

SPINFEX GOLD LIMITED

ABN 13 064 445 870

ANNUAL REPORT

2003

SPINIFEX GOLD LIMITED

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SPINIFEX GOLD LIMITED

CORPORATE DIRECTORY

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Quotation of Securities

Australian Stock Exchange - code "SPX"
and "SPXO"

Berlin Stock Exchange - code "SPX"

World Wide Web

www.spinifexgold.com

SPINIFEX GOLD LIMITED

REVIEW OF OPERATIONS

REVIEW OF OPERATIONS

TANZANIA

OVERVIEW

In October 2002, a renounceable rights issue was completed to raise \$7.9 million, net of costs. The funds were raised primarily to intensify exploration and development programs on the Company's properties in Tanzania, in particular the highly prospective Buckreef / Rwamagaza project. The Company also planned to pursue the acquisition of new properties containing known resources that adjoin or are in close proximity to the existing Tanzanian projects.

As has been foreshadowed in the past, an important corporate objective has been to pursue farm-in and joint venture arrangements and / or a merger with another Africa focussed company. During the year, the Company announced a merger with Gallery Gold Ltd (ASX code: GGN) by way of a Scheme of Arrangement. Gallery's mineral projects are in Botswana and its focus has been on the completion of a final feasibility study at the 590,000 ounce Mupane gold project, with the objective of commencing production in late 2004. A successful merger will result in a company with a production and an exploration profile and a market capitalisation that will rank in the top fifteen Australian gold companies. Spinifex shareholder and optionholder meetings have been convened for 10 October 2003 to vote on the merger proposal. If the merger is successfully concluded, Spinifex will become a wholly owned subsidiary of Gallery and Spinifex shareholders will receive 2.4 Gallery shares for each Spinifex share. Spinifex optionholders will receive 0.46 Gallery share for each Spinifex option exercisable at \$1.60 on or before 30 June 2006.

Following a heads of agreement in November 2002, Spinifex and fellow shareholder, Sub-Sahara Resources NL agreed to dispose their 45% and 25% interests respectively in Ikina Reefs Ltd (the licence holder of the Ikina property, which is next to the world class 18m oz Bulyanhulu deposit) to the other stakeholder, Lakota Resources Inc, a Canadian company listed on the Toronto Venture Exchange. The sale was concluded in March 2003 and Spinifex received 800,000 shares in Lakota (approximately 6.3% of the issued capital) as consideration. As the sole holder of the Ikina property as well as other areas in close proximity, Lakota is in a strong position to maximise the value potential of this highly attractive location.

A major exploration program to increase the resource base at Buckreef / Rwamagaza was initiated during the year and will continue once the merger with Gallery Gold is completed. To date, drilling at Buckreef has covered a strike length of 1,360m of the main Buckreef structure down to a maximum depth of 200 vertical metres and tested the mineralised potential of Buckreef West and several ENE orientated "hanging-wall" structures. Future drilling at Buckreef will focus on defining mineralisation within a 400m long high grade ore chute at depth and will follow up on targets defined earlier. Exploration on the Rwamagaza group of licences was focused on extensive soil sampling programmes and minor Diamond and RC drilling. Several new coherent soil anomalies, one of which strikes for 2km, with good structural support will be drilled once the proposed merger with Gallery Gold is concluded. Resource drilling is also planned in areas of known mineralisation. There appears excellent potential for achieving the medium term objective of defining sufficient resources on the Buckreef and surrounding Rwamagaza tenements to support a stand alone mining operation.

Managers, Resolute Mining Ltd, defined good mineralisation in several prospect areas within the Nyakafuru Joint Venture. Prospective areas are planned to be followed up with drilling and geophysics.

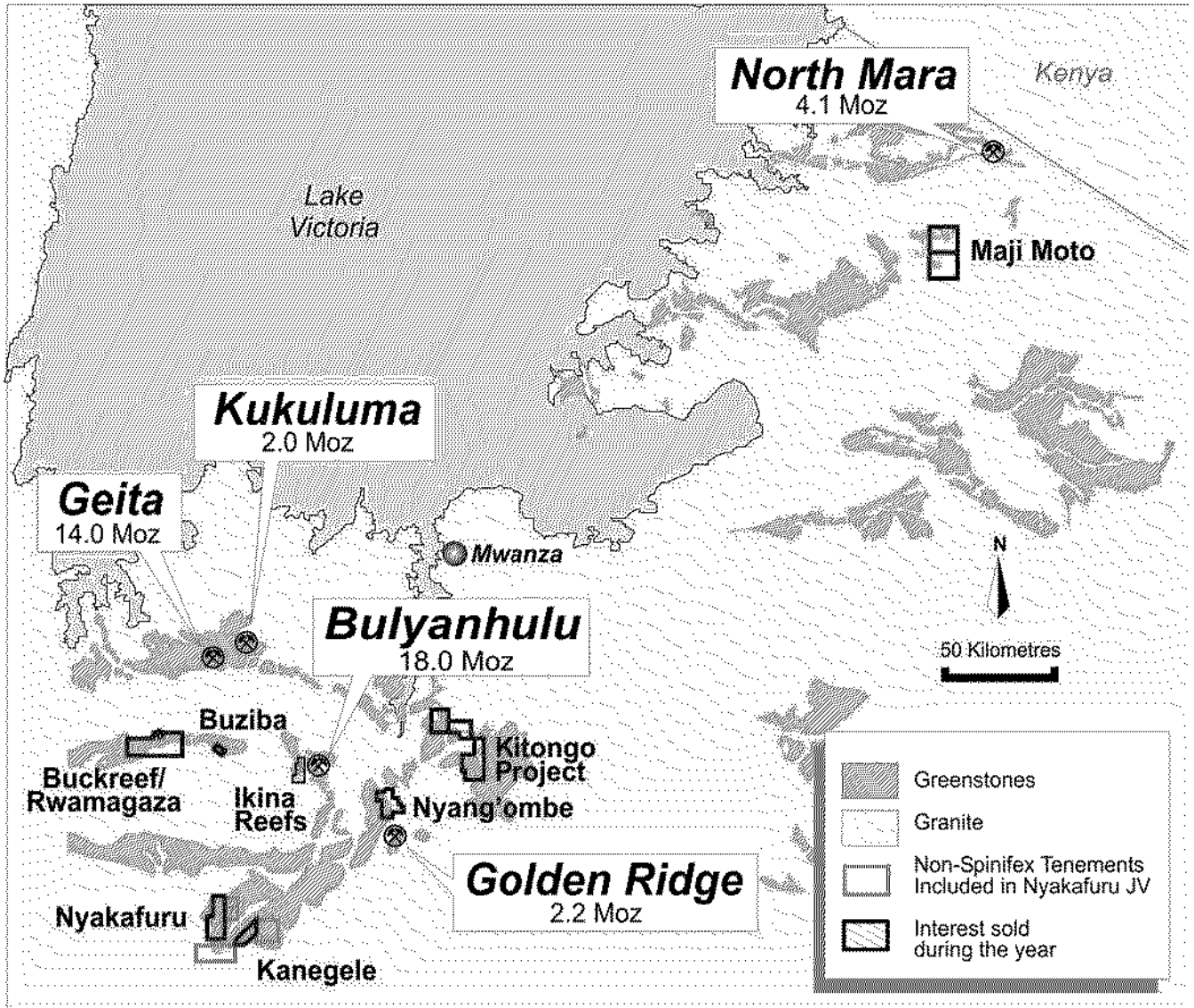
Several new target areas with geochemical and drilling support were identified in a recent interpretation of data from the Kitongo group of licences. A RAB and RC drilling programme to define sufficient combined resources to support a stand alone mining operation in the area will commence once the proposed merger with Gallery Gold is completed.

The Company will continue to evaluate the prospectivity of new ground with potential to increase the resource base so that the merged entity may become a significant new Pan-African company.

SPINIFEX GOLD LIMITED
REVIEW OF OPERATIONS

TANZANIA

Project Location Map



SPINIFEX GOLD LIMITED

REVIEW OF OPERATIONS

BUCKREEF/RWAMAGAZA (Spinifex – 80% Interest)

Buckreef

The Buckreef Project is located within the Buckreef Mining Licence (ML 04/92), some 35km south west of Ashanti/Anglo's Geita Project and 17km south of the main Mwanza – Bukoba road, approximately 40km from Nukwe Port on Lake Victoria.

The Buckreef ML is located to the north of the Rwamagaza Prospecting Licence PL215/94, covering a reduced area of 42km² in the central part of the Rwamagaza Greenstone belt.

The Buckreef mineralised zone lies on a major north-north east trending shear structure close to the northern margin of the Rwamagaza Greenstone Belt. The structure can be traced in airborne magnetics transecting the entire Rwamagaza Belt and further north east through the granite terrain towards the Geita and Lone Cone gold deposits in the Geita Greenstone Belt.

During the year, a combined Diamond, Reverse Circulation (RC), Rotary Air Blast (RAB), and Air Core (AC) drilling programme was completed on the Buckreef and peripheral structures. Seven Diamond holes for 1,558m (including 705 RC pre-collar metres) and 48 RC holes for 5,124m covered a strike length of 1,360m of the main Buckreef structure and tested the mineralised potential of Buckreef West and several ENE orientated “hanging-wall” structures. Drilling to upgrade the open pit resource of the main structure targeted high grade chutes interpreted to plunge steeply to the north (80deg) between 2120mN and 2540mN and tested mineralisation to the north where drilling was limited to 50-70m below surface (2600mN-2900mN).

Best intersections included 20m @ 3.31g/t Au from 229-249m in BMRC237 (2220mN), 11m @ 6.48g/t Au from 12-23m in BMRC285 (2235mN), 10m @ 5.39g/t Au from 24-34m in BMRC284 (2240mN), 12m @ 6.00g/t Au from 201-213m in BMRC246 (2280mN), 25m @ 3.89g/t Au from 154-179m (incl 9m @ 8.05g/t) in BMRC247 (2340mN), and 11m @ 7.63g/t Au from 225-236m in BMDD024 (2480mN) for the high grade zone. The longitudinal section (Figure 1) shows an interpreted high grade zone of mineralisation which plunges steeply to the SW. High grade mineralisation is interpreted to continue sub-vertically to as yet untested depth.

To the north intersections are typically broad, lower grade and associated with pervasive carbonate-sericite-albite alteration, weak pyrite and minor silica. Best intersections included 38m @ 1.89g/t Au from 102-140m in BMRC245 (2600mN), 34m @ 1.89g/t Au from 29-63m in BMRC241 (2620mN), 22m @ 3.00g/t Au from 73-95m in BMRC252 (2620mN), 29m @ 2.51g/t Au from 132-161m (incl 3m @ 10.07g/t) in BMRC242 (2700mN) and 12m @ 2.16g/t Au from 18-30m BMRC268 (2900mN).

Significant mineralisation was intersected in the northern zone, which showed continuity down to 200m below surface coupled with an increase in grade and width at depth on many sections. Mineralisation is open to the north by at least 80 metres. Further drilling is required.

Limited drilling was carried out on the main structure to the south and remains to be followed up with further drilling.

The Buckreef West zone (060deg) trends obliquely to the Buckreef Main structure (030deg) and has been drilled over a strike length of 200m. The shear appears to merge with the Main Zone at roughly 2500mN. The Buckreef West structure together with several sub-parallel ENE orientated “hanging-wall” structures will contribute to the total resource. A best intersection of 3m @ 10.96g/t Au from 49-52m in BMRC266 was reported.

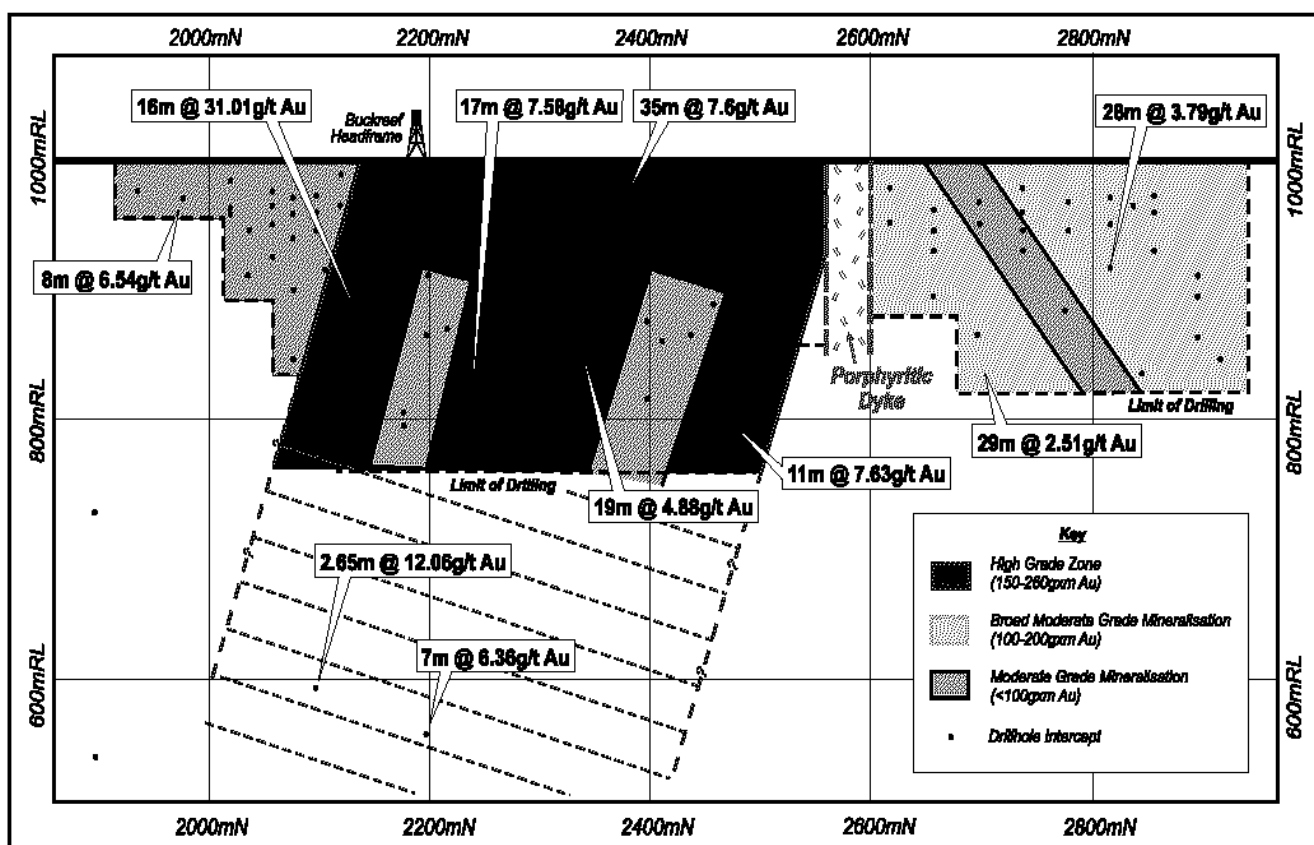
SPINIFEX GOLD LIMITED

REVIEW OF OPERATIONS

One hundred and thirty seven (137) Air Core holes for 3,242m and 12 RAB holes for 600m were completed on strike to the north and south or adjacent to the Buckreef structure. Most significant intersections to be followed up with RC drilling included 4m @ 1.56g/t Au from 0-4m in BRAC1096, 16m @ 1.24g/t Au from 0-16m in BRAC 1104 and 8m @ 0.97g/t Au from 4-12m in BRAC1164.

The resource of 614,000oz @ 4.08g/t Au was published in 2001 and has not changed significantly as further drilling programs were curtailed in an effort to conserve funds.

A detailed Diamond drilling programme to define mineralisation within the 400m long high grade ore chute 300-500m below surface will be announced and will commence once the proposed merger with Gallery Gold is finalised. Two intersections drilled by Ashanti in this zone included 2m @ 18g/t and 7m @ 6.36g/t Au which confirmed good mineralisation down to depths greater than 400m below surface.



Buckreef Main Zone - Interpreted Longitudinal Section

Figure 1: Buckreef Project: Interpreted Longitudinal Section

Rwamagaza

The Rwamagaza group of prospecting licences, totalling 76km², lie 30km south west of Geita and encompass the Buckreef licence. The Rwamagaza shear zone, a major east-west ductile shear structure covers an area of roughly 17.5km by 1km in the southern part of the Rwamagaza prospecting licence. Small scale workings by artisanal miners are found along the entire strike length within the licence.

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REVIEW OF OPERATIONS

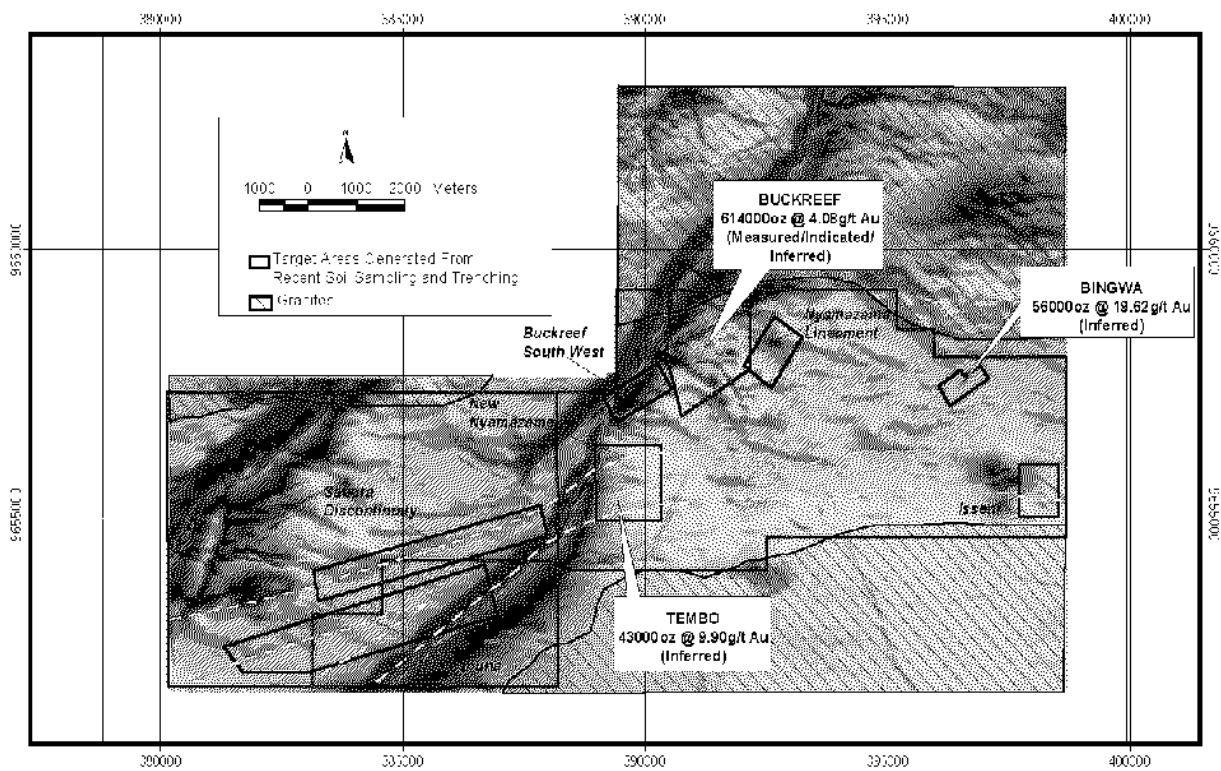
During the year, the Company exercised its options over 5 Primary Mining Licences (PML), which had been excised from its Rwamagaza project prospecting licence PL 215/94. Consequently, the area the subject of those Primary Mining Licences is now included in the Rwamagaza Licence. The recently acquired PMLs' cover the Tembo Prospect within the central Rwamagaza shear zone with an inferred resource of 43,000oz @ 9.90g/t Au.

Exploration on the Rwamagaza group of licences was limited to 3 Diamond holes for 308m, 4 RC holes for 502m, 6 trenches for 158m and extensive soil sampling programmes during which 4,822 samples were collected.

A planned RAB and RC drilling programme of more than 17,000m and 2,000m respectively will be announced and will commence once the proposed merger with Gallery Gold is concluded. The drilling programme will focus on:

- New coherent soil anomalies with good structural support defined by recent sampling in the Sabora, Buckreef Southwest and Nyamahuna Prospect areas; and
- Defining the continuity of known mineralisation at New Nyamazama, Nyamazama Lineament and Isseni.

Figure 2: RAB and RC Drill Target Areas draped on the Total Magnetic Image



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Tembo Prospect

Two Diamond holes, TMDD001 and TMDD002, were drilled for structural information and to determine controls on high grade mineralisation in TMRC016 (14m @ 11.47g/t Au) and TMRC004 (6m @ 8.08g/t Au) respectively within a continuous EW orebody of approximately 600m. Best gold mineralisation is strongly associated with late stage quartz veins intruded slightly oblique (021deg) to the main shear orientation (W-E). TMDD001 reported a best intersection of 2.45m @ 6.18 g/t Au from 60.8-63.25m including 0.45m @ 16.3g/t Au.

Fifty-nine Air Core holes (TMAC199 - 258) were completed on 4 sections west of the Tembo deposit. Significant intersections including 4m @ 1.64g/t Au from 8-12m in TMAC220 and 32m @ 0.83g/t Au from 12-44m in TMAC240 will be followed up in the planned drilling programme.

Bingwa Prospect

One Diamond hole (BGDD001) was drilled oblique to and under BGRC005 (9m @ 52.57g/t Au from 42-51m) to determine the style and orientation of mineralisation discovered through previous exploration. Due to the deep weathering profile, the hole failed to confirm whether mineralisation is associated with a major NE structure identified in the magnetics with soil geochemical support for 800 metres or confined to a series of NW trending structures parallel to the granite contact in the north.

Moderate gold values intersected in four narrow zones between 45-60m included 1.1m @ 3.19g/t Au from 58.3-59.4m.

A single trench over BGRC005 confirmed a strike of 070deg dipping steeply to the south but had to be abandoned prior to completion. A 2m quartz vein (2m @ 36.7g/t Au) was exposed in sheared mafic saprolite which returned a combined result of 6m @ 13.29g/t Au.

Miombo Prospect

Four RC holes (RMRC137 -140) were drilled at Miombo where gold mineralisation is inferred over a strike length of 80-100m. Intense shearing and quartz veining was intersected in all holes with the only significant mineralisation reported for RMRC139 (4m @ 6.44 g/t Au from 74 - 78m before passing into underground workings between 80 - 85m).

Infill drilling down to 60 metres at 40m line spacings could define a resource for the Miombo Prospect.

Isseni Prospect

Artisanal miners have exposed 3 en echelon quartz veins to the east of the Rwamagaza licence in the Isseni area. Four artisanal pits were channel sampled in the southernmost group of workings. A best result of 0.8m @ 20.5g/t Au was reported.

Gold in soil anomalies suggest mineralisation continues for at least 200m on strike from the workings. RC drilling will test mineralisation down to 60 vertical metres.

Soil Geochemistry

At New Nyamazama, a broad shear zone orientated 060-070deg returned 7m @ 0.31g/t Au (max 1m @ 0.73g/t Au) adjacent to NMRC001 (2m @ 5.47 g/t Au from 24-26m and 12m @ 12.36 g/t Au from 36-48m). This trend has continuous geochemical support for 500m (max 554ppb) to the SW.

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Soil Sampling

Extensive soil sampling programmes were completed on 80-160 x 40m spacings on the Miombo, Isseni, Nyanturi, Serengeti, Nyamazama, Nyamahuna and Sabora grids. Infill soil samples were also collected at 80 x 40m centres to confirm and define the extent of known anomalism and to define areas of relinquishment in the pending Rwamagaza West licence renewal.

At Rwamagaza West, a coherent soil anomaly with magnitude greater than 14ppb Au (max 115 ppb Au) was defined over a strike of 2km immediately west of the Nyamahuna Prospect area while anomalism along the 4km Sabora Discontinuity adjacent to the banded iron formation was less continuous and often limited to single line anomalies.

Continuous gold in soil anomalies with magnitudes of 8-1090ppb Au were defined in all other prospect areas and will be followed up in the pending drilling programme.

NYAKAFURU JOINT VENTURE (Manager – Resolute Mining Ltd)

Nyakafuru (Spinifex - 100%; Resolute earning up to 66%)

The Nyakafuru Prospecting Licence covers an area of 67km², is located 55km south east of the Buckreef Mining Licence and straddles the main Isaka-Burundi Highway.

The resource previously calculated by Spinifex using a cross sectional polygonal method in 2001 for 730,000oz @ 6.32g/t Au at a 2g/t cut off remains unchanged.

Surface exposure within the Nyakafuru Project area is poor. Granites outcrop in the north and southwest. Dominant lithologies from drilling include mafic volcanics and dolerite intrusives, mafic to intermediate tuffaceous/volcaniclastic units, minor chert and quartz-feldspar porphyry intrusives. A series of N-S trending strongly magnetic Proterozoic dolerite dykes transgress the property.

The volcanics on the licence are typically covered by a thin (commonly 5-8m thick) ferricrete horizon sometimes exposed on surface as hardpan or covered by red/brown pisolithic soils. Extensive “mbuga” clays overlie the granite-greenstone contacts and 2 major regional NW-SE shear zones. The ferricrete horizon is underlain by 20-35 metres of saprolite.

Artisanal miners have exposed 11 N-S trending auriferous reefs/shears in the mafic volcanics to the north.

Gold mineralisation at Nyakafuru has a strong structural and lithological control and is hosted by sericite-dolomite-silica altered fine-grained basalts and coarser grained doleritic units. Best gold grades are reported from the steeply dipping north-south shears with intense silica flooding, quartz veining, carbonate alteration and prominent sulphides. Gold occurs mostly as fines in pyrite. Visible gold is rare.

Five Diamond holes (NPD043-NPD047) at Nyakafuru for 756m (including 96m pre-collars) were drilled to confirm mineralisation defined previously by Spinifex and for structural studies on Reef 2 East. Significant intersections included 15m @ 4.46g/t Au from 73-88m in NPD044, 19.18m @ 3.99g/t Au from 107-126.18m including 9.35m @ 4.57g/t Au from 112-121.35m and 3.18m @ 8.98g/t Au from 123-126.18m in NPD046 and 16.5m @ 4.08g/t Au from 72.5-89m and 8.09m @ 19.66g/t Au from 106.28-114.37m in NPD047.

Comparisons between the recent Resolute diamond core intercepts (gram-metres) and the corresponding intercepts (i.e. above and below) from previous RC and diamond drilling revealed a moderate variation as expected for high-grade gold mineralisation. In some instances they have been broader lower grade intercepts but generally they confirm the high grade erratic gold distribution previously encountered due to abundant fine free gold.

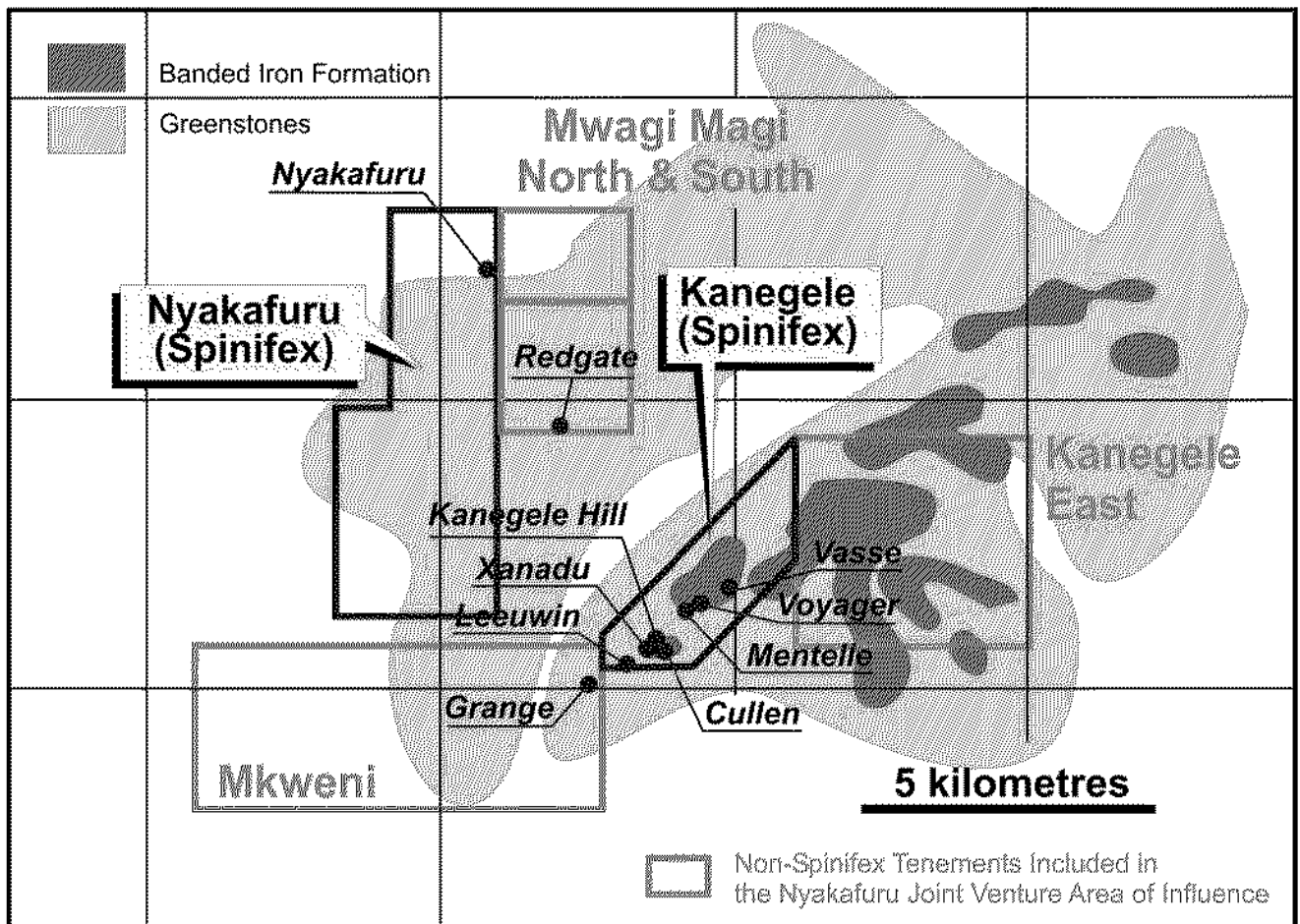
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Fifteen RC holes (NPRC324-NPRC338) were drilled for 1,162m to test the mineralised potential of co-incident weak to moderate resistivity and chargeability highs identified in the recent IP survey and to test for gold mineralisation up dip of NPD001 (7.7m @ 8.96 g/t Au from 40-47.7m). The best result for the latter was from NPRC331 towards the middle of Reef 6, which intercepted pyritic, quartz veined, silica-sericite altered schist from 85 – 101m and reported 4m at 2.62g/t Au from 86-90m and 7m at 2.76g/t Au from 92-99m. NPRC338 drilled up dip of NPD001 was extended into the footwall to test for mineralised repetitions at depth. Results included 11m @ 3.45g/t Au from 14-25m, 1m @ 0.64g/t Au from 70-71m, and 1m @ 0.50g/t Au from 92-93m.

Eighty-eight Air Core holes for 2,333m were drilled across three priority targets outlined in the recently completed Induced Polarity (IP) survey. Drilling encountered favourable sheared and quartz veined lithologies. Results are pending.

Two separate IP surveys for a total of 140.2 line kilometres were completed over all exposed reefs to the north of the Nyakafuru licence. The grids were also extended to the north and south. There is an excellent correlation between the surface expression of known mineralisation and resistivity for the Reef 2 East and 2 West ore bodies, which display resistivity highs up to 5 times that of background levels. Smaller amplitude resistivity highs are coincident with Reef 6 and Reef 3. A number of additional north and northwest striking resistivity targets were also delineated to the north and parallel to several known reefs. The chargeability data is noisier than the resistivity. Reef 2E shows a very high chargeable anomaly, representing either an increase in sulphides and/or decrease in grain size.

Figure 3: Nyakafuru Joint Venture Prospect Locations



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REVIEW OF OPERATIONS

Kanagele (Spinifex earning up to 65%; Resolute earning up to 66% of Spinifex's interest)

Voyager Prospect

Two pre-collared Diamond holes (KGD001 and follow up KGD003) were drilled to test the down dip continuity of gold mineralisation encountered in earlier RC holes KRC065 (21m @ 3.51g/t Au) and KGRC001 (20m @ 1.76g/t Au) and to obtain lithological and structural information within fresh mineralisation. KGD001 intersected a broad zone of supergene gold mineralisation within a package of strongly altered and brecciated sediments and mafic volcanics within the RC pre-collar. A best gold intercept of 60m @ 2.81g/t Au from 59-119m including 15m @ 7.79g/t from 75-90m was reported. KGD003 drilled 80 metres behind KGD001 intersected several narrow quartz-pyrite filled breccia zones throughout the 111m diamond tail.

Nineteen RC holes (KGRC001 and KGRC010-27) were drilled to define the mineralised zones on current sections and to intercept mineralisation along strike to the north and south of KGD001. Deeply weathered mafic volcanics, intermediate clastic sediments and minor felsic porphyry units were intersected. Quartz veining, sericite-carbonate alteration, pyrite boxworks, and fresh pyrite were observed in both mafic and sedimentary units. Best intersections included 20m @ 1.76g/t Au from 79-99m in KGRC001, 70m @ 1.34g/t Au from 28-98m in KGRC011, 19m @ 2.92g/t Au from 7-26m including 12m @ 3.8g/t Au from 12-24m in KGRC013, 70m @ 1.43g/t Au from 1-71m including 12m @ 3.2g/t Au from 53-65m in KGRC014, 15m @ 2.63g/t Au from 47-62m in KGRC015, 5m @ 9.8g/t Au from 103-108m in KGRC017 and 8m @ 7.01g/t Au and 16m @ 2.38g/t Au from 26-42m in KGRC019.

Mentelle Prospect

One Diamond hole, KGD002, was drilled 588m south of KGD001 to test the previously named 4300E anomaly RAB drilled by Pangea Minerals in 1998. The hole steepened considerably in the pre-collar, eventually hitting the target well below the planned depth. Very encouraging broad zones of low-grade gold mineralisation were encountered in brecciated mafic volcanics; higher grades associated with strong quartz-pyrite alteration. Better gold intercepts included 168m @ 0.63g/t Au from 70-238m including 6m @ 2.56g/t Au from 145-151m and 2m @ 4.29g/t Au from 236-238m.

Seventeen RC holes for 1,371m were drilled to infill and extend current zones of mineralisation. Significant intercepts of shallow mineralisation encountered included 37m @ 1.28g/t Au from 20-57m in KGRC054, 16m @ 2.11g/t Au from 19-35m in KGRC055 and 13m @ 3.79g/t Au from 53-66m including 4m @ 11.10g/t Au from 53-57m in KGRC069.

Xanadu Prospect

Three RC holes (KGRC002-KGRC004) were drilled to test a line of artinsinal workings at the southwestern end of Kanagele Hill. Hole KGRC003 intersected a wide zone of low-grade mineralisation of 18m @ 0.57g/t Au from 64-82m. Mineralisation is associated with an intercalated oxidised BIF/ shale sequence and narrow felsic porphyry intrusives.

Kanagele Hill Prospect

Five RC holes (KGRC005-KGRC009) were drilled to follow up on anomalous gold in soil results on Kanagele Hill. Wide zones of low-grade mineralisation were encountered in an intercalated oxidised BIF/ shale sequence with narrow felsic porphyry intrusives. Results included 21m @ 0.40g/t Au from 66-87m and 12m @ 0.79g/t from 99-111m in KGRC005 and 8m @ 0.96g/t from 39-47m in KGRC008.

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Cullen Prospect

Twenty-six RC holes (KGRC028-KGRC053) for 2,097m were drilled to infill and extend current zones of mineralisation. Drilling intercepted a hanging wall sequence of intermediate to felsic clastic sediments, quartz porphyry intrusives and minor BIF and a footwall sequence of basalt with variable amounts of quartz veining at the basalt contact. Wide zones of low-grade mineralisation encountered included 11m @ 2.08g/t Au from 5-16m in KGRC029, 10m @ 2.81g/t Au from 27-37m in KGRC035 and 23m @ 2.42g/t Au from 55-78m including 2m @ 9.87g/t Au from 55-57m in KGRC047.

Leeuwin Prospect

Sixteen Air Core holes for 800m were drilled on two lines (480m apart) across a low level gold in soil anomaly at the southwest end of the Kanegele licence. Significant results include 1m @ 2.74g/t Au from 3-4m in KGAC004, 4m @ 1.80g/t Au from 25-29m in KGAC007 and 1m @ 21.40g/t Au from 3-4m in KGAC014.

An IP survey is planned prior to further Air Core or RC follow up.

The Nyakafuru Joint Venture with Resolute has an area of influence of 20km from the Nyakafuru licence. During the year, a number of additional properties were joint ventured with local owners and Sub-Sahara Resources NL under the "area of influence" provisions.

Two of the Sub Sahara licences are Mkwani and Mwagi Magi South.

Mkwani Licence (included in the Nyakafuru JV under an area of influence provision)

Two Rotary Air Blast holes (MKRB001-MKRB002) for 108m and 67 Air Core holes (MKAC001-MKAC067) for 2,753m were drilled across the Grange gold in soil anomaly near the NE corner of the tenement. Drilling intercepted strongly foliated felsic volcanic, porphyritic units and BIF. Visible gold was panned in hole MKAC013 (27-29m). All results are pending.

Mwagi Magi South Licence (included in the Nyakafuru JV under an area of influence provision)

Fifty-seven Air Core holes (MMAC001-MMAC057) were drilled across the Redgate Prospect gold in soil anomaly, near the southern boundary of the tenement. Drilling intercepted massive intermediate intrusive units, moderately foliated intermediate clastic sediments, and minor mafic schist, felsic porphyry and granite. Mafic units on the central lines contained minor quartz veining and boxworks after pyrite.

Encouraging results included 8m @ 4.82g/t Au in MMAC013, 8m @ 12.39g/t Au in MAC025 including 4m @ 23.90g/t Au and 22m @ 1.31g/t Au in MMAC049 including 4m @ 5.78g/t.

Results from individual metre samples are awaited.

Regional

Soil sampling programmes were completed on the Kanegele and Mkwani tenements.

The Kanegele tenement was mapped and 23 rock chip samples were collected at various locations.

An IP survey for a total of 26.42 line kilometres was completed over mineralisation outlined by Pangea Minerals prior to 1998. The mineralised structure is defined by a resistivity low, which may be related to deeper oxidation levels associated with shearing/alteration and/or a less resistive host rock. A co-incident resistivity/chargeability high to the immediate north (trending E-W) highlights the magnetic dyke seen in regional aeromagnetic images. Another co-incident resistivity/chargeability high to the south and NE (trending NE) outlines the local BIF units.

During the quarter, a 5,310-line km, low level aeromagnetic survey across the Nyakafuru JV area was completed. Preliminary images of the data have been received and will be analysed.

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Kitongo (Spinifex – 100% Interest)

The Kitongo project area includes the Kitongo, Mwamazengo, Mwamazengo South and Ugambilo prospecting licences, which are located 80km south of Mwanza.

The main areas of gold mineralisation identified to date from northwest to southeast, Kitongo Hill, Isegenghe Hill and the Main Zone, all lie within a regional NW trending structural corridor. The Main Zone resource of 479,000oz @ 1.42 g/t Au at a 0.5 g/t cut off remains unchanged from 1998/1999, when it was first determined.

The sectional resource of 75,000ozs @ 14.42 g/t Au inferred 40m to the NW and SE of the western and eastern sections respectively and 30m below the deepest intersection to 10m below surface for Isegenghe South also remains unchanged.

The stratigraphy is interpreted to form an anticlinal structure, which plunges gently to the southeast. Lithologies vary from pillow basalts with subordinate ironstone underlying a sequence of intermediate to felsic tuffaceous/volcaniclastic units and sediments composed of laminated cherts, BIF's, phyllites, argillites and massive sulphides.

Primary gold mineralisation at Kitongo has a strong structural control. Highest grades are recorded from gossanous, brecciated cherts and limonitic tuffs after arsenopyrite and quartz veins.

Work was limited to infill soil sampling, trenching, pitting, rock chip sampling. All data currently validated will be compiled into GIS format.

Grab samples were collected on surface and at the base of a series of pits west of the Main Zone where there has been limited or no drilling. Gossanous brecciated rocks on surface returned grades of 7.43g/t - 18.6g/t Au.

A trench excavated over a chert outcrop in the same area returned 25m @ 1.41g/t Au.

Three hundred and forty three infill soil samples were collected at 40m centres to confirm and define the extent of previously defined soil anomalism at Kitongo Hill, Isegenghe and Mwamazengo prospects. Coherent gold in soil anomalies with magnitude greater than 20ppb Au were confirmed at Kitongo Hill (max 99ppb Au) and Isegenghe (max 630ppb Au).

Several new target areas identified in a recent interpretation, incorporating the latest geochemical data, will be RAB and RC drilled once the proposed merger with Gallery Gold is completed.

Nyang'ombe (Spinifex – 100%)

No active exploration was undertaken during the period as the Company focused its exploration activities on increasing resources at Buckreef/Rwamagaza.

Majimoto (Spinifex – 100%)

No active exploration was undertaken during the period as the Company focused its exploration activities on increasing resources at Buckreef/Rwamagaza.

SPINIFEX GOLD LIMITED

DIRECTORS' REPORT

Your directors present their report for the year ended 30 June 2003.

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Current Directors:

Reginald Norman Gillard
Klaus Peter Eckhof
Hans-Rudolf Moser
Howard Graham Walker
Michael David Brook

Former Directors:

Peter Ross Sullivan - resigned 13 February 2003

INFORMATION ON DIRECTORS

Reginald Norman Gillard BA, FCPA, FAICD, JP (Non-executive Chairman)

After practicing as an accountant for over 30 years, during which time he formed and developed a number of service related businesses, Reg Gillard now focuses on corporate management, particularly in the field of mineral exploration and production. His experience extends to the evaluation of mining projects and companies and he manages a consultancy firm providing those and other corporate services. He is a non-executive Chairman and director of various listed and non-listed companies.

Klaus Peter Eckhof Dipl. geol. TU MAusIMM (Executive Director)

Mr Eckhof migrated to Australia in 1988 to work for Mount Edon Gold Mines (Aust) Limited in Australia, Asia and Africa. Since 1994 he has managed his own geological consultancy company and has considerable experience in assessing and acquiring mineral prospects around the world.

Mr Eckhof's considerable experience together with his multi-lingual skills, make him a valuable member of the Company's exploration team.

Hans-Rudolf Moser (Non-executive Director)

Mr Moser is a resident of Switzerland with over 20 years' experience in the Swiss banking and finance industry. Mr Moser is an active investor in Australian gold exploration companies and also serves on the boards of a number of public listed Australian companies.

Howard Graham Walker Bsc ARSM MAusIMM (Non-executive Director)

Mr Walker is part of the management team of Lion Selection Group Ltd, a pooled development fund, which is engaged in investment in Australian mining and exploration companies with interests in Australia, Africa and South East Asia and which is also a major shareholder in the Company.

Mr Walker is a mining engineer by profession and worked for eight years in South Africa and Australia. Mr Walker has also worked as an analyst and corporate adviser with a leading stockbroker and, during that time, was involved in numerous capital raisings and other corporate transactions.

Michael David Brook Bsc (Hons), CEng, MAusIMM, MIMM (Non-executive Director)

Mr Brook is a geologist by training, with broad experience in a range of technical roles in the mining industry in Australia and overseas and as a research analyst in the finance industry. Mr Brook joined the executive management team of African Lion Ltd, a major shareholder in the Company in early 2001.

SPINIFEX GOLD LIMITED

DIRECTORS' REPORT

INFORMATION ON DIRECTORS - continued

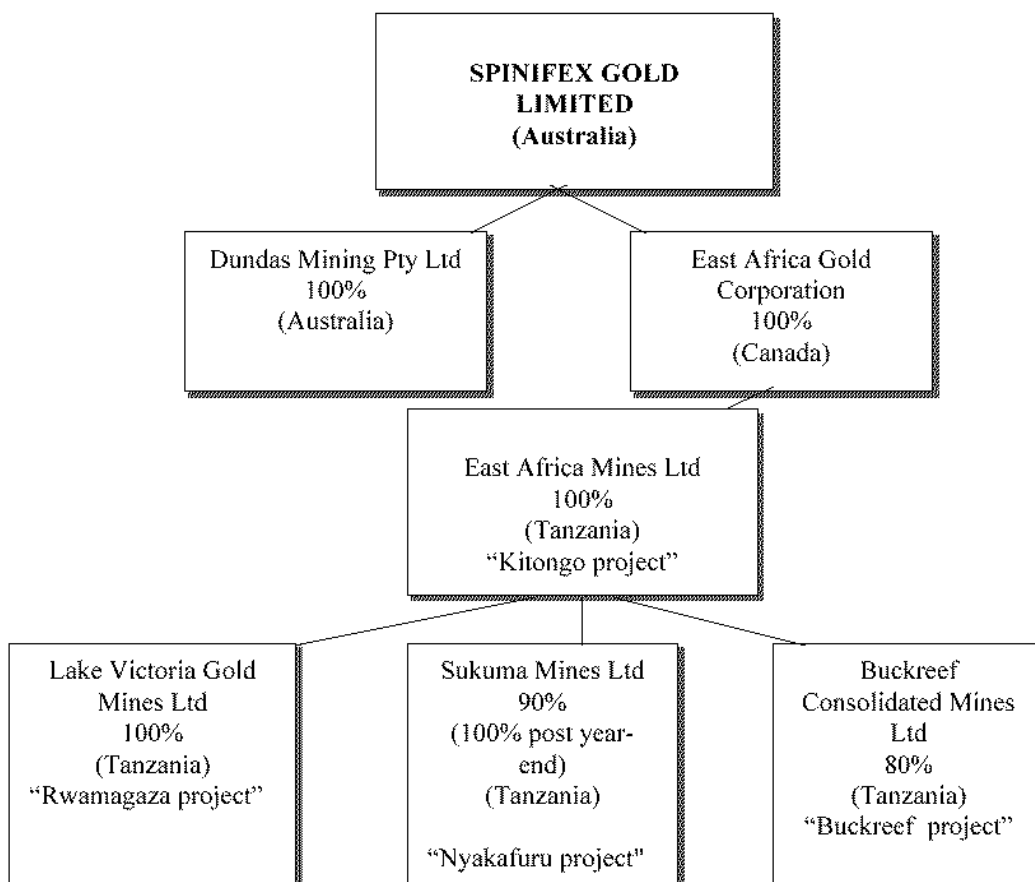
Peter Ross Sullivan B.E., MBA. (Non-executive Director – resigned 13 February 2003)

Mr Sullivan has been the Chief Executive Officer of the Resolute Mining Ltd group since February 2001 and has been involved with the Resolute group since December 1999. Mr Sullivan is an engineer and has been involved in the strategic development and management of resource companies and projects for more than 15 years. He also has four years experience in corporate finance with an investment bank and two years in a corporate development role with an Australian resource group.

CORPORATE INFORMATION

Corporate Structure

Spinifex Gold Limited is a limited liability company that is incorporated and domiciled in Australia. It has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Ikina Reefs Ltd ceased to be a controlled entity during the financial year, following its sale to Canadian listed entity, Lakota Resources Inc.

Nature of Operations and Principal Activities

The consolidated entity's principal activity continues to be that of acquisition and exploration of tenements prospective mainly for gold.

Employees

The consolidated entity employed 31 persons as at 30 June 2003 (2002: 29 persons).

SPINIFEX GOLD LIMITED

DIRECTORS' REPORT

CONSOLIDATED RESULTS

The loss for the year ended 30 June 2003 after income tax was \$357,710 (2002: \$1,290,358).

EARNINGS PER SHARE

Basic Earnings / (Loss) Per Share for the year was (0.61) cents.

DIVIDENDS

No dividends were paid or declared since the end of the previous financial year and the directors do not recommend the payment of a dividend.

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the year ended 30 June 2003 and the result of those operations is provided in the "Review of Operations" immediately preceding this Directors' Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the state of affairs of the consolidated entity occurred during the year other than the issue of 16,337,013 ordinary shares at 50 cents each to raise \$8,168,507 in October 2002, pursuant to an underwritten renounceable rights issue.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In February 2002, East Africa Mines Ltd (EAM) was granted an option to acquire the remaining 10% share capital of Sukuma Mines Ltd at any time up to 31 August 2003 at an exercise price of US\$250,000. This option was exercised in August 2003 and Sukuma Mines Ltd, the holder of the Nyakafuru property, is now a wholly owned subsidiary of the consolidated entity.

Other than the above, there are no matters or circumstances that have arisen since 30 June 2003 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

In view of the speculative nature of activities carried on by the consolidated entity, it is not possible to comment on expected results other than those comments made above and in the Review of Operations. Meetings of the Company's shareholders and optionholders have been scheduled for 10 October 2003 to vote on the proposal to merge with Gallery Gold Ltd. Subject to the outcome of those meetings and a subsequent Court hearing, the Company will become a wholly owned subsidiary of Gallery Gold Ltd and the Company's shareholders and optionholders will receive shares in Gallery Gold Ltd in consideration. Shareholders will receive 2.4 Gallery shares in exchange for each Spinifex share and optionholders will receive 0.46 Gallery share in exchange for the cancellation of each Spinifex option (exercisable at \$1.60 on or before 30 June 2006).

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

The interest of each Director in shares and options of Spinifex Gold Limited at the date of this Report is as follows:

| | Fully Paid Shares | Options exercisable at \$0.75 on or before 30/08/07 |
|-------------|------------------------------|--|
| R N Gillard | 66,010 | 300,000 |
| K P Eckhof | 220,001 | 1,400,000 |
| H R Moser | 468,750 | - |
| H G Walker | - | - |
| M D Brook | - | - |

SPINIFEX GOLD LIMITED

DIRECTORS' REPORT

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

Executives are those directly accountable and responsible for the operation, management and strategic direction of the Company and the consolidated entity. Executive remuneration and other terms of employment are reviewed annually by the Board and is designed to be competitive and comparable to other mineral explorers. Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emolument of each director of the Company and each of the three executive officers of the Company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Emoluments of directors of Spinifex Gold Limited

| Name | Office | Salary / Fees | Super-annuation | Other | Long Term Emoluments Options Granted | | |
|--------------|--|---------------|-----------------|-------|--------------------------------------|---------|--------------|
| | | | | | Number | \$ | % of |
| | | \$ | \$ | \$ | | | Remuneration |
| R N Gillard | Non Executive Chairman | 30,000 | 2,700 | 4,142 | 300,000 | 79,200 | 71% |
| K P Eckhof | Executive Director - Exploration | 240,000 | - | 4,142 | 1,400,000 | 369,600 | 61% |
| H R Moser | Non Executive Director | 25,000 | - | 4,142 | - | - | - |
| H G Walker | Non Executive Director | 20,000 | - | 4,142 | - | - | - |
| M D Brook | Non Executive Director | 20,000 | - | 4,142 | - | - | - |
| P R Sullivan | Non Executive Director (resigned 13/02/03) | 12,478 | - | 3,779 | - | - | - |

Fees in relation to Mr Brook's and Mr Walker's directorship were not paid to them personally, but to Selection LSG Management Pty Ltd, an entity that provides management services to African Lion Limited and Lion Selection Group Limited respectively whom they represent on the Board.

Other benefits include directors and officers' liability insurance premiums paid by the Company.

The options are exercisable at \$0.75 on or before 30 August 2007. These options were granted on 30 August 2002, following shareholder approval at a meeting held on 31 July 2002.

Based on the Black-Scholes option pricing model, each option was valued at 26.4 cents, for the purposes of the above disclosure. It should be noted that the Black-Scholes option pricing model is very sensitive to share price volatility, and as the Company's share price has been subject to volatility, the calculated value of the option is biased towards a higher value than might otherwise be the case. The value was determined based on the share market price at the date of granting the options of 60.7 cents and assumptions made to determine the value were a volatility value of 50% and an interest rate of 5% pa.

Emoluments of the two most highly paid executive officers of the Company and the consolidated entity

| Name | Office | Salary / Fees | Super-annuation | Other | Long Term Emoluments Options Granted | | |
|------------|------------------------|---------------|-----------------|--------|--------------------------------------|--------|--------------|
| | | | | | Number | \$ | % of |
| | | \$ | \$ | \$ | | | Remuneration |
| M Gasson | Exploration manager | 213,801 | - | 13,443 | 200,000 | 23,133 | 9% |
| W Kagaruki | Administration manager | 39,107 | 3,911 | 23,645 | 50,000 | 5,783 | 8% |

Other benefits include directors and officers liability insurance premiums paid by the Company.

SPINIFEX GOLD LIMITED
DIRECTORS' REPORT

These executive options, granted in December 2002, are exercisable at \$0.75 as follows:

| Exercise Period | Number | Value of Each Option | Total Value \$ | Remuneration allocated over the vesting period to the following years: | |
|--------------------------------------|---------|----------------------|----------------|--|---------|
| | | | | 2003 \$ | 2004 \$ |
| | | Cents | | | |
| 11 December 2002 to 10 December 2005 | 83,333 | 15.50 | 12,916 | 12,916 | - |
| 11 December 2003 to 10 December 2006 | 166,667 | 19.20 | 32,000 | 16,000 | 16,000 |

The Black-Scholes option pricing model was used to value each option. It should be noted that the Black-Scholes option pricing model is very sensitive to share price volatility, and as the Company's share price has been subject to volatility, the calculated value of the option is biased towards a higher value than might otherwise be the case. The value was determined based on the share market price at the date of granting the options of 55 cents and assumptions made to determine the value were a volatility value of 50% and an interest rate of 5% pa.

MEETINGS OF THE COMPANY'S DIRECTORS

The number of meetings at which directors were in attendance during the year is as follows.

| | Number Attended | Maximum Possible |
|------------------------------------|-----------------|------------------|
| R N Gillard | 5 | 5 |
| K P Eckhof | 5 | 5 |
| H R Moser | 4 | 5 |
| H G Walker | 5 | 5 |
| M D Brook | 4 | 5 |
| P R Sullivan (resigned 13/02/2003) | 4 | 4 |

SHARE OPTIONS

Details in respect of options over unissued shares are provided in the financial statements under Note 14(c).

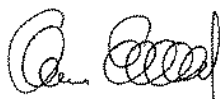
ENVIRONMENTAL REGULATIONS

The consolidated entity's exploration activities and those of its farm-in partners in both Australia and overseas are subject to environmental regulations and guidelines operating in the licence area. There have been no significant known breaches of licence conditions in this regard during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid premiums in respect of a contract insuring all the directors and officers of the parent entity and other entities within the consolidated entity against liabilities and expenses, to the extent permitted by law, arising from claims made against them in their capacity as directors and officers of the consolidated entity, other than conduct arising from a wilful breach of duty in relation to the consolidated entity. The amount of premium paid on the policy was \$32,775, excluding GST.

Signed in accordance with a resolution of directors.



K P ECKHOF
 Director
 Perth, 29 September 2003

SPINIFEX GOLD LIMITED
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

| | Note | Consolidated Entity | | Parent Entity | |
|--|------|---------------------|--------------|------------------|-------------|
| | | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Other revenues from ordinary activities | 2 | 1,872,428 | 239,162 | 424,631 | 162,526 |
| Employee and consulting fees expensed | | (518,933) | (601,851) | (504,538) | (588,691) |
| Borrowing costs – interest expense | 3 | (19,925) | (123,787) | - | - |
| Depreciation expense | 3 | (10,502) | (9,756) | (5,656) | (5,190) |
| Exploration costs written off | 3 | (102,844) | (385,409) | (14,229) | (76,694) |
| Exchange losses, net | 3 | - | - | - | (20,395) |
| Travel expenses | | (161,100) | (182,695) | (160,187) | (182,219) |
| Insurance costs | | (54,135) | (42,803) | (52,192) | (41,020) |
| Compliance costs | | (33,649) | (37,793) | (33,649) | (37,793) |
| Diminution in value of investment | 3 | - | - | - | (308,715) |
| Provision for non-recovery of loans | 3 | - | - | (8,082) | - |
| Other expenses from ordinary activities | 3 | (1,290,565) | (145,426) | (321,579) | (154,963) |
| Loss from ordinary activities before income tax expense | | (319,225) | (1,290,358) | (675,481) | (1,253,154) |
| Income tax expense relating to ordinary activities | 5 | 38,485 | - | - | - |
| Loss attributable to members of Spinifex Gold Limited | | (357,710) | (1,290,358) | (675,481) | (1,253,154) |
| | | | | | |
| Earnings per share – basic | 6 | (0.61) cents | (0.51) cents | | |

SPINIFEX GOLD LIMITED
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2003

| | Note | Consolidated Entity | | Parent Entity | |
|--------------------------------------|------|---------------------|-------------------|-------------------|-------------------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$ | \$ | \$ | \$ |
| CURRENT ASSETS | | | | | |
| Cash assets | 7 | 7,430,347 | 3,389,118 | 7,403,026 | 3,355,887 |
| Receivables | 8 | 88,867 | 71,268 | 13,240 | 19,162 |
| Inventories | | 29,764 | 5,429 | - | - |
| Other | 9 | 37,061 | 58,020 | - | - |
| TOTAL CURRENT ASSETS | | 7,586,039 | 3,523,835 | 7,416,266 | 3,375,049 |
| NON-CURRENT ASSETS | | | | | |
| Receivables | 8 | - | - | 10,361,186 | 8,889,556 |
| Property, plant and equipment | 10 | 376,382 | 390,211 | 12,740 | 18,360 |
| Other financial assets | 11 | 1,497,715 | - | 18,823,669 | 17,325,954 |
| Deferred exploration expenditure | 12 | 27,088,219 | 26,295,303 | - | - |
| Other | 9 | - | 43,906 | - | - |
| TOTAL NON-CURRENT ASSETS | | 28,962,316 | 26,729,420 | 29,197,595 | 26,233,870 |
| TOTAL ASSETS | | 36,548,355 | 30,253,255 | 36,613,861 | 29,608,919 |
| CURRENT LIABILITIES | | | | | |
| Payables | 13 | 199,935 | 765,214 | 59,327 | 267,085 |
| Provision – income tax | 5 | 35,571 | - | - | - |
| TOTAL CURRENT LIABILITIES | | 235,506 | 765,214 | 59,327 | 267,085 |
| NON-CURRENT LIABILITIES | | | | | |
| Payables | 13 | - | - | 209,825 | 209,825 |
| TOTAL NON-CURRENT LIABILITIES | | - | - | 209,825 | 209,825 |
| TOTAL LIABILITIES | | 235,506 | 765,214 | 269,152 | 476,910 |
| NET ASSETS | | 36,312,849 | 29,488,041 | 36,344,709 | 29,132,009 |
| EQUITY | | | | | |
| Contributed equity | 14 | 50,820,205 | 42,932,024 | 50,820,205 | 42,932,024 |
| Reserves | 15 | 475,383 | 475,383 | 475,383 | 475,383 |
| Accumulated losses | 16 | (14,982,739) | (14,625,029) | (14,950,879) | (14,275,398) |
| TOTAL PARENT ENTITY INTEREST | | 36,312,849 | 28,782,378 | 36,344,709 | 29,132,009 |
| Outside equity interests | 17 | - | 705,663 | - | - |
| TOTAL EQUITY | | 36,312,849 | 29,488,041 | 36,344,709 | 29,132,009 |

SPINIFEX GOLD LIMITED
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

| | Note | Consolidated Entity | | Parent Entity | |
|--|-------|---------------------|--------------------|--------------------|--------------------|
| | | 2003 | 2002 | 2003 | 2002 |
| | | \$ | \$ | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Cash payments in the course of operations, including payments for exploration | | (4,050,116) | (3,723,946) | (1,174,396) | (1,110,856) |
| GST refunds received | | 82,304 | 98,261 | 82,304 | 98,261 |
| Interest paid | | (19,925) | (123,787) | - | - |
| Interest received | | 232,181 | 38,661 | 232,181 | 38,661 |
| Other income | | 50,000 | - | 50,000 | - |
| Net cash used in operating activities | 19(a) | (3,705,556) | (3,710,811) | (809,911) | (973,934) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Payments for property, plant and equipment | | (30,846) | (12,953) | (3,155) | (11,680) |
| Proceeds from disposal of plant and equipment | | 6,154 | 2,365 | 6,154 | 2,365 |
| Proceeds on disposal of tenements | | 40,000 | 1,500 | 40,000 | 1,500 |
| Advances to controlled entities | | - | - | (2,917,426) | (2,763,242) |
| Other – option fee paid | | - | (43,906) | - | - |
| Net cash provided by/(used in) investing activities | | 15,308 | (52,994) | (2,874,427) | (2,771,057) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of shares and options (net) | | 7,688,181 | 6,454,425 | 7,688,181 | 6,454,425 |
| Borrowings | | - | 200,000 | - | 200,000 |
| Borrowings repaid | | - | (200,000) | - | (200,000) |
| Net cash provided by financing activities | | 7,688,181 | 6,454,425 | 7,688,181 | 6,454,425 |
| Net Increase In Cash Held | | 3,997,933 | 2,690,620 | 4,003,843 | 2,709,434 |
| Cash at the beginning of the financial year | | 3,389,118 | 833,617 | 3,355,887 | 781,572 |
| Effects of exchange rate fluctuations on the balances of cash held in foreign currencies | | 43,296 | (135,119) | 43,296 | (135,119) |
| Cash at the end of the Financial Year | 7 | 7,430,347 | 3,389,118 | 7,403,026 | 3,355,887 |

SPINFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Australian Accounting Standards and other authoritative pronouncements of the Accounting Standards Board. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report is prepared in accordance with the historical cost convention and does not take into account, except where stated, current valuations of non-current assets. The accounting policies are consistent with those of the previous year. The following is a summary of the significant accounting policies adopted by the consolidated entity in the preparation of the financial reports.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Spinifex Gold Limited ("Company" or "parent entity") as at 30 June 2003 and the results of all controlled entities for the year then ended. Spinifex Gold Limited and its controlled entities together are referred to in this financial report as the "consolidated entity". The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

(b) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

(d) Taxation

The liability method of tax effect accounting is adopted whereby the income tax expense or benefit shown in the statements of financial performance is based on the profit or loss from ordinary activities before income tax adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit or loss from ordinary activities before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit, calculated at current rates.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Taxation - continued

The future income tax benefit in relation to tax losses and timing differences is not carried forward as an asset unless the benefit is virtual certain of being realised.

(e) Foreign currency

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the result for the year.

As the foreign controlled entities are dependent on the parent entity, their monetary assets and liabilities are translated into Australian currency at rates of exchange at balance date. Non-monetary assets are translated at historical rates at the time of the transaction and revenues and expenses are translated at the average of rates ruling during the year. Resulting exchange differences are brought to account in determining the profit or loss for the year.

(f) Cash

For 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, net of outstanding bank overdrafts.

(g) Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

(h) Inventories

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

Cost includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

(i) 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 at the date of acquisition plus costs incidental to the acquisition.

Costs relating to the acquisition of new areas of interest are classified as exploration and evaluation expenditure, development and pre-production expenditure, or mine properties based on the stage of development reached at the date of acquisition.

(j) Recoverable Amount of Non-Current Assets Valued on Cost Basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. Expected cashflows are not discounted in determining recoverable amount.

(k) Investments

All non-current investments are carried at the lower of cost and recoverable amount. Dividend income is recognised in the statements of financial performance when it is receivable.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(l) Exploration and Evaluation Expenditure

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

Revenue received from the sale or disposal of product, materials or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or mineral resource concerned.

Exploration expenditure is carried forward only if it relates to an area of interest for which rights of tenure are current and in respect of which:

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

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

Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions.

(m) Depreciation of Plant and Equipment

The net cost or revalued amount of each item of plant and equipment is written off over its expected economic life to the consolidated entity on a straight-line basis. Economic life is determined after consideration of the physical life limitations of the asset and an assessment of the economically recoverable resources of the mine property at which the asset is located. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected economic lives of assets are as follows:

Plant and equipment 3 to 7 years

(n) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when there is a legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of a past event, it is probable that a future sacrifice of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

(p) Employee Entitlements

Provision is made for the Company's liability for wages and salaries, annual leave and long service leave arising from services rendered by employees to the reporting date. Liabilities so arising and expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates, which are expected to be paid when the liability is settled.

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

The Company has granted options to certain employees under an employee option scheme. Further information is set out in Note 25 to the financial statements. Other than the costs incurred in administering the scheme, which are expensed as incurred, the value of options granted under the scheme is not being recognised as an employee benefits expense.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(q) Financial Instruments Issued

Where financial instruments, such as convertible notes issued by the Company, give rise to a contractual obligation to deliver cash to the holder they are classified as liabilities to the extent of the obligation.

(r) Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) Earnings Per Share

Basic earnings per share is determined by dividing the net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is determined by dividing net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and any expenses associated with dividends and interest of dilutive potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) adjusted for any bonus element.

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|----------------|----------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 2. REVENUE FROM ORDINARY ACTIVITIES | | | | |
| Revenues from non-operating activities | | | | |
| Interest received - other persons | 225,181 | 38,661 | 225,181 | 38,661 |
| Proceeds from sale of plant and equipment | 6,154 | 2,365 | 6,154 | 2,365 |
| Proceeds from sale of investment | 1,497,715 | - | - | - |
| Proceeds from sale of mineral assets | 40,000 | 1,500 | 40,000 | 1,500 |
| Management fees to controlled entity | - | - | 60,000 | 120,000 |
| Foreign exchange gains, net (refer note 3b) | 53,378 | 196,636 | 43,296 | - |
| Other Income | 50,000 | - | 50,000 | - |
| Total revenue from ordinary activities | 1,872,428 | 239,162 | 424,631 | 162,526 |

3. EXPENSES AND LOSSES / (GAINS)

(a) Expenses

Borrowing costs:

| | | | | |
|---|---------------|--------------|--------------|------------------|
| interest expense to other persons | 19,925 | 123,787 | - | - |
| foreign exchange losses/(gains) on borrowings | - | (114,724) | - | (114,724) |
| Total borrowing costs expensed | 19,925 | 9,063 | - | (114,724) |
| Depreciation of plant and equipment | 35,257 | 42,199 | 5,656 | 5,190 |
| Less: capitalised to exploration | (24,755) | (32,443) | - | - |
| Total depreciation expensed | 10,502 | 9,756 | 5,656 | 5,190 |

SPINFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------------|-----------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 3. EXPENSES AND LOSSES / (GAINS) - continued | | | | |
| (a) Expenses - continued | | | | |
| Exploration expenditure written off | 102,844 | 385,409 | 14,229 | 76,694 |
| Diminution in value of investment in controlled entity | - | - | - | 308,715 |
| Provision for non recovery of loans to controlled entity | - | - | 8,082 | - |
| <i>Other expenses include:</i> | | | | |
| Written down value of investment in controlled entity sold (note 19b) | 937,678 | - | - | - |
| Legal costs | 115,273 | 13,036 | 115,273 | 12,621 |
| Operating lease payments – minimum lease payments | 13,839 | 33,132 | 6,833 | 24,960 |
| (b) Losses / (Gains) | | | | |
| <i>Foreign currency exchange losses/(gains), net:</i> | | | | |
| exchange losses/(gains) included as borrowing costs | - | (114,724) | - | (114,724) |
| other exchange losses/(gains), net | (53,378) | (81,912) | (43,296) | 135,119 |
| Foreign currency exchange losses/(gains), net | (53,378) | (196,636) | (43,296) | 20,395 |
| Net loss/(gain) on disposal of non-current assets: | | | | |
| Investments in controlled entity (note 19b) | (560,037) | - | - | - |
| Plant and equipment | 3,264 | 3,512 | (3,035) | 3,512 |
| Mineral assets | (40,000) | (1,500) | (40,000) | (1,500) |
| 4. AUDITORS' REMUNERATION | | | | |
| Audit services: | | | | |
| - Auditors of the company – HLB Mann Judd | 15,800 | 10,800 | 15,800 | 10,800 |
| - Other auditors | 29,897 | 27,740 | - | - |
| | 45,697 | 38,540 | 15,800 | 10,800 |

No other services were provided by HLB Mann Judd to the Company

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-------------|------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 5. INCOME TAX EXPENSE | | | | |
| The income tax expense for the year differs from the prima facie tax as follows: | | | | |
| Loss from ordinary activities | (319,225) | (1,290,358) | (675,481) | (1,253,154) |
| Prima facie income tax (benefit) at 30% | (95,768) | (387,107) | (202,644) | (375,946) |
| Tax effect of permanent differences: | | | | |
| Provision for non recovery of loans to and investment in controlled entities | 2,425 | - | 2,425 | 92,615 |
| Overseas expenditure non allowable | - | 11,161 | - | - |
| Other non allowable items | 67,760 | 3,786 | 67,760 | 3,786 |
| Gain on disposal of controlled entity | (168,011) | - | - | - |
| Adjustment for capital gains tax in Tanzania payable on disposal of controlled entity | 38,485 | - | - | - |
| Income tax losses carried forward not taken up as a benefit | 193,594 | 372,160 | 132,459 | 279,545 |
| Total income tax expense | 38,485 | - | - | - |

Tax assets and Liabilities in the accounts are:

| | | | | |
|--|------------------|-----------|------------------|-----------|
| Provision for income tax | 35,571 | - | - | - |
| Future income tax benefit at 30% arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain | 2,427,325 | 2,127,000 | 2,352,100 | 2,052,000 |

The future income tax benefits stated above will only be obtained if the conditions in Note 1(d) are satisfied.

The Tanzanian subsidiaries which hold the Tanzanian mineral interests have available to them tax pools and available loss carry forwards of approximately \$21.5 million to be carried forward indefinitely for offset against future earnings of those subsidiaries.

| | 2003 | 2002 |
|---|-------------------|-------------|
| | Cents | Cents |
| 6. EARNINGS PER SHARE | | |
| Basic (loss)/earnings per share | (0.61) | (0.51) |
| Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share | 58,597,854 | 251,399,515 |

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

| | Consolidated Entity | | Parent Entity | |
|--------------------------|---------------------|-----------|------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 7. CASH ASSETS | | | | |
| Cash assets | 29,555 | 1,145,922 | 2,234 | 1,112,691 |
| Bank short term deposits | 7,400,792 | 2,243,196 | 7,400,792 | 2,243,196 |
| | 7,430,347 | 3,389,118 | 7,403,026 | 3,355,887 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|--|----------------------------|-------------|----------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 8. RECEIVABLES | | | | |
| Current | | | | |
| Sundry debtors | 88,867 | 71,268 | 13,240 | 19,162 |
| Non-Current | | | | |
| Loans to controlled entities | - | - | 12,239,557 | 10,759,845 |
| Provision for non recovery of loans to controlled entities | - | - | (1,878,371) | (1,870,289) |
| | - | - | 10,361,186 | 8,889,556 |
| Terms and conditions relating to the above financial instruments: | | | | |
| - Sundry debtors are non-interest bearing and generally on 30 day terms | | | | |
| - Loan advances have been made to wholly owned controlled entities, East Africa Gold Corporation and East Africa Mines Ltd. The loans are interest free, unsecured and repayable only when the borrower's cash flow permits or may be converted to equity. | | | | |
| 9. OTHER ASSETS | | | | |
| Current | | | | |
| Prepayments | 16,563 | 16,550 | - | - |
| Staff advances | 20,498 | 41,470 | - | - |
| | 37,061 | 58,020 | - | - |
| Non-Current | | | | |
| Option fee | - | 43,906 | - | - |
| 10. PROPERTY, PLANT AND EQUIPMENT | | | | |
| Plant and equipment at cost | 1,176,319 | 1,218,678 | 29,158 | 40,514 |
| Accumulated depreciation | (799,937) | (828,467) | (16,418) | (22,154) |
| | 376,382 | 390,211 | 12,740 | 18,360 |
| Reconciliation of plant and equipment: | | | | |
| Carrying amount at the beginning of the year | 390,211 | 425,334 | 18,360 | 17,747 |
| Additions | 30,846 | 12,953 | 3,155 | 11,680 |
| Disposals | (9,418) | (5,877) | (3,119) | (5,877) |
| Depreciation | (35,257) | (42,199) | (5,656) | (5,190) |
| Carrying amount at the end of the year | 376,382 | 390,211 | 12,740 | 18,360 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------|--------------------|-------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| 11. OTHER FINANCIAL ASSETS | | | | |
| Non-Current | | | | |
| Investments in unlisted controlled entities – at cost | - | - | 19,518,506 | 19,518,506 |
| Less: Provision for diminution in value | - | - | (2,192,552) | (2,192,552) |
| | - | - | 17,325,954 | 17,325,954 |
| Investments in listed entity – at cost (note b) | 1,497,715 | - | 1,497,715 | - |
| Total investments | 1,497,715 | - | 18,823,669 | 17,325,954 |

(a) Particulars in relation to controlled entities:

| Name of Controlled Entities | Place of incorporation | % held by consolidated entity | |
|---|------------------------|-------------------------------|------|
| | | 2003 | 2002 |
| <u>Held by Spinifex Gold Limited</u> | | | |
| Dundas Mining Pty Ltd | Australia | 100% | 100% |
| East Africa Gold Corporation | Canada | 100% | 100% |
| <u>Held by East Africa Gold Corporation</u> | | | |
| East Africa Mines Ltd | Tanzania | 100% | 100% |
| <u>Held by East Africa Mines Ltd</u> | | | |
| Lake Victoria Gold Mines Ltd | Tanzania | 100% | 100% |
| Sukuma Mines Ltd | Tanzania | 90% | 90% |
| Buckreef Consolidated Mines Ltd | Tanzania | 80% | 80% |
| Ikina Reefs Ltd | Tanzania | - | 50% |

The activities of the controlled entities consist of mineral exploration and the value of the consolidated entity's investment in and loans to these companies is dependent upon the recovery by these companies of the carrying amount of their exploration expenditure through the successful development and exploitation or sale of those interests. Refer to note 19(b) for details of the disposal of Ikina Reefs Ltd.

Subsequent to year-end, East Africa Mines Ltd exercised an option to acquire the remaining 10% interest in the capital of Sukuma Mines Ltd. Refer to note 26, "Events subsequent to Balance Date" for further information.

(b) Investments in Listed Entity

Shares are held in Lakota Resources, Inc, a company listed on Toronto's (TSX) Venture Exchange. The company is a mining exploration company with most of its properties in Tanzania. Spinifex Gold Limited holds a 6.21% ownership interest in Lakota Resources, Inc. The market value of this investment at 30 June 2003 was \$3,976,099. These shares were acquired in March 2003 and are subject to certain escrow conditions until March 2004. Further details of this acquisition are disclosed in note 19(b).

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|------------|-----------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 12. EXPLORATION EXPENDITURE | | | | |
| Acquisition, exploration and evaluation costs carried forward in respect of exploration areas of interest – at cost | 27,088,219 | 26,295,303 | - | - |
| <i>Reconciliation of exploration expenditure:</i> | | | | |
| Exploration expenditure brought forward | 26,295,304 | 23,893,534 | - | 50,000 |
| Tenement acquisition costs and exploration expenditure during the year | 2,264,974 | 2,787,178 | 14,229 | 26,694 |
| Disposal through sale of controlled entity (note 19b) | (1,369,215) | - | - | - |
| Expenditure written off | (102,844) | (385,409) | (14,229) | (76,694) |
| Balance at end of the financial year | 27,088,219 | 26,295,303 | - | - |

The ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

There may exist, on the consolidated entity's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties may be subject to exploration and mining restrictions, although at the date of this report the directors are unable to quantify the financial impact of any such claims.

Buckreef, Buziba and Rwamagaza licences:

Mineral properties and related deferred exploration costs include a loan of \$591,573 owing by Buckreef Gold Mining Company Limited ("BGML"), a Tanzanian government owned company.

The Buckreef mining licence and Buziba mineral exploration licence application are currently owned by BGML. The Rwamagaza prospecting licence is held by East Africa Mines Ltd ("EAM") through its wholly owned subsidiary, Lake Victoria Gold Mines Limited.

Under the terms of a Redevelopment Agreement between EAM and BGML, the loan to BGML is interest free until such time as the Buckreef, Buziba and Rwamagaza licences are transferred to a related party, Buckreef Consolidated Mines Limited ("BCM"). EAM's share in BCM is 80% and BGML's share is 20%. Thereafter any unpaid balance of the loan shall attract interest at LIBOR rate plus 2½ % per annum. Any unpaid balance plus accrued interest is to be repaid not later than five years after the transfer of the licence from production dividends and/or proceeds available to BGML from the sale of BGML assets to BCM.

The transfer of the licences to BCM is conditional on EAM proving that a commercial gold mining operation is viable at Buckreef, Buziba and/or Rwamagaza. Under the current terms of the agreement, EAM is required to complete a feasibility study by 31 July 2004.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| 13. PAYABLES | Consolidated Entity | | Parent Entity | |
|--|---------------------|----------------|---------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| Current | | | | |
| Trade creditors | 110,941 | 496,254 | 29,149 | 55,126 |
| Other creditors and accruals | 88,994 | 268,960 | 30,178 | 211,959 |
| | 199,935 | 765,214 | 59,327 | 267,085 |
| Non-Current | | | | |
| Amount payable to controlled entity – non-interest bearing | - | - | 209,825 | 209,825 |

Terms and conditions relating to the above current financial instruments:

- trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

14. CONTRIBUTED EQUITY

Issued capital

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| 65,346,108 fully paid ordinary shares (2002: 325,048,335) | 50,820,205 | 38,105,311 | 50,820,205 | 38,105,311 |
| Unallotted shares (net of costs) – refer note below | - | 4,826,713 | - | 4,826,713 |
| Total Contributed Equity | 50,820,205 | 42,932,024 | 50,820,205 | 42,932,024 |

(a) Movement in issued capital for 2002 and 2003 financial years:

| Issue Date | Details of Issue | Number of Shares | \$ |
|-----------------------------------|--|------------------|------------|
| <u>Prior Year</u> | | | |
| 1-July-2001 | Opening balance | 229,504,032 | 31,792,086 |
| 1-Aug-2001 | Placement at 7 cents to raise funds for exploration and to exercise options over mining claims | 11,698,149 | 818,870 |
| 13-Aug-2001 | Placement at 7 cents to raise funds for exploration and to exercise options over mining claims | 1,000,000 | 70,000 |
| 26-Oct-2001 | Placement at 6.5 cents to raise funds for exploration with free attaching options | 2,000,000 | 130,000 |
| 26-Nov-2001 | Placement at 6.5 cents to raise funds for exploration with free attaching options | 3,076,924 | 200,000 |
| 26-Nov-2001 | Commissions paid for placements above | - | (29,360) |
| 25-Jan-2002 | Placement offer to investors at 6.5 cents plus free attaching option to raise funds for exploration | 17,000,000 | 1,105,000 |
| 25-Jan-2002 | Prospectus costs and commissions | - | (106,485) |
| 18-Mar-2002 | Placement at 6.5 cents to raise funds for exploration with attaching free options | 30,769,230 | 2,000,000 |
| 18-Mar-2002 | Commissions paid for placement above | - | (124,800) |
| 18-Mar-2002 | Placement at 7.5 cents to Resolute Mining Limited to raise working capital for exploration on Tanzanian projects | 30,000,000 | 2,250,000 |
| 30-Jun-2002 | Closing balance | 325,048,335 | 38,105,311 |
| <u>2003 Financial Year</u> | | | |
| 31-July-2002 | Reorganisation of capital by consolidating every 8 shares into 1 new share, approved by shareholders on 31 July 2002 | (284,417,095) | - |
| 30-Aug-2002 | Issue of shares at 60 cents each for conversion of convertible notes, net of costs – refer note below | 8,377,855 | 4,826,713 |
| 29-Oct-2002 | Renounceable rights issue of 1 share for every 3 held at 50 cents per share, net of costs | 16,337,013 | 7,896,181 |
| 30-Jun-2003 | Closing balance | 65,346,108 | 50,828,205 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

14. CONTRIBUTED EQUITY - continued

There were no movements in issued capital subsequent to year end.

Unallotted Shares – 2002 Year:

In late May 2002, the Company renegotiated the conversion terms of its two convertible notes and, at the same time, it was granted a right by the noteholders to make an election to convert the notes to ordinary shares at any time prior to the redemption date of 31 December 2002. On 31 July 2002, shareholders approved the allotment and issue of shares to convert the notes. On 30 August 2002, the Company issued 8,377,855 shares at an issue price of 60 cents each to convert the notes. The conversion of the notes to equity was treated as an adjusting post balance date event in the 2002 year and, consequently, \$5,026,713 of debt represented by the convertible notes was treated as contributed equity as at 30 June 2002 in the statements of financial position, with costs of conversion amounting to \$200,000 being set off against that to result in a net movement of \$4,826,713.

(b) Terms and conditions of contributed equity

Ordinary Shares:

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(c) Share options

| | 2003 | 2002 |
|---|-------------------|--------------------|
| | Number | Number |
| Quoted on ASX | | |
| Options exercisable at \$1.60 (2002: 20 cents) each on or before 30 June 2006 | 14,180,771 | 113,446,154 |
| Unquoted – held by employees | | |
| Options exercisable at 20 cents each on or before 16 November 2002 | - | 930,000 |
| Options exercisable at 20 cents each on or before 12 January 2003 | - | 266,666 |
| Options exercisable at \$1.60 (2002: 20 cents) each on or before 29 November 2003 | - | 100,000 |
| Options exercisable at \$1.60 (2002: 20 cents) each on or before 12 January 2004 | - | 533,334 |
| Options exercisable at \$1.60 (2002: 20 cents) each on or before 29 November 2004 | - | 200,000 |
| Options exercisable at 75 cents each from 11 December 2002 to 10 December 2005 | 133,333 | - |
| Options exercisable at 75 cents each from 11 December 2003 to 10 December 2006 | 266,667 | - |
| Unquoted – held by others | | |
| Options exercisable at \$1.60 (2002: 20 cents) each on or before 30 June 2006 | 2,500,000 | 20,000,000 |
| Unquoted – held by directors | | |
| Options exercisable at 75 cents each on or before 30 August 2007 | 1,700,000 | - |
| | <u>18,780,771</u> | <u>135,476,154</u> |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

14. CONTRIBUTED EQUITY - continued

(c) Share options - continued

Movements in options:

| | Number Issued | Total Number |
|-----------------------------------|--------------------------|-------------------------|
| <u>Prior Year</u> | | |
| 1-July-2001 | | 79,223,240 |
| 1-Nov-2001 | 2,000,000 | |
| 26-Nov-2001 | 3,076,924 | |
| 25-Jan-2002 | 17,000,000 | |
| 25-Jan-2002 | 20,000,000 | |
| 25-Jan-2002 | 8,200,000 | |
| 18-Mar-2002 | 30,769,230 | |
| 18-Mar-2002 | 20,000,000 | |
| 18-Mar-2002 | 20,000,000 | |
| 18-Mar-2002 | 2,400,000 | |
| 7-Jun-2002 | 10,000,000 | |
| | <u>10,000,000</u> | |
| | | 133,446,154 |
| | | - |
| | | <u>(77,193,240)</u> |
| | | 135,476,154 |
| <u>2003 Financial Year</u> | | |
| 31-Jul-2002 | | (118,541,630) |
| Nov 2002 | | (116,253) |
| Dec 2002 | | (137,500) |
| 30-Aug-2002 | 1,700,000 | |
| 11-Dec-2002 | 400,000 | |
| | <u>2,100,000</u> | |
| | | 18,780,771 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|---------|----------------|---------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| 15. RESERVES | | | | |
| <i>Option premium reserve:</i> | | | | |
| Balance at the beginning of the year | 475,383 | 334,183 | 475,383 | 334,183 |
| 20,000,000 options issued on 25 January 2002 at 0.2 cents each as per prospectus to investors | - | 40,000 | - | 40,000 |
| 8,200,000 options issued on 25 January 2002 at 0.2 cents each in consideration for the placement of securities | - | 16,400 | - | 16,400 |
| 40,000,000 options issued on 18 March 2002 at 0.2 cents each as per placement | - | 80,000 | - | 80,000 |
| 2,400,000 options issued on 18 March 2002 at 0.2 cents each in consideration for the placement of securities | - | 4,800 | - | 4,800 |
| Balance at the end of the year | 475,383 | 475,383 | 475,383 | 475,383 |

Nature and purpose of the Option Reserve:

The option premium reserve is used to accumulate proceeds received from the issuing of options and accumulate the value of options issued in consideration for services rendered.

16. ACCUMULATED LOSSES

| | | | | |
|---|-------------------|------------|-------------------|------------|
| Accumulated losses at the beginning of the year | 14,625,029 | 13,334,671 | 14,275,398 | 13,022,244 |
| Net loss attributable to members of Spinifex Gold Limited | 357,710 | 1,290,358 | 675,481 | 1,253,154 |
| Accumulated losses at the end of the year | 14,982,739 | 14,625,029 | 14,950,879 | 14,275,398 |

17. OUTSIDE EQUITY INTEREST

Interest in:

| | | |
|--------------------|---|---------|
| Share capital | - | 705,663 |
| Accumulated losses | - | - |
| | - | 705,663 |

Reconciliation of outside equity interest in controlled entities:

| | | |
|---|------------------|---------|
| Opening Balance | 705,663 | 705,663 |
| Disposal of controlled entity – included in exploration | (431,537) | - |
| Disposal of controlled entity – other | (274,126) | - |
| | - | 705,663 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

18. SEGMENT INFORMATION

The consolidated entity operates principally in two geographical segments (primary segment) being Australia and Tanzania, and one business segment (secondary segment) being mineral exploration. Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

Geographical Segments – Primary Segment Information

| | Australia | | Tanzania | | Elimination | | Consolidated | |
|---|------------|-------------|------------|------------|-------------|------------|-------------------|--------------------|
| | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ | 2003 \$ | 2002 \$ |
| Revenue | | | | | | | | |
| Other revenue | 364,631 | 42,526 | 1,507,797 | 196,636 | - | - | 1,872,428 | 239,162 |
| Intersegment revenue | 60,000 | 120,000 | - | - | (60,000) | (120,000) | - | - |
| Total segment revenue | 424,631 | 162,526 | 1,507,797 | 196,636 | (60,000) | (120,000) | 1,872,428 | 239,162 |
| Unallocated revenue | | | | | | | - | - |
| Total consolidated revenue | | | | | | | 1,872,428 | 239,162 |
| Results | | | | | | | | |
| Segment profit/(loss) | (727,400) | (1,253,154) | 408,175 | (37,203) | - | - | (319,225) | (1,290,358) |
| Unallocated expenses | | | | | | | - | - |
| Consolidated loss before income tax | | | | | | | (319,225) | (1,290,358) |
| Income tax expense | | | | | | | (38,485) | - |
| Net loss | | | | | | | (357,710) | (1,290,358) |
| Assets | | | | | | | | |
| Segment assets | 8,926,721 | 3,393,409 | 27,621,634 | 26,859,846 | - | - | 36,548,355 | 30,253,255 |
| Unallocated assets | | | | | | | - | - |
| Total assets | | | | | | | 36,548,355 | 30,253,255 |
| Liabilities | | | | | | | | |
| Segment liabilities | 59,327 | 267,085 | 176,179 | 498,129 | - | - | 235,506 | 765,214 |
| Unallocated liabilities | | | | | | | - | - |
| Total liabilities | | | | | | | 235,506 | 765,214 |
| Other segment information | | | | | | | | |
| Acquisition of plant and equipment, exploration assets and other non-current assets | 17,384 | 37,974 | 2,278,436 | 2,762,157 | - | - | 2,295,820 | 2,800,131 |
| Depreciation expensed | 5,656 | 5,190 | 4,846 | 37,009 | - | - | 10,502 | 42,199 |
| Non-cash expenses other than depreciation | 14,229 | 97,089 | 88,615 | 288,320 | - | - | 102,844 | 385,409 |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

| 19. CASH FLOW INFORMATION | Consolidated Entity | | Parent Entity | |
|---|---------------------|-------------|---------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| (a) Reconciliation of the net loss after income tax to net cash flows used in operating activities | | | | |
| Profit / (loss) after income tax | (357,710) | (1,290,358) | (675,481) | (1,253,154) |
| Add back non-cash items: | | | | |
| Profit on sale of investments in controlled entity | (560,037) | - | - | - |
| Outside equity interests – disposed controlled entity | (274,126) | - | - | - |
| Provision for diminution in value of loans and investment in controlled entity | - | - | 8,082 | 308,715 |
| Depreciation expensed | 10,502 | 9,756 | 5,656 | 5,190 |
| Exchange losses / (gains) | (43,296) | (196,636) | (43,296) | 20,395 |
| (Profit)/Loss on sale of plant | 3,264 | 3,512 | (3,035) | 3,512 |
| Exploration costs written off | 102,844 | 385,409 | 14,229 | 76,694 |
| Management fees | - | - | (60,000) | (120,000) |
| Profit on sale of tenements | (40,000) | (1,500) | (40,000) | (1,500) |
| Cash flows included in operating activities but not charged to loss for the year: | | | | |
| Exploration costs (net) | (2,196,317) | (2,754,735) | (14,229) | (26,694) |
| Change in operating assets and liabilities: | | | | |
| (Increase) / Decrease in receivables | (17,599) | 28,251 | 5,922 | 4,251 |
| (Increase) / Decrease in inventories | (24,332) | (381) | - | - |
| (Increase) / Decrease in other current assets | 20,959 | 35,433 | - | - |
| (Decrease) / Increase in payables | (365,279) | 70,438 | (7,759) | 8,657 |
| (Decrease) / Increase in income tax provision | 35,571 | - | - | - |
| Net cash used in operating activities | (3,705,556) | (3,710,811) | (809,911) | (973,934) |

(b) Non-cash financing and investing activities

Prior Year:

- i) restated \$5,026,713 of convertible notes as contributed equity; and
 - ii) issued share options to the value of \$21,200 in consideration for commissions for fund raising.
- Full details are disclosed in note 14.

2003 Financial Year:

Disposal of controlled entity

In March 2003, the Spinifex Group disposed of its interest in its controlled entity, Ikina Reefs Ltd. Consideration received was 800,000 shares in Lakota Resources, Inc, a company listed on Toronto's TSX Venture Exchange (\$1,497,715). The company is a mining exploration company with most of its properties in Tanzania. These shares acquired are subject to certain escrow conditions until March 2004. Details of the disposal are as follows:

| | 2003 |
|---|-----------|
| | \$ |
| Proceeds on disposal – non-cash | 1,497,715 |
| The carrying amount of assets and liabilities disposed of were: | |
| - exploration costs deferred | 1,369,215 |
| - less outside equity interests in exploration | (431,537) |
| Profit on disposal | 560,037 |

There were no other non-cash financing or investing activities during the year.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

20. FINANCIAL INSTRUMENTS

(a) Net fair values

The aggregate net fair value of financial assets and financial liabilities approximate the carrying amount of the financial assets and financial liabilities as indicated in the Statement of Financial Position. There are no unrecognised financial assets or financial liabilities at year-end.

(b) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at year end in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

(c) Concentration of credit risk

As the consolidated entity is exclusively involved in exploration rather than trading there is currently very little credit risk. The risk is considered immaterial to the operations of the consolidated entity.

(d) Interest risk exposures

The consolidated entity's exposure to interest rate risk arises from assets and liabilities bearing variable interest rates. The weighted average interest rate on cash holdings at 30 June 2003 was 3.67% (2002: 2.50%). All other financial assets and liabilities are non interest bearing. The net fair value of the consolidated entity's financial assets and liabilities approximates their carrying value.

(e) Exchange rate exposures

The Company has not entered into any general or specific contracts to hedge against losses that may arise from exchange rate fluctuations. The Company may suffer such exchange rate fluctuation losses as it has a number of liabilities denominated in foreign currencies, particularly US dollars.

21. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Mineral Tenements Expenditure Commitments

(i) Western Australia

In order to maintain current rights of tenure to Western Australian mining tenements not the subject of farm in agreements, the parent entity will be required to outlay approximately \$28,000 (2002: \$108,876) on an annual basis to meet minimum expenditure requirements of the Department of Minerals and Energy in Western Australia for future years.

The Company can reduce the above expenditure commitment by relinquishing tenements, joint ventures and farm ins, outright sale and by application to the Department of Minerals and Energy.

(ii) Tanzania

Refer to the information provided under "List of Mineral Interests" at the end of this annual report.

(b) Farm In Agreements

Should parties with whom the parent entity has farm in agreements fail to contribute their share of farm in agreement obligations, Spinifex Gold Limited will become liable to meet additional expenditure commitments. At balance date, the directors were not aware of any such commitments.

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

21. COMMITMENTS AND CONTINGENT LIABILITIES – continued

(c) Mineral Tenements Acquisition Commitments

Mineral properties and related deferred costs include payments made in accordance with a number of small claims agreements relating to the Nyakafuru licence area. These agreements give the consolidated entity exclusive rights to explore the area concerned and to eventually apply for these areas to be included as part of the Nyakafuru licence after serving notice upon the present claim holders to relinquish their claims. Under the terms of the agreements, the consolidated entity will compensate the holders of the claims as follows:

(i) Up to \$1,312 per quarter in which the consolidated entity continues to explore.

(ii) Up to \$174,897 as a final payment subject to certain conditions of the claim agreements being met.

(d) Leases

The future minimum lease payments under operating leases are payable as follows:

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|--------------|---------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| - not later than one year | 26,498 | 3,170 | - | - |
| - later than one year and not later than five years | 2,409 | - | - | - |
| Total | <u>28,907</u> | <u>3,170</u> | <u>-</u> | <u>-</u> |

(e) Contingent Liabilities

Under the terms of the option agreement, pursuant to which East Africa Mines Ltd has acquired the remaining 10% interest in the capital of Sukuma Mines Ltd (refer note 26), East Africa Mines Ltd is also obliged to pay an amount of US\$125,000 as further vendor consideration if it commences commercial mineral production at the Nyakafuru property in the future.

| | Consolidated Entity | | Parent Entity | |
|--|---------------------|------|---------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| | | | | |

22. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year to all directors of each entity in the consolidated entity by entities of which they are directors or any related party

| | | |
|--|----------------|----------------|
| | <u>441,330</u> | <u>587,203</u> |
|--|----------------|----------------|

Income paid or payable, or otherwise made available, in respect of the financial year to all directors of Spinifex Gold Limited from that company or any related party

| | | |
|--|----------------|----------------|
| | <u>374,667</u> | <u>530,029</u> |
|--|----------------|----------------|

The number of parent entity directors whose remuneration was within the following bands are as follows:

| | 2003 Number | 2002 Number |
|-----------------------|----------------|----------------|
| \$0 - \$9,999 | - | 1 |
| \$10,000 - \$19,999 | 1 | 1 |
| \$20,000 - \$29,999 | 3 | 2 |
| \$30,000 - \$39,999 | 1 | 1 |
| \$190,000 - \$199,999 | - | 1 |
| \$220,000 - \$229,999 | - | 1 |
| \$240,000 - \$249,999 | 1 | - |

SPINFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

22. REMUNERATION OF DIRECTORS – continued

Directors' remuneration stated above does not include the value of unlisted options granted to directors. Refer to the Directors Report for details of options granted to directors. No retirement benefits were paid to directors during the year.

| Consolidated Entity | | Parent Entity | |
|---------------------|------|---------------|------|
| 2003 | 2002 | 2003 | 2002 |
| \$ | \$ | \$ | \$ |

23. REMUNERATION OF EXECUTIVES

Amounts received or due and receivable by executive officers (including executive directors) of the consolidated entity whose remuneration is \$100,000 or more from all entities in the consolidated entity

| | |
|----------------|----------------|
| 471,386 | 611,829 |
|----------------|----------------|

Amounts received or due and receivable by executive officers (including executive directors) of the parent entity whose remuneration is \$100,000 or more from all entities in the consolidated entity

| | |
|----------------|----------------|
| 244,142 | 414,172 |
|----------------|----------------|

The number of executives whose income was within the following bands:

| | 2003 Number | 2002 Number | 2003 Number | 2002 Number |
|-----------------------|----------------|----------------|----------------|----------------|
| \$190,000 - \$199,999 | - | 2 | - | 1 |
| \$220,000 - \$229,999 | 1 | 1 | - | 1 |
| \$240,000 - \$249,999 | 1 | - | 1 | - |

Executives' remuneration stated above does not include the value of unlisted options granted to them. Refer to the Directors Report for details of options granted to them.

24. RELATED PARTY TRANSACTIONS

(a) The names of persons who were directors of Spinifex Gold Limited at any time during the financial year were:

Current Directors:

Reginald Norman Gillard
 Klaus Peter Eckhof
 Hans-Rudolf Moser
 Howard Graham Walker
 Michael David Brook

Former Directors:

Peter Ross Sullivan - resigned 13/02/2003

(b) Equity Instruments of Directors

Interests at Balance Date:

Interests in the equity instruments of Spinifex Gold Limited held by directors of the reporting entity and their director-related entities:

| | 2003 Number | 2002 Number |
|--|------------------|---|
| Fully paid shares | 754,761 | 5,708,088 (equivalent to 713,511, post consolidation of shares in July 2002) |
| Unlisted options (expiring 30 August 2007) | 1,700,000 | - |

SPINIFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

24. RELATED PARTY TRANSACTIONS – continued

Movements in directors' holdings

Mr Eckhof acquired 41,250 ordinary shares on 29 October 2002 under the renounceable rights issue offered to all shareholders of 1 share for every 3 held at 50 cents per share. On 30 August 2002, Mr Gillard and Mr Eckhof received 300,000 and 1,400,000 unlisted options respectively. These options are exercisable at \$0.75 on or before 30 August 2007. Shareholders approved the grant of these options at a meeting held on 31 July 2002.

(c) Transactions with Directors and Director-Related Entities

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|--------|---------------|--------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| <i>Goods and services provided during the year</i> | | | | |
| Fees paid or payable to S+H ImmoInvest AG, an entity related to Mr H R Moser for corporate and public relations services | 25,000 | - | 25,000 | - |
| Rent paid to the Ledger Road Partnership, an entity in which Messrs Gillard and Eckhof have an interest | 4,080 | 24,960 | 4,080 | 24,960 |
| Accounting, administration and secretarial fees paid or payable to Corporate Consultants Pty Ltd, an entity in which Messrs Gillard and Eckhof have an interest | 142,171 | 90,310 | 142,171 | 90,310 |
| Management consultancy fees paid or payable to Amalgamation Sale & Takeover Consultants Pty Ltd, an entity in which Mr Gillard has a controlling interest | 23,400 | 12,470 | 23,400 | 12,470 |
| <i>Balances due to Directors and Director Related Entities at year end</i> | | | | |
| - included in accounts payable | 21,975 | 22,406 | 21,975 | 22,406 |

Investa AG, an entity related to Mr H R Moser, received a commission fee of \$nil (2002: \$10,000) with respect to a placement issue of securities by the Company. The fee was paid by the sponsoring broker and not by the Company.

(d) Transactions with Related Parties - Controlled Entities

Wholly Owned Group

The parent entity incurs exploration expenditure on behalf of the controlled entities. It also provides management and administration services to the controlled entities, for which a fee of \$60,000 (2002: \$120,000) has been charged for the year. Investments in and loans to and from the wholly owned controlled entities are disclosed in Notes 8, 11 and 13 respectively.

25. EMPLOYEE BENEFITS AND OPTION PLAN

Employee Benefits

| | Consolidated Entity | | Parent Entity | |
|---|---------------------|-------|---------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| | \$ | \$ | \$ | \$ |
| The aggregate employee benefit liability is comprised of: | | | | |
| Accrued wages, salaries and on-costs | 2,573 | 2,791 | - | - |

The number of employees in the consolidated entity at year-end was 31 (2002: 29). The parent entity had no employees (2002: 1 person).

SPINFEX GOLD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2003

25. EMPLOYEE BENEFITS AND OPTION PLAN - continued

Employee Option Plan

A Spinifex Employee Option Plan has been established where all employees of the consolidated entity are eligible to be issued options over ordinary shares of Spinifex Gold Limited as an incentive and reward for services rendered as part of their remuneration packages. Options are issued for nil consideration, cannot be transferred and will not be quoted on ASX.

During the year 116,253 (2002: 678,333) employee options expired, and 137,500 (2002: nil) employee options were cancelled.

New options granted during the year were 400,000 (2002: nil). At year-end a total of 400,000 (2002: 2,030,000 pre-consolidation options) options were on issue. Refer to note 14(c) for full details.

At balance date the market value of Spinifex Gold Limited shares closed at 39 cents (2002: 10.5 cents).

26. EVENTS SUBSEQUENT TO BALANCE DATE

East Africa Mines Ltd exercised its option to acquire the remaining 10% of the share capital in Sukuma Mines Ltd at an exercise price of US\$250,000. Consequently, Sukuma Mines Ltd, the holder of the Nyakafuru property is now a wholly owned subsidiary of the consolidated entity.

The financial effect of the exercise of this option has not been recognised in this financial report.

Other than the above, there are no matters or circumstances that have arisen since 30 June 2003 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial years.

SPINIFEX GOLD LIMITED

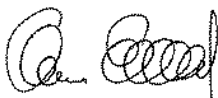
DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Spinifex Gold Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



K P ECKHOF
DIRECTOR
Perth, 29 September 2003

SPINIFEX GOLD LIMITED

INDEPENDENT AUDIT REPORT



INDEPENDENT AUDIT REPORT

To the members of
SPINIFEX GOLD LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2003, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the year then ended, and the directors' declaration of Spinifex Gold Limited ("the company"). The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The 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 Standards, in order to provide reasonable assurance as to whether or not 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 entity's 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:

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

HLB Mann Judd (WA Partnership)
15 Rheola Street West Perth 6005. PO Box 263 West Perth 6872 Western Australia. DX 238 (Perth) Telephone +61 (08) 9481 0977. Fax +61 (08) 9481 3686.
Email: hlb@mjwa.com.au. Website: <http://www.hlb.com.au>

Partners: Ian H Bardsen, Terry M Blankinsop, Litsa Christodoulou, Wayne M Clark, Lucio Di Gialanardo, Colin D Emmott, Peter M Forbes, Trevor G Hoddy, Norman G Nellil, Peter J Speckfey

HLB Mann Judd (WA Partnership) is a member of  International and the HLB Mann Judd National Association of independent accounting firms

SPINFEX GOLD LIMITED
INDEPENDENT AUDIT REPORT

Audit opinion

In our opinion, the financial report of Spinifex Gold Limited 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 2003 and of their performance for the year then ended; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Norman Heill

Perth, Western Australia
29 September 2003

N G NEILL
Partner

SPINIFEX GOLD LIMITED

CORPORATE GOVERNANCE STATEMENT

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

The following formalises the main corporate governance practices established and in force from the date of Spinifex Gold Limited's admission to the Official List of ASX in December 1996.

Composition of the Board

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas.
- Directors should bring characteristics, which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The terms and conditions of the appointment and retirement of Directors will be set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The performance of all Directors will be reviewed by the Chairman each year. Directors whose performance is unsatisfactory will be asked to retire.

Independent Professional Advice

Each Director will have the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

Remuneration

The Board will review the remuneration packages and policies applicable to the Managing Director and other Directors on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior executives. Where necessary the Board will obtain independent advice on the appropriateness of remuneration packages.

Audit

The performance of the Company's auditors and the scope of their work is reviewed by the Board on a regular basis. As a separate audit committee of the Board is not deemed necessary at this stage, the Board will ensure that the auditors have direct and easy access to all Directors.

The Board will review the nomination and performance of the auditor. The external auditors were appointed on 24 June 1994. The lead external audit engagement partner was last rotated in 2003.

Business Risk

The Board will monitor and receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board Meetings include sovereign risk, foreign currency and commodities price fluctuations, performance of activities, human resources, the environment and continuous disclosure obligations.

SPINFEX GOLD LIMITED

CORPORATE GOVERNANCE STATEMENT

Ethical Standards

The Board's policy will be for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

SPINIFEX GOLD LIMITED

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 September 2003.

A. ORDINARY SHARES (SPX)

1. Distribution of Shareholders

(a) Analysis of number of shareholders by size of holding.

| Category of holding | Number |
|-------------------------|--------------|
| 1 - 1,000 shares | 468 |
| 1,001 - 5,000 shares | 768 |
| 5,001 - 10,000 shares | 194 |
| 10,001 -100,000 shares | 221 |
| 100,001 shares and over | <u>32</u> |
| | <u>1,683</u> |

(b) There were 398 shareholders with less than a marketable parcel of ordinary shares.

(c) There are two substantial shareholders in the Company as disclosed in the substantial shareholding notices given to the Company. They are:

- ◆ Lion Selection Group Ltd and African Lion Limited with an entitlement to 29,136,085 ordinary shares.
- ◆ Resolute Mining Ltd with an entitlement to 5,000,000 shares.

2. Twenty Largest Shareholders

The names of the twenty largest holders of fully paid ordinary shares are listed below:

| Name | No. of Shares Held | Percentage of Fully Paid Shares Held |
|-------------------------------------|--------------------|--------------------------------------|
| African Lion Limited | 16,679,587 | 25.524 |
| Lion Selection Group Limited | 11,884,498 | 18.187 |
| ANZ Nominees Limited | 10,614,803 | 16.243 |
| Resolute Mining Limited | 5,000,000 | 7.651 |
| Weresyd Proprietary Limited | 2,506,475 | 3.835 |
| Zero Nominees Pty Ltd | 2,448,387 | 3.746 |
| National Nominees Limited | 1,015,177 | 1.553 |
| Cogent Nominees Pty Limited | 572,000 | 0.875 |
| Nefco Nominees Pty Ltd | 475,325 | 0.727 |
| Finmep CC | 458,438 | 0.701 |
| Westpac Custodian Nominees | 406,660 | 0.622 |
| Guardian Trust Australia Ltd | 390,850 | 0.598 |
| Goldfields Bearing Supplies Pty Ltd | 300,000 | 0.459 |
| Citicorp Nominees Pty Limited | 289,520 | 0.443 |
| BB Nominees Pty Ltd | 283,890 | 0.434 |
| Kap Investments Pty Ltd | 255,000 | 0.390 |
| Iguana Resources Pty Ltd | 220,000 | 0.336 |
| Istana Securities Limited | 215,000 | 0.329 |
| Mr Stephen Frederick Schmedje | 211,439 | 0.322 |
| Jolma Pty Ltd | <u>200,000</u> | <u>0.306</u> |
| | <u>54,427,049</u> | <u>83.281</u> |

SPINIFEX GOLD LIMITED

SHAREHOLDER INFORMATION (continued)

3. Voting Rights

At a general meeting of shareholders:

- (a) On a show of hands, each person who is a member or sole proxy has one vote.
- (b) On a poll, each shareholder is entitled to one vote for each fully paid share.

4. Audit Committee

As at 22 September 2003, the Company does not have an audit committee of the Board of Directors. The Directors are of the opinion that the size of the Company and its management structures are such that a separate audit committee is not warranted at this stage. The Board strives to ensure direct access to all the Directors by the auditors.

B. QUOTED OPTIONS (SPXO – Exercisable at \$1.60 each on or before 30 June 2006)

1. Distribution of Optionholders

Analysis of number of optionholders by size of holding.

| Category of holding | Number |
|--------------------------|-----------|
| 1 - 1,000 options | 0 |
| 1,001 - 5,000 options | 8 |
| 5,001 - 10,000 options | 10 |
| 10,001 -100,000 options | 50 |
| 100,001 options and over | <u>13</u> |
| | <u>81</u> |

SPINIFEX GOLD LIMITED

SHAREHOLDER INFORMATION (continued)

2. Twenty Largest Optionholders

The names of the twenty largest holders of options are listed below:

| Name | No. of Options Held | Percentage of Options Held |
|---------------------------------|---------------------|----------------------------|
| African Lion Limited | 5,198,077 | 36.655 |
| Weresyd Proprietary Limited | 2,771,798 | 19.545 |
| Lion Selection Group Limited | 2,073,077 | 14.618 |
| Cathedral Nominees Pty Ltd | 667,231 | 4.703 |
| Pathold No 77 Pty Ltd | 375,000 | 2.643 |
| ANZ Nominees Limited | 318,751 | 2.247 |
| Ms Elizabeth Jane Michael | 230,000 | 1.621 |
| St Barnabas InvestmentS Pty Ltd | 193,750 | 1.366 |
| Exwere Investments Pty Ltd | 131,250 | 0.925 |
| Kap Investments Pty Ltd | 131,250 | 0.925 |
| Guardian Trust Australia Ltd | 125,000 | 0.881 |
| Mr Terence Michael Rohde | 100,000 | 0.705 |
| Mr Werner Schwab | 100,000 | 0.705 |
| Carstens Investments P/L | 100,000 | 0.705 |
| Camira Holdings Pty Ltd | 100,000 | 0.705 |
| Mr John Michael Yurovich | 95,000 | 0.669 |
| Robert Macfadyen Pty Ltd | 90,000 | 0.634 |
| Poohawk Pty Ltd | 86,251 | 0.608 |
| Mint Asset Management Pty Ltd | 75,000 | 0.528 |
| Mr Angus William Scott Geddes | <u>62,500</u> | <u>0.440</u> |
| | <u>13,023,935</u> | <u>91.828</u> |

C. UNQUOTED OPTIONS

There are a total of 4,600,000 unquoted options on issue at 22 September 2003. The following hold more than 20% of these options:

K P Eckhof 1,400,000 (exercisable at \$0.75 each on or before 30 August 2007)

Lion Selection Group Ltd 2,500,000 (exercisable at \$1.60 each on or before 30 June 2006)

Included in the total of 4.6 million unquoted options are 400,000 options to subscribe for ordinary shares at an exercise price of \$0.75 each and exercisable over varying periods issued under the Spinifex Employees Option Plan. There are a total of 3 holders of these options.

SPINIFEX GOLD LIMITED
LIST OF MINERAL INTERESTS

LIST OF MINERAL INTERESTS AS AT 22 SEPTEMBER 2003

TANZANIAN TENEMENTS

| Licence ⁽¹⁾ | Registered Holder / Applicant | Spinifex's Interest | Expiry Date | Area | Rental Fee ⁽⁴⁾ (US\$) | Required Min. Work ⁽⁵⁾ (US\$) | Royalty |
|--|--------------------------------------|---------------------|------------------------------|-----------------------|----------------------------------|--|-------------------|
| ML 04/92 ⁽²⁾ Buckreef | Buckreef Gold Mining Company Limited | 80% | June 11, 2017 ⁽⁶⁾ | 3.45km ² | \$5,175 | N/A | 3% ⁽³⁾ |
| PL 215/94 ⁽²⁾ Rwamagaza | LVGM | 100% | March 5, 2004 | 42.40 km ² | \$2,120 | \$254,400 | 3% ⁽³⁾ |
| PL 2177/2003 ⁽²⁾ Rwamagaza South | LVGM | 100% | March 10, 2006 | 10.51km ² | \$210.20 | \$9,459 | 3% ⁽³⁾ |
| PL 1564/2000 Rwamagaza West | East Africa Mines | 100% | July 10, 2003 ⁽⁹⁾ | 34.07 km ² | \$681.40 | \$30,663 | 3% ⁽³⁾ |
| PL 1568/2000 Mwamazengo | East Africa Mines | 100% | July 10, 2003 ⁽⁹⁾ | 34.81 km ² | \$696.20 | \$31,329 | 3% ⁽³⁾ |
| PL 1567/2000 Ugambilo | East Africa Mines | 100% | July 10, 2003 ⁽⁹⁾ | 75.48 km ² | \$1509.60 | \$67,932 | 3% ⁽³⁾ |
| PL 1563/2000 Kitongo | East Africa Mines | 100% | July 10, 2003 ⁽⁹⁾ | 41.16 km ² | \$823.20 | \$37,044 | 3% ⁽³⁾ |
| PL 1547/2000 Nyangombe | LVGM | 100% | July 4, 2003 ⁽⁹⁾ | 51.43 km ² | \$1028.90 | \$46,287 | 3% ⁽³⁾ |
| PL 1549/2000 ⁽⁷⁾ Nyakafuru | Sukuma Mines Limited | 100% | July 4, 2003 ⁽⁹⁾ | 67.35 km ² | \$1,347 | \$60,615 | 3% ⁽³⁾ |
| PL 1869/2000 ⁽⁷⁾ Kanegele | East Africa Mines | 65% ⁽⁷⁾ | Feb 20, 2005 | 25.87 km ² | \$517.40 | \$23,283 | 3% ⁽³⁾ |
| PL 788/97 Mwamazengo South | East Africa Mines | 100% | Oct. 15, 2004 | 11.67 km ² | \$326 | \$23,340 | 3% ⁽³⁾ |
| PL 1569/2000 Majimoto South | East Africa Mines | 100% | July 10, 2003 ⁽⁹⁾ | 77.24 km ² | \$1,544.80 | 69,516 | 3% ⁽³⁾ |

(1) All of the licences permit the exploration or mining all minerals other than building materials and gem stones.

(2) Each of the licences is subject to the terms of the Buckreef Redevelopment Agreement. Pursuant to the terms of the Buckreef Redevelopment Agreement, EAGC must spend an aggregate of US\$1,500,000 on the three licence areas prior to July 31, 2004 in order to retain its interest. If a mineable deposit is proved on Rwamagaza, a 20% interest in that property must be transferred to the Government of Tanzania.

SPINIFEX GOLD LIMITED
LIST OF MINERAL INTERESTS

LIST OF MINERAL INTERESTS AS AT 22 SEPTEMBER 2003 (continued)

- (3) Each of these licences is subject to a 3% royalty on the sale or gross value of all gold produced on each licence. In addition, a royalty will be levied in accordance with the Mining Regulations of Tanzania for any mineral other than gold produced or sold from the property.
- (4) Approximate Annual Rental Fee.
- (5) East Africa Mines Ltd is required to expend on each licence US\$300 per square km per annum in three years of the first grant, US\$1,000 per square km in the two years of first renewal and US\$3,000 per square km in the two years of second renewal.
- (6) Notwithstanding the expiry date of June 11, 2017 for this licence, Spinifex Gold Limited's right to explore on this licence is only valid until July 31, 2004 being the expiry date of the Buckreef Redevelopment Agreement.
- (7) Licences subject to a farm-in and joint venture with Mabangu Mining Limited, a wholly owned subsidiary of an Australian public listed company, Resolute Mining Ltd. Mabangu can earn a 51% interest in the joint venture property by spending US\$3 million by February 2005 and can elect to increase its interest to 66% by spending a further US\$2 million by February 2007.

Although East Africa Mines Ltd is the registered holder of the Kanegele licence, the beneficial holder is Yellow Stone Ltd. EAM has entered into a farm-in agreement with Yellow Stone Ltd, under which it can earn a 65% interest by spending US\$1 million on exploration expenditure by January 2005.

- (8) With respect to all licences (including those subject to the Buckreef Redevelopment Agreement) except for PL 1569/2000 (Majimoto South) and PL 1547/2000 (Nyangombe), the consolidated entity has already incurred exploration expenditure in excess of the minimum commitment stipulated by the terms of the licences and / or the Buckreef Redevelopment Agreement (refer note 5 and 2 above).
- (9) These licences are presently subject to first renewal under the terms of the Mining Act, following the expiry of three years after their initial grant. The licence holders are in compliance with the terms and regarding renewal.

Pending applications for new grants, which applications have complied with the requirements of the Mining Act and are under process by the relevant authority include -

| Licence⁽¹⁾ | Applicant | Spinifex's Interest | Area |
|------------------------------|--------------------------------------|----------------------------|-----------------------|
| Buziba ⁽²⁾ | Buckreef Gold Mining Company Limited | 80% | 4.9 km ² |
| Majimoto | East Africa Mines Ltd | 100% | 77.25 km ² |
| Nyangombe West | East Africa Mines Ltd | 100% | 26.29 km ² |
| Ugambifo North | East Africa Mines Ltd | 100% | 27.64 km ² |

SPINIFEX GOLD LIMITED
LIST OF MINERAL INTERESTS

LIST OF MINERAL INTERESTS AS AT 22 SEPTEMBER 2003 (continued)

WESTERN AUSTRALIA

| Tenement | Project | Mineral Field | Status | Interest |
|-----------------|----------------|----------------------|---------------|-----------------|
| M38/357 | Laverton | Laverton | Granted | 100% |
| P38/2747 | Laverton | Laverton | Granted | 100% |
| E25/155 | Transline | Kalgoorlie Boulder | Granted | 100% |
| P15/2826 | Lady Grace | Coolgardie | Granted | 100% |
| M38/460 | Laverton | Mount Margaret | Application | 100% |
| M38/819 | Laverton | Mount Margaret | Application | 100% |