EVENTS**

On 20 January 2004 Oxiana announced that it had reached agreement to acquire Rio Tinto's 20% interest in the Sepon Project in Laos for US\$85m (approximately A\$113m). It also announced that it will undertake a major expansion of the Sepon Gold Operation and accelerate a number of other copper and gold exploration and development plans. These initiatives will be funded by way of a fully underwritten 1 for 4 Renounceable Rights Issue to all eligible shareholders at a price of 80cents per New Share to raise approximately \$189million.

## **FUTURE DEVELOPMENTS**

The likely developments in the operations of the economic entity are as follows:

- expansion of production of gold at the Sepon Gold operation
- developing the Sepon Copper Project
- continuing exploration activities on its various exploration projects
- continuing to identify, evaluate and implement where appropriate, new projects, acquisitions and corporate developments

## **ENVIRONMENTAL ISSUES**

The Sepon Gold Operation is subject to the various Environmental Management Plans (EMPS) and laws under which it operates in Laos.

In its first year of operations the Gold plant generally performed in line with the EMPS and its obligations under its Mineral Exploration and Production Agreement with the Government of Laos and under Lao law.

## **INFORMATION ON DIRECTORS**

### **Barry Cusack BE(Hons), MEngSci( Hons), FTSE, FAusIMM, FAIM, MAICD – Chairman**

Mr Cusack is the recently retired Managing Director of Rio Tinto Limited and Chairman of Bougainville Copper Ltd. He is currently a Non-Executive Director of Smorgon Steel Group Limited and MacMahon Holdings Limited, and a member of the Board of the Global Foundation and Future Directions International.

### **Owen L. Hegarty – BEc(Hons), FAusIMM - Managing Director**

Mr Hegarty has over 30 years direct experience in the mining industry including 24 years with the Rio Tinto Group where from 1988 to 1993 he was Managing Director of its copper and gold mining and smelting business unit. He became Managing Director of Oxiana in 1995 and is a Fellow of the Australasian Institute of Mining and Metallurgy.

### **Michael A. Eager B.E. (Mining), FAusIMM – Non Executive Director**

Mr Eager is a mining engineer with more than 35 years' experience covering a wide range of mining operations and exploration and development activity. He retired from the position of Managing Director of Aberfoyle Limited in 1998 and as a director of MIM Holdings in 2003. Mr Eager is Deputy Chairman of ANSTO (Australian Nuclear Science Technology Organisation) and a Director of the Australasian Institute of Mining and Metallurgy.

### **Peter Cassidy PhD, BSc (Eng), FAusIMM, C. Eng – Non Executive Director**

Dr Cassidy has over 30 years' exposure to the minerals industry in Australia, Papua New Guinea, Indonesia and the USA, primarily in gold, mineral sands and base metals. His most recent executive role was CEO of Goldfields Limited until its merger with Delta Gold Limited to form AurionGold Limited. He is also a Non-Executive Director of Lihir Gold Limited, Sino Gold Limited and Energy Developments Limited.

### **Ronald H Beevor BA(Hons) – Non Executive Director**

Mr Beevor is a former investment banker and was Head of Investment Banking at NM Rothschild & Sons (Australia) Limited between 1997 and 2002. He has had an extensive involvement with the natural resources industry, both in Australia and overseas. He is a director of Bendigo Mining NL and Kimberley Diamond Company NL.

### **DIRECTORS' INTERESTS**

At the date of this report the following Directors held a relevant interest in the following securities

	Fully Paid Shares	Options
O.L. Hegarty	21,616,978	-
M.A. Eager	236,559	1,820,000
B.L. Cusack	-	2,000,000
P.W. Cassidy	200,000	800,000
R.H. Beevor	1,733,121	1,000,000

### **EMOLUMENTS OF DIRECTORS AND OFFICERS**

Emoluments of board members and senior executives are determined on the basis of market conditions and the level of duty and responsibility associated with their position.

Details of the nature and amount of emoluments of each director of the company and the officers receiving the highest emoluments are:

#### **Emoluments of Directors of the Parent Entity**

	Salary	Fees	Committee Fees	Sup'n Contrib	Retirement Benefits	Total
	\$	\$	\$	\$	\$	\$
O.L. Hegarty	275,000	-	-	25,000	-	300,000
B.L. Cusack	-	95,375	-	-	-	95,375
P.W. Cassidy	-	43,750	3,000	3,939	-	50,689
M.A. Eager	-	43,750	3,000	3,937	-	50,687
R.H. Beevor	-	43,750	-	3,937	-	47,687
P. R. Espie Retired 29/05/03	-	14,583	1,250	-	146,100	161,933
W.H.J. Barr Retired 29/05/03	-	14,583	2,500	-	70,100	87,183

**Executive Officers  
Parent Entity**

	Salary	Sup'n. Contrib.	Other	Bonus	*Non-cash Benefits	Total
	\$	\$	\$	\$	\$	\$
J. Ballard	-	-	256,000	-	-	256,000
P. Lester	183,500	16,500	-	40,000	-	240,000
R. Hedstrom	71,307	6,417	-	5,000	150,000	232,724
D. Forsyth	145,000	15,000	15,000	35,000	-	210,000

**Economic Entity**

	Salary	Sup'n. Contrib.	Bonus	*Non-cash Benefits	Total
	\$	\$	\$	\$	\$
M. Wilkes	183,550	-	30,000	150,000	363,550
P.G. Albert	247,333	13,500	44,000	-	304,833
P. Dunstan	99,248	8,874	-	150,000	258,122
A.J. Manini	191,750	8,250	40,000	-	240,000
D. Heaton	145,377	-	-	-	145,377

\*Non-cash benefits relate to the value of the options granted over unissued shares during the financial year calculated using the Black and Scholes model.

**DIRECTORS' MEETINGS**

During the financial year, 15 meetings of directors (including committees) were held. Attendances were:

	<b>Directors' Meetings</b>		<b>Audit Committee Meetings</b>	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
O. L. Hegarty	10	10	5	5
M. A. Eager	10	10	5	5
B.L. Cusack	10	10	Nil	Nil
P.W. Cassidy	10	10	3	3
R.H. Beevor	10	9	Nil	Nil
P.R. Espie	4	4	2	2
Retired 29/05/03				
W.H.J. Barr	4	3	2	2
Retired 29/05/03				

## INDEMNIFYING OFFICERS OR AUDITOR

The Company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company.

Barry L. Cusack  
Owen L. Hegarty  
Michael A. Eager

Peter W. Cassidy  
Ronald H. Beevor

Paul R Espie (retired 29/05/03)  
W. H. John Barr (retired 29/05/03)

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company of all or any part of those proceedings. The company was not a party to any such proceedings during the year.

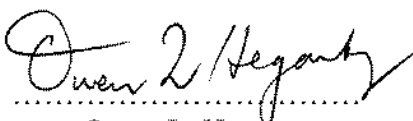
## OPTIONS

Options that were granted over unissued shares during or since the financial year by the company or controlled entity to executive officers as part of their remuneration are as follows;

- 500,000 options to M. Wilkes under the Executive Option Plan at an exercise price of 90 cents. Options expire 28/08/08.
- 500,000 options to P. Dunstan under the Executive Option Plan at an exercise price of 90 cents. Options expire 28/08/08.
- 500,000 options to R. Hedstrom under the Executive Option Plan at an exercise price of 90 cents. Options expire 28/08/08.

No shares have been issued by virtue of the exercise of these options during the year or to the date of this report. There are a total of 25,061,667 unissued ordinary shares for which options are outstanding at the date of this report.

Signed in accordance with a resolution of the Board of Directors



Owen L. Hegarty  
Director

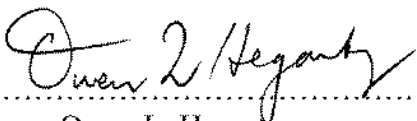
Dated this 18<sup>th</sup> day of February 2004

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes to the financial statements are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2003 and the performance for the year ended on that date of the company and economic entity.
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.

The declaration is made in accordance with a resolution of the Board of Directors.

Director.....  
Owen L. Hegarty  
Oxiana Limited and Controlled Entities

Dated this 18<sup>th</sup> day of February 2004

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Economic Entity		Parent Entity	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenues from ordinary activities	2	<b>88,134,037</b>	434,953	<b>1,905,736</b>	417,428
Change in inventories of finished goods and work in progress		<b>8,968,159</b>	-	-	-
Raw materials and consumables used		<b>(35,833,236)</b>	-	-	-
Employee benefits expense		<b>(4,581,747)</b>	(873,115)	<b>(1,269,710)</b>	(861,482)
Depreciation and amortisation expense	3	<b>(20,409,467)</b>	(23,942)	<b>(41,310)</b>	(23,942)
Borrowing costs expense	3	-	(30,822)	-	(30,822)
Other expenses from ordinary activities	3	<b>(3,525,865)</b>	(2,215,330)	<b>(3,038,981)</b>	(2,156,339)
Unrealised foreign currency exchange losses	3	<b>(21,383,116)</b>	(7,061,732)	-	-
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method		-	84,524	-	-
Profit/(loss) from ordinary activities before income tax expense		<b>11,368,765</b>	(9,685,464)	<b>(2,444,265)</b>	(2,655,157)
Income tax expense relating to ordinary activities	4	-	-	-	-
Profit/(loss) from ordinary activities after related income tax expense		<b>11,368,765</b>	(9,685,464)	<b>(2,444,265)</b>	(2,655,157)
Net profit/(loss) attributable to outside equity interests	18	<b>3,175,524</b>	(966,056)	-	-
Net profit/(loss) attributable to members of the parent entity	17	<b>8,193,241</b>	(8,719,408)	<b>(2,444,265)</b>	(2,655,157)
Net exchange difference on translation of financial report of foreign operations	16	<b>(11,557,610)</b>	(1,290,703)	-	-
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		<b>(11,557,610)</b>	(1,290,703)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		<b>(3,364,369)</b>	(10,010,111)	<b>(2,444,265)</b>	(2,655,157)
Basic earnings per share (cents per share)	27	<b>0.9</b>	(1.6)		
Diluted earnings per share (cents per share)	27	<b>0.9</b>	(1.5)		

The accompanying notes form part of these financial statements.



**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2003**

	Note	Economic Entity		Parent Entity	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	5	34,918,590	14,747,999	33,876,009	14,569,365
Receivables	6	5,064,378	918,672	66,045	319,680
Inventories	7	8,968,159	-	-	-
Other	8	287,815	-	287,815	-
<b>TOTAL CURRENT ASSETS</b>		<b>49,238,942</b>	15,666,671	<b>34,229,869</b>	14,889,045
<b>NON-CURRENT ASSETS</b>					
Receivables	6	1,443,816	1,775,764	155,280,777	94,966,288
Investments	9	983,622	459,250	4,392,093	4,392,093
Property, plant and equipment	10	49,970,820	9,346,935	228,689	106,964
Intangible	11	192,411	208,118	-	-
Other	8	110,120,776	115,907,565	2,569,183	1,736,695
<b>TOTAL NON-CURRENT ASSETS</b>		<b>162,711,445</b>	127,697,632	<b>162,470,742</b>	101,202,040
<b>TOTAL ASSETS</b>		<b>211,950,387</b>	143,364,303	<b>196,700,611</b>	116,091,085
<b>CURRENT LIABILITIES</b>					
Payables	12	8,520,283	5,068,453	2,275,319	4,252,194
Other financial liabilities	13	-	14,194,464	-	-
Provisions	14	791,246	156,685	224,713	153,289
<b>TOTAL CURRENT LIABILITIES</b>		<b>9,311,529</b>	19,419,602	<b>2,500,032</b>	4,405,483
<b>NON-CURRENT LIABILITIES</b>					
Other financial liabilities	13	11,807,229	18,813,236	-	-
Provisions	14	929,767	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>12,736,996</b>	18,813,236	-	-
<b>TOTAL LIABILITIES</b>		<b>22,048,525</b>	38,232,838	<b>2,500,032</b>	4,405,483
<b>NET ASSETS</b>		<b>189,901,862</b>	105,131,465	<b>194,200,579</b>	111,685,602
<b>EQUITY</b>					
Contributed equity	15	224,908,930	139,949,688	224,908,930	139,949,688
Reserves	16	(11,992,157)	(434,547)	-	-
Accumulated losses	17	(26,439,990)	(34,633,231)	(30,708,351)	(28,264,086)
Parent equity interest		186,476,783	104,881,910	194,200,579	111,685,602
Outside equity interest	18	3,425,079	249,555	-	-
<b>TOTAL EQUITY</b>		<b>189,901,862</b>	105,131,465	<b>194,200,579</b>	111,685,602

The accompanying notes form part of these financial statements.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Economic Entity		Parent Entity	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		84,415,799	-	475,849	-
Payments to suppliers and employees		(50,202,614)	(2,710,355)	(5,897,811)	(2,146,313)
Interest received		1,832,984	415,486	1,832,984	415,475
Borrowing costs		-	(30,822)	-	(30,822)
<b>Net cash provided by/(used in) operating activities</b>	<b>26(a)</b>	<b>36,046,169</b>	<b>(2,325,691)</b>	<b>(3,588,978)</b>	<b>(1,761,660)</b>
<b>Cash Flows from investing activities</b>					
Payments for exploration/development		(85,404,338)	(52,893,560)	-	(4,521)
Payments for investments		(761,000)	-	-	-
Advances to subsidiaries		-	-	(61,900,985)	(62,512,268)
Payments for property, plant & equipment		(228,688)	(8,936,138)	(169,134)	(114,478)
Proceeds from sale of property, plant & equipment		6,500	1,942	6,500	1,942
<b>Net cash provided by/(used in) investing activities</b>		<b>(86,387,526)</b>	<b>(61,827,756)</b>	<b>(62,063,619)</b>	<b>(62,629,325)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issues of shares		84,959,241	79,599,550	84,959,241	79,599,550
Repayment of borrowings		(14,447,293)	(1,500,000)	-	(1,500,000)
<b>Net cash provided by/(used in) financing activities</b>		<b>70,511,948</b>	<b>78,099,550</b>	<b>84,959,241</b>	<b>78,099,550</b>
<b>Net increase in cash held</b>		<b>20,170,591</b>	<b>13,946,103</b>	<b>19,306,644</b>	<b>13,708,565</b>
Cash at 1 January 2003		14,747,999	801,896	14,569,365	860,800
<b>Cash at 31 December 2003</b>	<b>5</b>	<b>34,918,590</b>	<b>14,747,999</b>	<b>33,876,009</b>	<b>14,569,365</b>

The accompanying notes form part of these financial statements.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 1 : Statement of Significant Accounting Policies**

**(a) Basis of accounting**

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 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 accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the economic entity of Oxiana Limited and controlled entities, and Oxiana Limited as an individual parent entity. Oxiana Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report.

**(b) Principles of consolidation**

The consolidated accounts comprise the accounts of Oxiana Limited and all of its controlled entities. A controlled entity is any entity controlled by Oxiana Limited. Control exists where Oxiana Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Oxiana Limited to achieve the objectives of Oxiana Limited. A list of controlled entities is contained in Note 23 to the accounts.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

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

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

**(c) Inventories**

Work in progress, comprising ore stockpiles and gold-in-circuit, is valued at the lower of the average cost of production and net realisable value. Cost of production includes direct costs and an appropriate allocation of fixed and variable overheads, including depreciation. Stores are valued at cost, including applicable freight and duty, less a provision for obsolescence, if necessary.

**(d) Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost or fair values, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment 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. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 1 : Statement of Significant Accounting Policies (cont'd)**

**(d) Property, Plant and Equipment (cont'd)**

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant & Equipment	20-33%
Leasehold Improvements	20%
Buildings & Other Infrastructure Assets	17%

**(e) Leased assets**

Assets acquired under finance leases are capitalised. The initial recorded amount of the leased asset and corresponding lease liability is the present value of minimum lease payments. Leased assets are amortised over the life of the relevant lease or, where it is likely that ownership of an asset will be obtained, the expected useful life of the asset. Lease payments are allocated between the principal and interest components. Lease liabilities are reduced by payments of principal and the interest component is charged to statement of financial performance.

Operating leases are not capitalised and rental payments are charged to statement of financial performance in the period in which they are incurred.

**(f) Acquisition 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, shares issued or liabilities undertaken 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 having reference to the fair value of the assets or net assets acquired, including goodwill or discount on acquisition where applicable.

**(g) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development costs related to areas of interest are carried forward to the extent that:

- (i) rights to tenure of the areas of interest are current; and
- (ii) such costs are expected to be recouped through successful development and production of the area or by its sale; or
- (iii) exploration and/or evaluation activities in the area have not reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to the area are continuing.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 1 : Statement of Significant Accounting Policies (cont'd)**

**(g) Exploration, Evaluation and Development Expenditure (cont'd)**

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area of interest according to the rate of depletion of the economically recoverable reserves.

In the event that an area of interest is abandoned or if the directors consider the expenditure to be of no value, accumulated costs carried forward are written off in the year in which that assessment is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**(h) Income tax**

Income tax is brought to account using the liability method of tax effect accounting. Future income tax benefits relating to tax losses are not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

**(i) Investments**

Investments are valued at cost less provision for diminution. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. Income from investments is brought to account in the statement of financial performance by the Company when dividends / distributions are received. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(j) Foreign Currency Translation**

Transactions denominated in a foreign currency are translated at the rates applicable at the date of the transactions. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the profit or loss for the year.

The assets and liabilities of the overseas controlled entities, which are self-sustaining, are translated at year end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 1 : Statement of Significant Accounting Policies (cont'd)**

**(j) Foreign Currency Translation (cont'd)**

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the statement of financial performance when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the statement of financial performance over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the statement of financial performance when the exchange rate changes.

**(k) Interests in Joint Ventures**

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. Details of the economic entity's interests are shown in Note 22.

**(l) Intangibles**

Goodwill on consolidation is initially recorded at the amount by which the purchase price for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on consolidation is amortised on a straight line basis over the period of 20 years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

**(m) Cash**

For purposes of the statement of cash flows, cash includes cash on hand and at call deposits which are readily convertible to cash and which are used in the cash management function on a day to day basis, net of outstanding bank overdrafts.

**(n) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits 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 the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

**(o) Comparative Figures**

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

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 1 : Statement of Significant Accounting Policies (cont'd)**

**(p) Revenue**

Revenue from sales is recognised when there has been a passing of risk to a customer. Sales revenue represents the net proceeds receivable from the customer less royalty paid or payable.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(q) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown exclusive of GST.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Note 2 : Revenue</b>				
Operating activities				
- sale of goods	86,232,304	-	-	-
- interest received	2(a) 1,888,930	431,058	1,888,930	415,486
	<u>88,121,234</u>	<u>431,058</u>	<u>1,888,930</u>	<u>415,486</u>
Non-operating activities				
- exchange rate gain unrealised	-	1,953	-	-
- proceeds on disposal of property, plant and equipment	6,500	1,942	6,500	1,942
- other income	6,303	-	10,306	-
	<u>12,803</u>	<u>3,895</u>	<u>16,806</u>	<u>1,942</u>
Total Revenue	<u>88,134,037</u>	<u>434,953</u>	<u>1,905,736</u>	<u>417,428</u>
(a) Interest revenue from:				
- other persons	1,888,930	431,058	1,888,930	415,486
Total interest revenue	<u>1,888,930</u>	<u>431,058</u>	<u>1,888,930</u>	<u>415,486</u>
<b>Note 3 : Profit from Ordinary Activities</b>				
Profit from ordinary activities before income tax has been determined after:				
<b>(a) Expenses</b>				
Cost of sales	31,446,823	-	-	-
Borrowing costs				
- other persons	-	30,822	-	30,822
Total borrowing costs	<u>-</u>	<u>30,822</u>	<u>-</u>	<u>30,822</u>
Depreciation of non-current assets				
- plant and equipment	10,188,622	4,106	25,224	19,813
- leasehold improvements	16,086	4,129	16,086	4,129
- buildings and other infrastructure assets	1,723,953	-	-	-
- capitalised exploration expenditure	8,465,099	-	-	-
Total depreciation	<u>20,393,760</u>	<u>8,235</u>	<u>41,310</u>	<u>23,942</u>
Amortisation of non-current assets				
- goodwill on consolidation	15,707	15,707	-	-
Total amortisation	<u>15,707</u>	<u>15,707</u>	<u>-</u>	<u>-</u>
Total depreciation and amortisation	<u>20,409,467</u>	<u>23,942</u>	<u>41,310</u>	<u>23,942</u>



**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Note 3 : Profit from Ordinary Activities (cont'd)</b>				
<b>(b) Other expenses</b>				
Bad and doubtful debts:				
- trade debtors	3,717	-	-	
Total bad and doubtful debts	<u>3,717</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenses				
- total charges to provisions	-	79,272	-	79,272
- provision of diminution in HCM	754,009	1,166,648	754,009	1,166,648
- exploration expenditure written off	215,019	85,292	215,019	85,292
- other administrative expenses	2,553,120	884,118	2,069,953	825,127
Sub-total other expenses	<u>3,522,148</u>	<u>2,215,330</u>	<u>3,038,981</u>	<u>2,156,339</u>
Total other expenses	<u>3,525,865</u>	<u>2,215,330</u>	<u>3,038,981</u>	<u>2,156,339</u>
<b>(c) Foreign currency translation losses</b>				
- unrealised foreign currency exchange losses	21,383,116	7,061,732	-	-
Total foreign currency translation losses	<u>21,383,116</u>	<u>7,061,732</u>	<u>-</u>	<u>-</u>
Note: The exchange rate losses unrealised for 2003 include an amount of \$4,101,174 (2002 \$966,056) which is attributable to outside equity interests.				
<b>(d) Net Gains / (Losses)</b>				
Net gain on disposal of non-current assets			-	-
- property, plant and equipment	401	1,942	401	1,942
Foreign currency translation losses – realised	(155,241)	-	(149,863)	-

**Note 4: Income Tax**

At 31 December 2003, the parent entity has tax losses of approximately \$13,657,000 (2002 - \$12,326,000) and the economic entity has tax losses of approximately \$14,134,000 (2002 - \$12,803,000).

The respective future income tax benefits of approximately \$4,097,000 (2002 – \$3,698,000) and \$4,240,000 (2002 - \$3,841,000) which may arise from these losses will only be realised if:

- (i) the economic entity derives future profits of a nature and sufficient amount to enable the benefit of the losses to be realised;
- (ii) the economic entity continues to comply with the conditions of deductibility imposed by the law; and
- (iii) legislation does not change in a manner which would adversely affect the realisation of the benefit of the losses by the economic entity.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Note 5 : Cash Assets</b>				
Cash at bank and on hand	14,966,809	7,699,049	13,924,228	7,520,415
Deposits at call	19,951,781	7,048,950	19,951,781	7,048,950
	34,918,590	14,747,999	33,876,009	14,569,365

**Note 6 : Receivables**

**CURRENT**

Trade debtors	4,124,512	-	-	-
Other debtors	939,866	918,672	66,045	319,680
	5,064,378	918,672	66,045	319,680

**NON-CURRENT**

Amounts receivable from:

- wholly-owned subsidiaries	-	-	12,665,925	10,992,493
- partly owned subsidiaries	-	-	146,414,852	87,075,766
- associated companies	2,197,825	1,775,764	754,009	698,029
	2,197,825	1,775,764	159,834,786	98,766,288
Less provision for diminution	(754,009)	-	(4,554,009)	(3,800,000)
	1,443,816	1,775,764	155,280,777	94,966,288

**Note 7 : Inventories**

**CURRENT**

**At cost**

Raw materials and stores	7,186,391	-	-	-
Work in progress	1,781,768	-	-	-
	8,968,159	-	-	-

**Note 8 : Other**

**CURRENT**

Prepayments	287,815	-	287,815	-
	287,815	-	287,815	-

**NON-CURRENT**

Exploration Expenditure

Costs carried forward in respect of areas of interest in:

- exploration and evaluation phases	11,369,861	7,336,947	1,475,054	-
- development phase	70,347,239	8,414,051	1,094,130	1,736,695
- less provision for expenditure write down				
Philippines	(3,800,000)	(3,800,000)	-	-
- foreign currency movement	(3,096,284)	-	-	-
	74,820,816	11,950,998	2,569,184	1,736,695

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 8 : Other (cont'd)**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
Production phase	55,885,042	103,956,567	-	-
Accumulated depreciation	(7,258,160)	-	-	-
Foreign currency movement	(13,326,922)	-	-	-
	<u>35,299,960</u>	<u>103,956,567</u>		
Total Exploration Expenditure	<u>110,120,776</u>	<u>115,907,565</u>	<u>2,569,183</u>	<u>1,736,695</u>

**Note 9: Investments**

**NON-CURRENT**

Investment	983,622	-	-	-
Investment in joint venture: equity accounted	-	459,250	-	-
Investment in subsidiaries at cost (Note 23)	-	-	10,200,285	10,200,085
Less provision for diminution	-	-	(5,807,992)	(5,807,992)
	<u>983,622</u>	<u>459,250</u>	<u>4,392,093</u>	<u>4,392,093</u>

**Note 10 : Property, Plant & Equipment**

Building and Other Infrastructure Assets				
At cost	9,715,739	135,790	-	-
Accumulated depreciation	(1,478,176)	(38,049)	-	-
Total Building and Other Infrastructure Assets	<u>8,237,563</u>	<u>97,741</u>	<u>-</u>	<u>-</u>
Plant and Equipment				
At cost	52,285,899	11,116,856	181,312	88,948
Accumulated depreciation	(10,639,743)	(1,935,990)	(39,724)	(50,312)
Total Plant and Equipment	<u>41,646,156</u>	<u>9,180,866</u>	<u>141,588</u>	<u>38,636</u>
Leasehold Improvements				
At cost	107,316	89,635	107,316	72,457
Accumulated amortisation	(20,215)	(21,307)	(20,215)	(4,129)
Total Leasehold Improvements	<u>87,101</u>	<u>68,328</u>	<u>87,101</u>	<u>68,328</u>
Total Property, Plant and Equipment	<u>49,970,820</u>	<u>9,346,935</u>	<u>228,689</u>	<u>106,964</u>

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 10 : Property, Plant & Equipment (cont'd)**

**Movements in Carrying Amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	<b>Buildings and Other Infrastructure Assets</b>	<b>Leasehold Improve- ments</b>	<b>Plant and Equipment</b>	<b>Total</b>
<b>Economic Entity</b>				
Balance at the beginning of the year	97,741	68,328	9,180,866	9,346,935
Additions	9,651,102	34,859	55,640,224	65,326,185
Disposals	-	-	(3,904)	(3,904)
Depreciation and amortisation expense	(1,478,176)	(16,086)	(8,739,564)	(10,233,826)
Foreign currency movement	(33,104)	-	(14,431,466)	(14,464,570)
Carrying amount at the end of the year	<u>8,237,563</u>	<u>87,101</u>	<u>41,646,156</u>	<u>49,970,820</u>
<b>Parent Entity</b>				
Balance at the beginning of the year	-	68,328	38,636	106,964
Additions	-	34,859	132,080	166,939
Disposals	-	-	(3,904)	(3,904)
Depreciation and amortisation expense	-	(16,086)	(25,224)	(41,310)
Carrying amount at the end of the year	<u>-</u>	<u>87,101</u>	<u>141,588</u>	<u>228,689</u>

Additions include transfer of \$49,675,154 from Exploration, Evaluation and Development Expenditure.

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Note 11: Intangible Assets</b>				
Goodwill at cost	<b>314,140</b>	314,140	-	-
Accumulated amortisation	<b>(121,729)</b>	(106,022)	-	-
	<u><b>192,411</b></u>	<u>208,118</u>	<u>-</u>	<u>-</u>

**Note 12 : Payables**

Trade creditors	<u><b>8,520,278</b></u>	<u>5,068,453</u>	<u><b>2,275,319</b></u>	<u>4,252,194</u>
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**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Economic Entity		Economic Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$

**Note 13 : Other Financial Liabilities**

**CURRENT**

Other loans	-	14,194,464	-	-
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**NON CURRENT**

Other loans (1)	<b>11,807,229</b>	18,813,236	-	-
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(1) Other loans

Loan monies received by Lane Xang Minerals Ltd. from Rio Tinto which are interest free – USD 8.8m.

**Note 14 : Provisions**

**CURRENT**

Employee benefits	<b>791,246</b>	156,685	<b>224,713</b>	153,289
	<b>791,246</b>	156,685	<b>224,713</b>	153,289

Number of employees at the year-end	371	266	11	11
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**NON-CURRENT**

Mine restoration	<b>929,767</b>	-	-	-
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**Note 15 : Contributed Equity**

**(a) Paid-up Capital**

At the beginning of the financial year				
770,930,624 ordinary shares	<b>139,949,688</b>	57,120,808	<b>139,949,688</b>	57,120,808
Share issues for the year 175,796,148	<b>84,959,242</b>	82,828,880	<b>84,959,242</b>	82,828,880
<hr/>				
At the end of the financial year				
ordinary shares 946,726,772	<b>224,908,930</b>	139,949,688	<b>224,908,930</b>	139,949,688

**(b) Details of the issues of ordinary shares are as follows:**

- On 17 January 2003, proceeds related to 833,335 partly paid ordinary shares were called and received (at 30 cents per share at call).
- On 21 May 2003, 115,000,000 fully paid ordinary shares were issued at 54 cents per share by way of placement.
- On 19 June 2003, 27,287,815 fully paid ordinary shares were issued at 54 cents per share following a Share Purchase Plan.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 15 : Contributed Equity (cont'd)**

- Commencing 22 January 2003, at various dates through to 31 December 2003 a total of 33,508,333 fully paid ordinary shares were issued at various exercise prices following the exercise of executive share options.

Transaction costs of \$2,065,833 were recognised as a reduction to the proceeds of the share issues.

**(c) Oxiana Limited Executive Option Plan**

- On 28 August 2003, 1,500,000 options were granted to employees under the Company's Executive Option Plan to take up ordinary shares at an exercise price of 90 cents each. The options are exercisable on or before 28 August 2008.
- The closing share market price of an ordinary share of Oxiana Limited on the Australian Stock Exchange at 31 December 2003 was \$1.05 (2002 - \$0.50).

i. Movement in the number of share options held by Oxiana employees are as follows:

	Economic Entity		Parent Entity	
	31 Dec 2003	31 Dec 2002	31 Dec 2003	31 Dec 2002
Opening balance	57,950,000	30,100,000	57,950,000	30,100,000
Granted during the year	1,500,000	28,250,000	1,500,000	28,250,000
Exercised during the year	33,508,333	400,000	33,508,333	400,000
Closing balance	<b>25,941,667</b>	57,950,000	<b>25,941,667</b>	57,950,000

ii. Details of share options exercised during the year:

	Economic Entity		Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	9,820,417	130,000	9,820,417	130,000
Fair value of shares issued to employees on the exercise of options as at their issue date	25,863,083	147,000	25,863,083	147,000

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 15 : Contributed Equity (cont'd)**

**(c) Oxiana Limited Executive Option Plan (cont'd)**

iii. Details of share options outstanding as at end of year:

Grant Date	Expiry and Exercise Date	Exercise Price (cents)	Economic Entity		Parent Entity	
			31 Dec 2003 No.	31 Dec 2002 No.	31 Dec 2003 No.	31 Dec 2002 No.
25/03/98	25/03/98	20	-	200,000	-	200,000
19/12/01	19/12/04	20	-	3,500,000	-	3,500,000
19/12/01	19/12/04	25	<b>1,000,000</b>	5,500,000	<b>1,000,000</b>	5,500,000
19/12/01	19/12/04	30	-	4,500,000	-	4,500,000
19/12/01	19/12/04	35	-	3,500,000	-	3,500,000
19/12/01	19/12/04	40	-	1,000,000	-	1,000,000
17/04/00	17/04/05	25	<b>333,333</b>	333,333	<b>333,333</b>	333,333
17/04/00	17/04/05	30	<b>333,333</b>	333,333	<b>333,333</b>	333,333
17/04/00	17/04/05	35	<b>333,334</b>	333,334	<b>333,334</b>	333,334
16/05/00	16/05/05	25	-	833,333	-	833,333
16/05/00	16/05/05	30	-	833,333	-	833,333
16/05/00	16/05/05	35	-	833,334	-	833,334
30/05/02	30/05/05	35	<b>1,333,332</b>	1,333,332	<b>1,333,332</b>	1,333,332
30/05/02	30/05/05	40	<b>1,333,333</b>	1,333,333	<b>1,333,333</b>	1,333,333
30/05/02	30/05/05	45	<b>1,333,335</b>	1,333,335	<b>1,333,335</b>	1,333,335
19/06/00	19/06/05	25	-	333,333	-	333,333
19/06/00	19/06/05	30	-	333,333	-	333,333
19/06/00	19/06/05	35	-	333,334	-	333,334
28/09/00	28/09/05	25	<b>1,000,000</b>	1,833,333	<b>1,000,000</b>	1,833,333
28/09/00	28/09/05	30	-	833,333	-	833,333
28/09/00	28/09/05	35	-	833,334	-	833,334
22/12/00	22/12/05	25	-	166,666	-	166,666
22/12/00	22/12/05	30	-	166,667	-	166,667
22/12/00	22/12/05	35	<b>166,667</b>	166,667	<b>166,667</b>	166,667
04/07/01	04/07/06	20	<b>333,333</b>	999,999	<b>333,333</b>	999,999
04/07/01	04/07/06	25	<b>333,333</b>	1,000,000	<b>333,333</b>	1,000,000
04/07/01	04/07/06	30	<b>333,334</b>	1,000,001	<b>333,334</b>	1,000,001
15/01/02	15/01/07	20	-	1,250,000	-	1,250,000
15/01/02	15/01/07	25	-	1,250,000	-	1,250,000
15/01/02	15/01/07	30	-	1,250,000	-	1,250,000
15/01/02	15/01/07	35	-	1,250,000	-	1,250,000
05/02/02	05/02/07	40	<b>333,333</b>	583,333	<b>333,333</b>	583,333
05/02/02	05/02/07	45	<b>583,333</b>	583,333	<b>583,333</b>	583,333
05/02/02	05/02/07	50	<b>583,334</b>	583,334	<b>583,334</b>	583,334
28/03/02	28/03/07	40	<b>1,833,333</b>	2,666,665	<b>1,833,333</b>	2,666,665
28/03/02	28/03/07	45	<b>1,833,332</b>	2,666,666	<b>1,833,332</b>	2,666,666
28/03/02	28/03/07	50	<b>1,833,335</b>	2,666,669	<b>1,833,335</b>	2,666,669
04/10/02	04/10/07	45	<b>1,275,000</b>	1,500,000	<b>1,275,000</b>	1,500,000
04/10/02	04/10/07	55	<b>1,500,000</b>	1,500,000	<b>1,500,000</b>	1,500,000
22/11/02	22/11/07	45	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
22/11/02	22/11/07	50	<b>1,000,000</b>	1,000,000	<b>1,000,000</b>	1,000,000
23/12/02	23/12/07	75	<b>4,500,000</b>	4,500,000	<b>4,500,000</b>	4,500,000
28/08/03	28/08/08	90	<b>1,500,000</b>	-	<b>1,500,000</b>	-
Total			<b>25,941,667</b>	57,950,000	<b>25,941,667</b>	57,950,000

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Note 16 : Reserves</b>				
Foreign currency translation	<b>(11,992,157)</b>	(434,547)	-	-
Foreign currency translation reserve				
Opening balance	<b>(434,547)</b>	856,156	-	-
Adjustment arising from the translation of foreign controlled entities financial statements	<b>(11,557,610)</b>	(1,290,703)	-	-
Closing balance	<b>(11,992,157)</b>	(434,547)	-	-

**Note 17: Accumulated Losses**

Accumulated losses at the beginning of the financial year	<b>(34,633,231)</b>	(25,913,823)	<b>(28,264,086)</b>	(25,608,929)
Net profit/(loss) attributable to members of the parent entity	<b>8,193,241</b>	(8,719,408)	<b>(2,444,265)</b>	(2,655,157)
Accumulated losses at the end of the financial year	<b>(26,439,990)</b>	(34,633,231)	<b>(30,708,351)</b>	(28,264,086)

**Note 18 : Outside Equity Interest**

Outside equity interest comprises:				
Share capital	<b>109,117</b>	109,117	-	-
Retained profits	<b>3,315,962</b>	140,438	-	-
	<b>3,425,079</b>	249,555	-	-

**Note 19 : Remuneration and Retirement Benefits**

**(a) Directors' Remuneration**

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors and any partners of related parties	<b>1,898,365</b>	1,305,905	-	-
Income paid or payable to all directors of the parent entity by the parent entity and any related parties	-	-	<b>793,554</b>	780,855



**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 19 : Remuneration and Retirement Benefits (cont'd)**

**(a) Directors' Remuneration (cont'd)**

Number of parent entity directors whose income from the parent entity and any related parties was within the following bands:

	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
\$ 0 - \$ 9,999	<b>1</b>	-	-	-
\$ 20,000 - \$ 29,999	-	2	-	2
\$ 40,000 - \$ 49,999	<b>2</b>	1	<b>1</b>	-
\$ 50,000 - \$ 59,999	<b>2</b>	1	<b>2</b>	1
\$ 70,000 - \$ 79,999	<b>1</b>	-	-	-
\$ 80,000 - \$ 89,999	<b>1</b>	-	<b>1</b>	-
\$ 90,000 - \$ 99,999	<b>1</b>	2	<b>1</b>	2
\$160,000 - \$169,999	<b>1</b>	-	<b>1</b>	-
\$180,000 - \$189,999	-	1	-	1
\$200,000 - \$209,999	<b>1</b>	-	-	-
\$220,000 - \$229,999	-	1	-	-
\$240,000 - \$249,999	<b>2</b>	-	-	-
\$260,000 - \$269,999	-	1	-	-
\$290,000 - \$299,999	-	1	-	1
\$300,000 - \$309,999	<b>2</b>	-	<b>1</b>	-

The names of parent entity directors who have held office during the financial year are:

P. R. Espie (retired 29/5/03)  
W. H. J. Barr (retired 29/5/03)  
O. L. Hegarty  
M. A. Eager  
P. Cassidy  
R. Beevor  
B. Cusack

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 19 : Remuneration and Retirement Benefits (cont'd)**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>(b) Executive Remuneration</b>				
Remuneration received or due and receivable by executive officers of the economic entity from entities in the economic entity and any related entities for management of the affairs of the economic entity where remuneration is \$100,000 or more.	3,019,776	2,785,856	-	-
Remuneration received or due and receivable by executive officers of the parent entity, from the parent entity and any related parties for management of the affairs of the parent entity and its subsidiaries, where remuneration is \$100,000 or more.	-	-	1,233,725	2,146,356

The number of executives whose income was within the following bands

	2003		2002		2003		2002
	No.		No.		No.		No.
\$110,000 - \$119,999	1		-		-		-
\$120,000 - \$129,999	3		-		-		-
\$140,000 - \$149,999	1		1		-		1
\$160,000 - \$169,999	-		1		-		1
\$180,000 - \$189,999	-		1		-		-
\$190,000 - \$199,999	-		1		-		-
\$200,000 - \$209,999	1		-		1		-
\$220,000 - \$229,999	-		1		-		1
\$230,000 - \$239,999	1		-		1		-
\$240,000 - \$249,999	2		-		1		-
\$250,000 - \$259,999	2		-		1		-
\$260,000 - \$269,999	-		2		-		1
\$290,000 - \$299,999	-		1		-		1
\$300,000 - \$309,999	2		-		1		-
\$320,000 - \$329,999	-		1		-		1
\$360,000 - \$369,999	1		-		-		-
\$730,000 - \$739,999	-		1		-		1

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 19 : Remuneration and Retirement Benefits (cont'd)**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>(c) Retirement and Superannuation Payments</b>				
Retirement benefits paid during the year by the parent entity to the directors in connection with their retirement	<b>216,200</b>	-	<b>216,200</b>	-

**Note 20: Auditors' Remuneration**

Remuneration of the auditor of the parent entity

- auditing or reviewing the accounts	<b>60,000</b>	16,927	<b>60,000</b>	16,927
- other services (includes due diligence, taxation and other services)	<b>93,580</b>	25,900	<b>93,580</b>	25,900

Remuneration of other auditors of subsidiaries for

- auditing or reviewing the accounts	<b>52,000</b>	26,732	-	-
- other services (includes due diligence, taxation and other services)	<b>40,000</b>	-	-	-

**Note 21 : Investment**

Name	Principal Activity	Ownership Interest		Carrying Amount of Investment	
		2003	2002	2003	2002
		%	%	\$	\$
Hellenic Copper Mines Ltd	Mining and Copper metal production	14.15	14.15	-	-

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 22 : Interest in Joint Venture**

During the year Oxiana Europe Limited increased its shareholding to 95% and Eastern Mediterranean Minerals (Cyprus) Limited became a controlled entity of Oxiana Europe Limited.

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	\$	\$	\$	\$
<b>(i) Retained earnings attributable to interest in joint venture</b>				
Balance at beginning of the financial year	-	352,074	-	-
Share of joint venture's operating loss after income tax	-	124,259	-	-
<b>Balance at the end of the financial year</b>	<b>-</b>	<b>476,333</b>	<b>-</b>	<b>-</b>
<b>(ii) Carrying amount of investment in joint venture entity</b>				
Share of operating loss after income tax	-	(124,259)	-	-
Add exchange rate variation	-	(335)	-	-
	-	459,250	-	-
<b>(iii) Share of Joint Venture entity's results and financial position</b>				
Current assets	-	47,332	-	-
Non-current Assets	-	1,247,422	-	-
<b>Total Assets</b>	<b>-</b>	<b>1,294,754</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>	<b>-</b>	<b>605,103</b>	<b>-</b>	<b>-</b>
Revenue	-	-	-	-
Expenses	-	124,259	-	-
<b>Operating Loss before income tax</b>	<b>-</b>	<b>124,259</b>	<b>-</b>	<b>-</b>
Operating loss after income tax	-	124,259	-	-
Opening accumulated losses	-	352,074	-	-
<b>Closing accumulated losses</b>	<b>-</b>	<b>476,333</b>	<b>-</b>	<b>-</b>

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 23: Subsidiaries**

**(a) Subsidiaries and Contribution to profit /(loss).**

	Country of Incorporation	Investment		Contributions to profit (loss)	
		2003 \$000's	2002 \$000's	2003 \$000's	2002 \$000's
<b>Parent Entity</b>					
Oxiana Limited	Australia	-	-	(2,444)	(2,655)
<b>Subsidiaries of Oxiana Limited</b>					
Oxiana Europe Ltd (including Eastern Mediterranean Minerals (Cyprus) Ltd)	Channel Islands	7,587	7,587	(745)	52
Oxiana Resources Laos Limited (including Lang Xang Minerals Limited)	Cayman Islands	411	411	12,702	(5,626)
Oxiana Phillipines Inc	Philippines	1,815	1,815	(1,320)	(490)
Anacorte Pty Ltd	Australia	299	299	-	-
Wakefield Mining and Metals NL	Australia	88	88	-	-
		<b>10,200</b>	<b>10,200</b>	<b>8,193</b>	<b>(8,719)</b>
Less Provision for diminution		<b>(5,808)</b>	<b>(5,808)</b>		
		<b>4,392</b>	<b>4,392</b>		

- (b)** All subsidiaries with the exception of Oxiana Resources Laos Limited and Eastern Mediterranean Minerals (Cyprus) Limited are owned 100% (2002 - 100%).
- (c)** Oxiana Resources Laos Limited is owned 80% (2002 - 80%) and Eastern Mediterranean Minerals (Cyprus) Limited is owned 95% (2002 - 60%)
- (d)** Oxiana Phillipines Inc, Oxiana Resources Laos Limited and Eastern Mediterranean Minerals (Cyprus) Limited were audited by firms other than the auditor of the parent entity.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 24: Segment Reporting  
Primary Reporting**

<b>Geographical Segments - based on location of each project area</b>								
		Australia \$	Europe \$	Philippines \$	Laos \$	Provision for Diminution \$	Unallocated recovery (expense) – net \$	Consolidated \$
Operating revenue	2003	705,736	-	137	87,428,164	-	-	88,134,037
	2002	417,428	-	9,971	7,554	-	-	434,953
Segment results	2003	(2,444,265)	(744,887)	(1,319,702)	12,702,095	-	-	8,193,241
	2002	(2,655,157)	50,518	(25,529)	(3,864,222)	-	(2,225,018)	(8,719,408)
Segment assets	2003	37,781,750	2,427,438	6,369,102	169,926,106	(4,554,009)	-	211,950,387
	2002	17,846,969	1,536,985	7,240,226	120,540,123	(3,800,000)	-	143,364,303
Segment liabilities	2003	(2,500,032)	-	185,525	(19,734,018)	-	-	(22,048,525)
	2002	(4,405,583)	-	54,787	(33,882,042)	-	-	(38,232,838)
Segment depreciation	2003	41,310	-	-	20,368,157	-	-	20,409,467
	2002	23,942	-	-	-	-	-	23,942
Segment write down of exploration assets	2003	215,019	-	-	-	-	-	215,019
	2002	85,292	-	-	-	-	-	85,292
Segment investment in associates	2003	-	-	-	-	-	-	-
	2002	-	459,250	-	-	-	-	459,250
Segment equity accounting proceeds	2003	-	-	-	-	-	-	-
	2002	-	84,524	-	-	-	-	84,524
Acquisition of property	2003	1,641,993	-	203,932	82,017,402	-	-	83,863,327
	2002	114,477	-	-	8,631,984	-	-	8,746,461

**Accounting Policies**

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1. The geographical segments identified in the primary reporting disclosures are not materially different to the industry and geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, property, plant and equipment and deferred exploration expenditure, net of related provisions.

**OXIANA LIMITED ABN 40 005 482 824  
AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 24 : Segment Reporting (cont'd)**

While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage.

Segment liabilities consist primarily of loans, trade and other creditors, and employee entitlements. Segment assets and liabilities do not include income taxes.

**Inter-Segment Transfers**

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's length" basis and are eliminated on consolidation.

**Secondary Reporting - Business Segments**

The consolidated entity operates predominately in one business segment being the gold and copper mining and exploration industry.

**Note 25: Related Parties**

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

**(a) Directors**

The names of directors who held office during the financial year are identified in Note 19.

**(b) Directors Remuneration**

Information on remuneration of directors is disclosed in Note 19.

**(c) Share Transactions of Directors**

Directors and director – related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in the economic entity:

	<b>Economic Entity</b>		<b>Parent Entity</b>	
	<b>2003</b>	2002	<b>2003</b>	2002
	<b>000's</b>	000's	<b>000's</b>	000's
Ordinary shares	23,787	29,038	23,787	29,038
Partly paid shares	-	433	-	433
Options over ordinary shares	5,620	23,000	5,620	23,000

**(d) Other Transactions of Directors and Director-Related Entities**

Mr. Paul Espie is a Director and shareholder of Pacific Road Corporate Finance. Prior to Mr Espie retiring as a director in May 2003, Pacific Road Corporate Finance was paid \$108,999 (2002 - \$675,000) in connection with advisory fees for the Sepon Copper Project financing.

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Economic Entity		Parent Entity	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>Note 26 : Cash Flow Information</b>				
<b>(a) Reconciliation of Cash Flow from Operations with Profit / (Loss) from Ordinary Activities after Income Tax</b>				
Operating Profit/(loss) from ordinary activities	11,368,765	(9,685,464)	(2,444,265)	(2,655,157)
Non-cash flows in operating loss				
(Gain)/loss on sale of plant, property and equipment	(401)	(1,942)	(401)	(1,942)
Depreciation of property, plant and equipment	20,393,760	8,235	41,310	23,942
Amortisation of goodwill	15,707	15,707	-	-
Charges to provisions	232,890	79,272	(78,439)	79,272
Exploration expenditure written off	215,019	85,292	215,019	85,292
Provision for diminution	754,009	1,166,648	754,009	1,166,648
Doubtful Debt	3,717	-	-	-
Exchange rate losses	21,383,117	7,061,732	-	-
Share of associated companies operating (profit)/losses	-	(84,524)	-	-
Changes in assets and liabilities				
Increase in receivables	(13,616,699)	(1,921,527)	(249,199)	(429,170)
Increase/(decrease) in creditors	(4,703,715)	950,880	(1,827,012)	(30,545)
Net cash provided by / (used in) operating activities	<u>36,046,169</u>	<u>(2,325,691)</u>	<u>(3,588,978)</u>	<u>(1,761,660)</u>

**Economic Entity  
2003                  2002**

**Note 27: Earnings Per Share**

(a) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	867,590,872	562,928,289
(b) Classification of Securities. The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:		
– options outstanding	8,834,121	4,946,444



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 28 : Interest in Mining Tenements**

At the date of the Directors' Report, the Company's interests in mining and exploration tenements were as follows:

Area	Description	% Interest	Area	Description	% Interest
Mt Crawford	PL 38/2444	100	Sepon	MEPA	80
Mt Crawford	PL 38/2445	100	Kallikadhes	EP-0016-CYP	100
Panaon Island	EP-00001-VII	100	Kreadis	EP-008-CYP	100
Southern Leyte	EP-00002-VII	100	Vasilis	EP-0024-CYP	100
Surigao	EP-00015-XIII	100	Kaledhra	EP-0023-CYP	100
Pao	EP-00014-II	100	Petra East	EP-005-CYP	100

**NOTE 29 : Superannuation Commitments**

The economic entity contributes to the individual superannuation plans of each employee.

Benefits provided under the plan are based on accumulated contributions and earnings for each employee.

**Note 30: Financial Instruments**

**(a) Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted		Floating		Fixed Interest		Non Interest		Total	
	Average Effective		Interest Rate		Rate		Bearing		Total	
	Interest Rate %		\$000		Within Year		\$000		\$000	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
			\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>										
Cash	5.05	3.2	34,918	14,748	-	-	-	-	34,918	14,748
Receivables	-	-	-	-	-	-	5,064	2,695	5,064	2,695
<b>Total Financial Assets</b>	-	-	<b>34,918</b>	<b>14,748</b>	-	-	<b>5,064</b>	<b>2,695</b>	<b>39,982</b>	<b>17,443</b>
<b>Financial Liabilities</b>										
Trade and Sundry creditors	-	-	-	-	-	-	8,520	5,068	8,520	5,068
Loans	-	-	-	-	-	-	11,807	33,007	11,807	33,007
<b>Total Financial Liabilities</b>	-	-	-	-	-	-	<b>20,327</b>	<b>38,075</b>	<b>20,327</b>	<b>38,075</b>

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 30: Financial Instruments (cont'd)**

**(b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**(c) Net Fair Values**

The net fair values for unlisted investments, where there is no organised financial market, has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The carrying value of the financial assets and liabilities is equal to the net fair value.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The carrying value of the financial assets and liabilities is equal to the net fair value.

**Note 31: Contingent Asset**

On 15 October 2001 a total of 1,059,685 shares were sold in HCM. In accordance with the Sale Agreement further payments will be received if copper prices rise significantly. The company will recognise revenue when they become entitled to the payments.

**OXIANA LIMITED ABN 40 005 482 824  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**Note 32: Capital Expenditure Commitments**

	Economic Entity		Parent Entity	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>(a) Capital Expenditure Commitments</b>				
Capital expenditure commitments contracted for:				
Capital expenditure projects	<b>229,050</b>	44,266	-	-
	<b>229,050</b>	44,266	-	-
Payable				
- not later than 1 year	<b>214,139</b>	44,266	-	-
- later than 1 year but not later than 5 years	<b>14,911</b>	-	-	-
	<b>229,050</b>	44,266	-	-

A controlled entity of the company (LXML) has agreements with a number of suppliers for capital works. These contracts contain cancellation clauses, should all of these contracts be so cancelled the approximate cost at the end year 2003 would be US\$ 25m.

	Economic Entity		Parent Entity	
	2003 \$	2002 \$	2003 \$	2002 \$
<b>(b) Operating Lease Commitments</b>				
<b>Non-cancellable operating leases. Contracted for but not capitalised in the financial statements</b>				
Payable:				
- not later than 1 year	<b>190,303</b>	139,873	<b>190,303</b>	139,873
- later than 1 year but not later than 5 years	<b>387,055</b>	495,963	<b>387,055</b>	495,963
	<b>577,358</b>	635,836	<b>577,358</b>	635,836

The property lease is a non –cancellable lease with a five year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the five year term for an additional term of five years.

**(c) Other Commitments**

Under the farm-in agreement with Minotaur at the Prominent Hill Project the company can spend up to A\$8.5m within the next three years to obtain a joint venture interest of 51% in the project.

**Note 33: Subsequent Event note**

On 20 January 2004 Oxiana Limited announced that it had reached agreement to acquire Rio Tinto's 20% interest in the Sepon Project in Laos for US\$85m (approximately A\$113m). It also announced that it will undertake a major expansion of the Sepon Gold Operation and accelerate a number of other copper and gold exploration and development plans. These initiatives will be funded by way of a fully underwritten 1 for 4 Renounceable Rights Issue to all eligible shareholders at a price of 80 cents per new share to raise approximately A\$189million.



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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF OXIANA LIMITED**

### **Scope**

#### *The Financial Report and Directors' Responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Oxiana Limited (the company) and its controlled entities (collectively referred to as the consolidated entity), for the year ended 31 December 2003.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entities financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and

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- b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**Audit Opinion**

In our opinion, the financial report of Oxiana Limited and its controlled entities:

- gives a true and fair view of the financial position of Oxiana Limited and the consolidated entity at 31 December 2003, and of their performance for the year ended on that date; and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia.

*MGI Meyrick Webster*  
**MGI Meyrick Webster**

*David Nairn*  
**David Nairn**  
Partner

**Melbourne**  
**18th February 2004**