



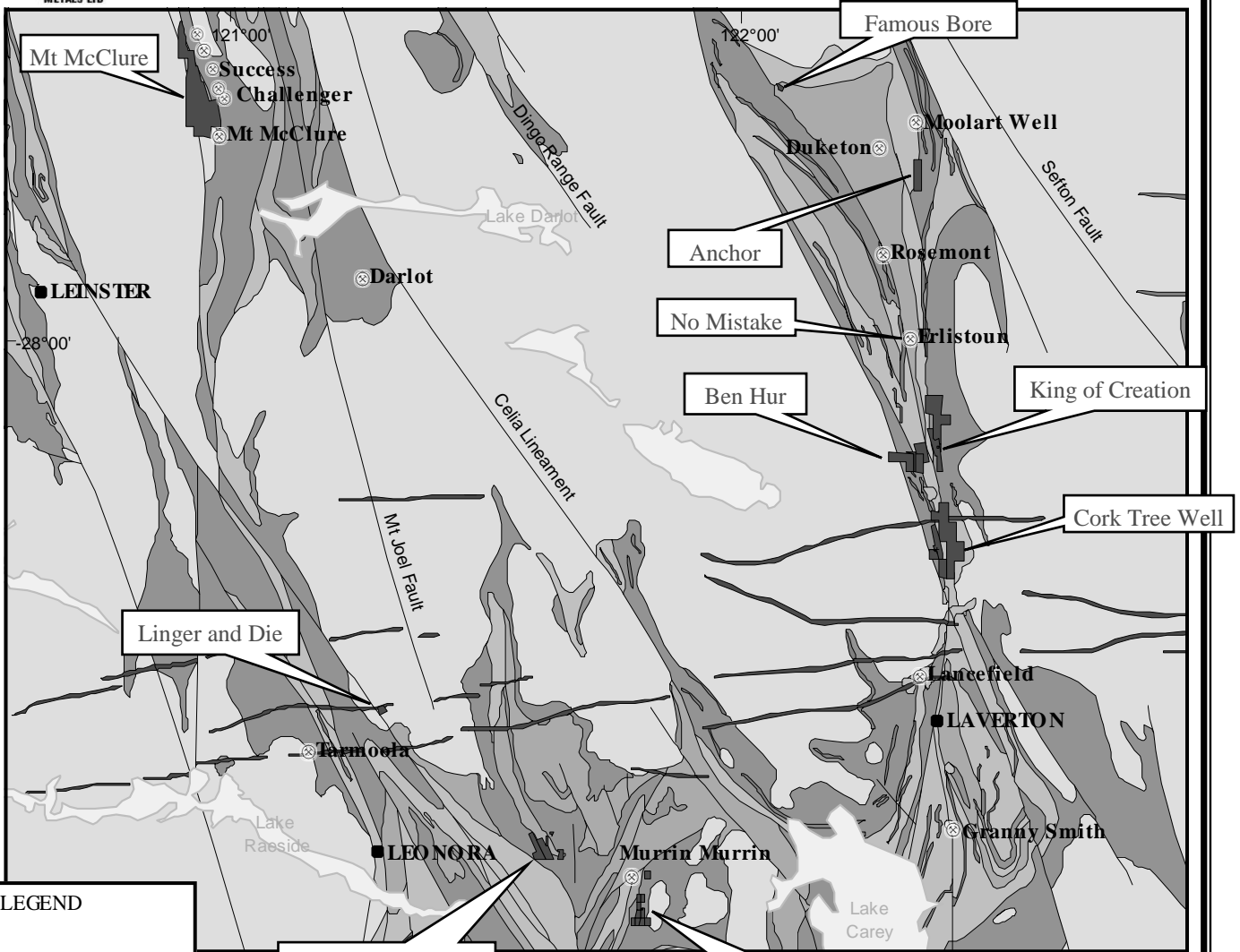
**WEST AUSTRALIAN METALS LTD**

ACN 001 666 600

**2004 ANNUAL REPORT**



# PROJECT LOCATION AND REGIONAL GEOLOGY PLAN



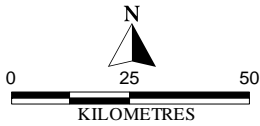
**LEGEND**

- East west dyke suite
- Sediments
- Felsic volcanics
- Granitic rocks
- Mafic, ultramafic volcanics
- Gold mine

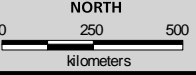
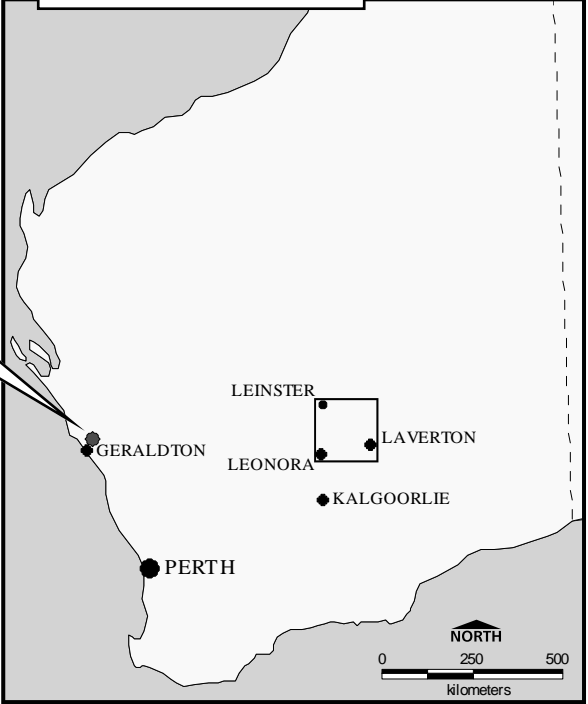
Perseverance and Prince of Wales

Windsor Well and Kismet

Northampton Base Metal Project



REFERENCE:  
 1:1 000 000 Interpretive Geology of the Yilgarn Block. Compiled by RG Colville after GSWA Mapping, March 1989



## COMPANY INFORMATION

### ACN

001 666 600

### ABN

71 001 666 600

### DIRECTORS

R P Martin (Chairman)  
D A Hamlyn  
L A Colless

### SECRETARY

L A Colless

### OPERATIONS OFFICE

13<sup>th</sup> Floor  
BGC Centre  
28 The Esplanade,  
PERTH WA 6000  
Tel: 61 8 9322 7903 Fax: 61 8 9322 7796

### REGISTERED OFFICE

129 Edward Street,  
PERTH WA 6000  
Tel: 61 8 9227 1186 Fax: 61 8 9227 8178

### SHARE REGISTRY

Advanced Share Registry Services  
Level 7  
200 Adelaide Terrace  
PERTH WA 6000  
Tel: 61 8 9221 7288 Fax: 61 8 9221 7869

### CONTENTS

Company Information	1.
Chairman's Report	2.
Review of Operations	3.
Engineering	4.
Mineral Exploration	4.
Directors' Report	13.
Statement of Financial Performance	17.
Statement of Financial Position	18.
Statement of Cash Flows	19.
Notes to the Financial Statements	20.
Directors' Declaration	29.
Auditor's Report	30.
Supplementary Information	31.
Shareholding	31.
Option Holding	32.
Corporate Governance	33.
Environmental Obligations	35.
Tenement Schedule	36.

### AUDITORS

Rothsay  
Chartered Accountants  
Level 1  
2 Barrack Street  
SYDNEY NSW 2000  
Tel: 61 2 9299 0091 Fax: 61 2 9299 2595

### STOCK EXCHANGE

Australian Stock Exchange Limited

### HOME EXCHANGE

Perth

### ASX CODE

WME

### WEB SITE

[www.wametals.com.au](http://www.wametals.com.au)

## CHAIRMAN'S REPORT

As previously referred to in earlier years of the Chairman's Report, your Company's focus on the resource sector, particularly mining, continues to meet a challenging environment.

Management have been prudent in conducting drilling programmes on the Company's tenements to enhance the identifiable gold resources, but the absence of a processing plant in the Duketon belt north of Laverton continues to frustrate the capability to commence gold production from the Company's tenements.

Whilst several of the properties have identified gold resources, none are robust enough to support the necessary capital expenditure to construct a processing plant. Ultimately, we believe this will eventuate with the aggressive exploration programme being conducted by Newmont Mining Limited, particularly in the vicinity of Moolart Well, immediately north of West Australian Metals' Anchor tenement.

However, your Board continues to examine various investment opportunities, both mining and non-mining related. As at 30 June 2002, current assets (the Group's resources from which to fund investments and exploration) were \$198,125 and during July 2002 to June 2003, your Board raised capital to acquire Austin Engineering Pty Ltd, a Queensland based engineering and fabrication business, for \$2,000,000. Total current assets had increased to \$1,917,864 at June 2003, however \$1,689,650 of these were debtors of Austin, then a wholly owned subsidiary, and therefore not available for investment purposes by West Australian Metals.

This Annual Report includes considerable detail on the demerger of Austin Engineering and its subsequent separate listing on the ASX. Financial considerations relevant to West Australian Metals and its shareholders are

- (i) from \$2,970,455 capital raised during fiscal 2002/2003, \$2,476,630 was loaned to Austin to secure the assets, for settlement costs and working capital;
- (ii) at the time of the demerger, this loan was reduced from the positive cash flow of Austin;
- (iii) \$819,392 of the loan was converted into 22,205,738 shares in Austin, which were distributed in specie to shareholders at no cost;
- (iv) from Austin's IPO to raise capital, \$1,622,083 was repaid to West Australian Metals to extinguish the loan, and meet some of the costs of the float;
- (v) as at 30 June 2004, West Australian Metals' total current assets were \$1,314,409;
- (vi) the 22,205,738 Austin shares given to shareholders had a market value of \$4,441,147 on listing on the ASX on 9 March 2004, at the IPO price of \$0.20 per share, and
- (vii) those 22,205,738 shares have a market value of \$10,214,639 (\$0.46 per share) at the date of this report.

In summary, your Board has generated a modest level of retained capital for your Company, and provided shareholders with the opportunity to participate in a substantial windfall profit of \$10 million.

Your Board has entered into a Memorandum of Understanding on 12 October 2004, with a public unlisted biomedical company called Asthmastop, to invest up to \$1,000,000 to acquire approximately 20% of the issued capital. Details of the transaction were contained in a release to the ASX on Wednesday 13 October 2004.

Asthmastop has exclusive rights to the development, manufacture, trialling and distribution of a nutritional formulation which targets the causal factors of asthma. Your Company's investment subject to the completion of due diligence, will provide the capital to establish a Therapeutic Goods Administration licensed laboratory and to fund the production and distribution programme and completion of clinical trials.

Asthmastop intends to proceed to an IPO and listing on the ASX in 2005 to fund marketing and commercialisation of Asthmastop's products in Australia and internationally. Again, West Australian Metal's shareholders will be granted a priority to take up shares in this IPO, and the Board has a high level of confidence for West Australian Metals investment and for shareholders who participate in the future growth and development of Asthmastop.

Your Board will continue to identify investments and opportunities, given the constraints of the limited capital available, to maximise the benefits to the Company and its shareholders. Management focus is still predominantly on the resource sector, and several mining related ventures are under consideration. Your Board is enthusiastic and confident that the West Australian Metals balance sheet will reflect a strong financial performance, and where possible these benefits will be passed through directly to shareholders.

**R Martin**  
Chairman

## **REVIEW OF OPERATIONS**

### **For the Year Ended 30 June 2004**

#### **OVERVIEW**

West Australian Metals commenced the year as a diversified resource company with engineering interests in Queensland and mineral exploration properties in Western Australia. The rationale for the purchase of Austin Engineering in late 2002 was to introduce a cash flow into the company and reduce the reliance on capital raisings to fund ongoing exploration and further project acquisition, thereby protecting shareholder value.

Austin Engineering is a successful and expanding business, but it was recognised that de-merging of the engineering and mineral assets was the most effective mechanism to realise shareholder value and to facilitate harmonious development of both sectors.

The de-merger of the engineering and mineral assets was approved by shareholders at the Company's Annual General Meeting on 28<sup>th</sup> November 2003 and West Australian Metals immediately instigated procedures to de-merge and spin-off the engineering business into a new listed public company.

The listing of Austin Engineering Ltd took longer than initially anticipated but culminated with the successful listing on the Australian Stock Exchange on 9<sup>th</sup> March 2004.

Mineral exploration and mineral project generation was reduced during the year as activities focussed on the development of the engineering business and the subsequent de-merger and listing. The Company's mineral properties in the Duketon Belt, while hosting gold resources and strong mineralisation, are hampered by a lack of development options due to the absence of operating treatment facilities in the area. Exploration to date indicates that these tenements are unlikely to deliver resources and reserves of sufficient magnitude to justify a stand alone treatment plant, however the tenements are strategically located and have potential to benefit significantly from exploration success of Newmont Australia and other parties in the region.

West Australian Metals will continue to pursue exploration and development options for its wholly owned properties in the Leonora – Laverton area as well as new projects and investment opportunities in the minerals sector and non-mining ventures which have the potential to add value to the Company.

#### **ENGINEERING**

##### **Austin Engineering Pty Ltd**

Austin Engineering Pty Ltd is a Queensland based engineering business specialising in the fabrication, supply and installation of metal products such as structural steel and piping for the industrial and resource sectors.

The business was purchased by West Australian Metals' wholly owned subsidiary, Seinson Pty Ltd in late 2002 with final settlement completed on 1 April 2003. Seinson Pty Ltd was renamed Austin Engineering Pty Ltd following completion of the acquisition.

West Australian Metals' shareholders approved the de-merger of the Company's engineering and mineral assets at the Company's Annual General Meeting on 28 November 2003.

On 8 December 2004, Austin was demerged from West Australian Metals by way of a return of capital. The return of capital amounted to \$812,392 which was converted to equity in Austin through the creation of 22,205,738 Austin shares which were distributed to shareholders of West Australian Metals on the basis of 2 Austin shares for every 9 West Australian Metals shares held on 5 December 2003. The amount of the capital reduction was equivalent to approximately \$0.008 per West Australian Metals share.

Austin Engineering issued a prospectus (Replacement Prospectus) on 8 December 2003, offering 9,000,000 Austin Engineering Shares at \$0.20 each with capacity to accept over subscriptions for an additional 2,000,000 Shares to raise up to \$2.2 million to provide funds for the repayment of the loan from West Australian Metals to facilitate the original purchase of the engineering business, and for working capital requirements. The Offer incorporated Round Up and Preferential offers entitling West Australian Metals Shareholders the opportunity to top-up their holdings in Austin Engineering to a marketable parcel and to apply for additional Austin Engineering

## REVIEW OF OPERATIONS

### For the Year Ended 30 June 2004

Shares, as well as a Public Offer open to new investors. The Offer closed on 6 January 2004 heavily over subscribed.

Following a request from the Australian Securities and Investment Commission on 12 January 2004 for additional financial information to be supplied to potential investors, Austin Engineering issued a Supplementary Prospectus dated 30 January 2004. The Offer under the Supplementary Prospectus closed on 2 March 2004 and provided the opportunity to accept oversubscriptions for up to an additional \$500,000 by issuing an additional 2,500,000 Shares. This increased the total amount raised under the Offer to \$2,700,000 which is equivalent to 13,500,000 Shares.

Austin Engineering made application for admission to the Official List of the Australian Stock Exchange on 12 December 2003 and was accepted on 4 March 2004 with Official Quotation of the Company's securities on ASX on 9 March 2004. The company's code is ANG.

West Australian Metals did not retain shares in Austin Engineering other than any surplus In Specie Shares which result from the rounding down of fractional entitlements in the In Specie Distribution.

On 6 October 2004, the Australian Tax Office published Class Ruling CR 2004/108 relating to the demerger of Austin Engineering Ltd by West Australian Metals Ltd. The Class Ruling confirms the availability of demerger relief for shareholders and is consistent with the summary of tax implications of the demerger contained in the Explanatory Statement forming part of the Notice of Annual General Meeting on 28 November 2003.

## MINERAL EXPLORATION

West Australian Metals' wholly owned subsidiary, Bronzewing Gold NL, is focussed on mineral exploration on its gold resource properties in the North-Eastern Goldfields of Western Australia.

Throughout the year the Company continued to assess its current mineral properties and other projects and exploration opportunities in Western Australia and elsewhere with a view to acquiring quality assets which could provide cash flow and improved shareholder value through production.

### Anchor Project

*West Australian Metals Ltd - 100%*

M38/302

The Anchor project is located 108 kilometres north of Laverton and seven kilometres east of the old Duketon Mining Centre. The mining lease covers an area of 936 hectares orientated north south over six kilometres of greenstone contact which hosts high-grade gold mineralisation at the Anchor deposit and Anchor North in the north-eastern half of the lease.

Mineralisation is associated with quartz veining within a highly altered chert unit, which marks the contact between an ultramafic unit and basalts. The chert horizon trends north-northeast and dips steeply to the east. Northwest trending faults, exhibiting dextral displacement and characterised by intense quartz veining, silicification and increase in iron content on the surface, influence the distribution of the mineralisation.

Previous tenement owners, Minerichie Investments Pty Ltd, commenced a small trial open pit in 1999. The pit to a depth of 30 metres and extending 140 metres along strike, produced 22,624 tonnes of ore grading 27.92 g/t Au, which was toll treated at Sons of Gwalia's mill in Leonora.

Bronzewing Gold NL acquired the mining lease in October 2001, and an additional 6,294 dry tonnes grading 16.14g/t was mined from the base of the pit, to give total reconciled production from the pit of 28,936 tonnes grading 25.8g/t for 22,892 ounces of gold.

Mineral resources to a vertical depth of approximately 60 metres in the vicinity of the open pit, based on 0.5g/t lower cut-off, no top cut and SG of 2.4 are: -

**Anchor Pit**

*Indicated*

**76,700 tonnes @ 4.4 g/t for 10,800ozs Au**

## **REVIEW OF OPERATIONS**

### **For the Year Ended 30 June 2004**

Mineralisation has also been established at Anchor North, 500 metres north of the Anchor pit, where drilling has intersected high grade mineralisation on the prospective ultramafic contact including intercepts of 2 metres @ 15.0 g/t Au from surface and 3 metres @ 35.6g/t from 7 metres depth.

The Anchor tenement lies immediately to the south of Newmont Australia's Moolart Well exploration project where recent drilling has identified extensive shallow lateritic gold mineralisation over a four kilometre strike with deeper intersections within extensions to the units which host mineralisation within the Anchor lease. Moolart Well is a priority exploration target for Newmont in the Duketon region.

During the year aircore drilling programs were carried out to test mafic units in the western portion of M38/302 which represent the southern strike extensions to units hosting mineralisation at Moolart Well and to test structural targets in the central portion of the tenement.

A total of 1031 metres of aircore drilling was completed in 19 holes on a broad 400m by 80m pattern in the northern section of the lease. Only anomalous mineralisation was encountered with best intersection 8m @ 0.23g/t from 24 metres depth near the western margin of the tenement.

A detailed, low-level aeromagnetic survey has been flown by Newmont over the Moolart Well and Anchor tenements. Data covering the Anchor lease was supplied by Newmont and processing delineated several dislocations in the prospective ultramafic contact to the south of the Anchor pit where mineralisation is localised in a similar structural kink in the contact.

Limited aircore drilling was carried out in the vicinity of these contact targets. A total of 544 metres of drilling was completed in 11 holes. Best intersection of 4m @ 2.15g/t from 40 metres depth was encountered in the southern part of the lease.

A further 12 holes totalling 568 metres of drilling were completed on persistent north trending structures in the central and western part of the tenement. No significant mineralisation was encountered on these structures.

Micromine Pty Ltd completed the block modelling of the Anchor open pit resource in May 2004. The model demonstrates a southerly plunge to the mineralisation and was utilised to define drill targets at depth beneath the existing open pit.

Four reverse circulation holes were drilled to test the shear structure at depth. Holes ARC4001 and ARC4002 intersected wide zones of shearing with quartz veining and ironstone but only minor low grade gold values at vertical depths of 70 to 80 metres. Holes ARC4003 and ARC4004 did not intersect a recognisable shear zone or any significant gold mineralisation at target depths of 120 metres and 80 metres respectively.

The results of this program down-grade the potential to delineate a substantial deeper resource beneath the existing shallow Anchor pit, however further work is being progressed to define near surface, high grade mineralisation in the Anchor – Anchor North area.

### **Ben Hur Project**

*M38/339, P38/3165, (PLA38/3185), (ELA38/1748)*

*West Australian Metals Ltd - 100%*

The Ben Hur project is located 50 kilometres north of Laverton in the North-Eastern Goldfields of Western Australia. Mining Lease M38/339 covers an area of 800 hectares in the northern extensions to the Laverton Tectonic Zone, which hosts significant gold deposits at Sunrise Dam, Wallaby and Granny Smith, to the south, and Rosemont, to the north.

The north-northwest trending sequence consists of interlayered metasediments, felsic volcanoclastics and mafic volcanics. Outcrop is poor in the lease area with only the more resistant-banded ironstone forming occasional outcrops.

Gold mineralisation at Ben Hur is associated with an intrusive quartz dolerite unit, 40m to 50m thick and dipping steeply east. The dolerite, similar to the unit hosting mineralisation at the 1.2 million ounce Rosemont deposit, parallels the regional north-northwest strike and has been traced over the length of the tenement. Mineralisation occurs in stringer quartz veins and stock works within the dolerite and forms two parallel lines of mineralisation, the

## REVIEW OF OPERATIONS

### For the Year Ended 30 June 2004

Ben Hur-Ben Hur North line and the parallel Kennecott East zone to the east. These lines of mineralisation show good persistence along the four kilometre strike length, and exploration to date has identified three zones of higher-grade mineralisation at Ben Hur, Ben Hur North and Kennecott East.

Recent drilling programs delineated broad zones of mineralisation over 1000 metres of strike and demonstrate that the Ben Hur mineralisation plunges to the south. A persistent, south plunging zone of mineralisation, 70 to 80 metres high and 15 to 20 metres true width has been defined within broad zones of altered dolerite and drill intercepts including 28m @ 2.6g/t from 144m depth and 7m @ 7.7g/t from 128m which was contained within a broader zone of 24m @ 2.56g/t (cut to 14g/t). The mineralisation remains open at depth.

In the shallower part of the resource, where drilling intensity is greatest, narrow high grade structures have been delineated which strike normal to the stratigraphy and dip at 15° to 20° to the north. Intercepts on these structures include 2m @ 10.27g/t from 53m, 4m @ 24.85g/t from 65m and 11m @ 12.46g/t from 25m (incl. 1m @ 99.6g/t from 31m).

Three-dimensional, block modelling of the Ben Hur and Ben Hur North resources was carried out by Ravensgate Pty Ltd. The modelling incorporates the narrow high grade, north dipping shoots, where defined, within the broad south plunging mineralised envelope. Mineral resources for the Ben Hur and Ben Hur North zone combined, using a 1.0g/t lower cut, no top cut and a variable SG between 1.9 and 2.7 reflecting degree of oxidisation, are

<b>Ben Hur/Ben Hur North</b>	<i>Indicated</i>	877,000 tonnes @ 1.95 g/t
	<i>Inferred</i>	1,285,000 tonnes @ 2.1 g/t
<b>TOTAL</b>		<b>2,162,000 tonnes @ 2.04g/t for 142,000ozs Au</b>

An additional inferred polygonal resource remains current for the Kennecott East zone to the north east of the Ben Hur mineralisation: -

<b>Kennecott East</b>	<i>Inferred</i>	<b>130,000 tonnes @ 2.8 g/t for 12,000ozs Au</b>
-----------------------	-----------------	--

Preliminary mining studies at the current gold price and using indicative mining, transport and processing costs for treatment at the Laverton treatment plant, 55 kilometres to the south, indicate that only a small tonnage could be feasibly mined from the shallow portions of the Ben Hur resource.

Reverse circulation drilling carried out during the year tested orientations of high grade structures within the block model and extensions to higher grade zones within the mineralised envelop. Six holes were completed for a total of 545 metres of drilling.

HOLE No.	NORTHING	EASTING	DIP	AZIMUTH	DEPTH	RESULTS
BRC4001	3837.5	10000	90°	-	88m	3m @ 1.80g/t (11-14m) 54m @ 1.82g/t (30-84) including 2m @ 11.25g/t (39-41m)
BRC4002	3987.5	9975	90°	-	66m	2m @ 10.60g/t (13-15m) 3m @ 2.55g/t (20-23m) 1m @ 3.57g/t (44-45m)
BRC4003	4150	9984	60°	Grid W	75m	2m @ 1.27g/t (56-58m) 3m @ 1.13g/t (66-69m)
BRC4004	4200	9985	60°	Grid W	85m	6m @ 1.69g/t (76-82m)
BRC4005	3950	10070	60°	Grid W	146m	2m @ 2.96g/t (134-136m) 1m @ 5.76g/t (142-143m)
BRC4006	3700	10061	60°	Grid W	85m	10m @ 1.97g/t (63-73m)
6 holes					545m	

The drilling demonstrated that high grade shoots exhibit strong continuity over down dip distances of up to 40m but the structures pinch and swell irregularly and vary in dip and that more than one set of structures may be responsible for the high grade mineralisation.

Further work directed towards identification of additional resources focussing on testing the western part of the tenement where a soil anomaly has been delineated extending for over three kilometres along the western margin of the lease. An aircore drilling program incorporating 25 broad spaced aircore holes were drilled on a 1000m x 80m pattern covering the western half of the lease to tested soil anomalies associated with chert and mafic



**REVIEW OF OPERATIONS**  
**For the Year Ended 30 June 2004**

volcanic units. A total of 1,285 metres of drilling was completed to the west of the mineralised dolerite units which hosts the Ben Hur resource.

The program did not detect significant new zones of mineralisation associated with the basalt/dolerite units. The best intersection, 4m @ 0.56g/t Au from 44 to 48m was recorded in basalts in the south of the tenement.

**King of Creation Project**

M38/160

West Australian Metals Ltd - 100%

The King of Creation project is located 50 kilometres north of Laverton and is secured by a mining lease covering 855 hectares. The project lies 1.5 kilometres to the east of Ben Hur and is approximately 8 kilometres in length.

The lease covers a north trending sequence of intensely deformed and altered quartz poor sediments, banded cherts and intermediate to basic volcanics. Gold mineralisation is associated with quartz veining, banded cherts and graphitic schists localised within a major transcurrent shear zone. The mineralisation is persistent along strike, but individual veins or bands of mineralisation tend to be variable in grade.

The central part of the mineralised zone, covered by E38/1375 which is excised from M38/160, was mined by Hillmin Gold Mines Pty Limited and produced 57,693.3 ounces of gold from 811,500 tonnes of ore, up to December 1990.

Current mineral resources on strike extensions to the mineralisation within M38/160 based on a 0.5 g/t lower cut-off and no top cut, are: -

<b>King of Creation North</b>	<i>Indicated</i>	120,000 tonnes @ 1.5 g/t
	<i>Inferred</i>	13,000 tonnes @ 1.0 g/t
<b>King of Creation South</b>	<i>Indicated</i>	128,000 tonnes @ 1.4 g/t
	<i>Inferred</i>	37,000 tonnes @ 2.0 g/t
<b>Queen of Creation</b>	<i>Indicated</i>	94,000 tonnes @ 1.5 g/t
	<i>Inferred</i>	43,000 tonnes @ 1.0 g/t
<b>TOTAL</b>		<b>435,000 tonnes @ 1.5 g/t for 21,000ozs Au</b>

The area south of the Queen of Creation to the lease boundary, a distance of 3.5 kilometres, is untested and contains historical gold workings and to the northwest there exists two kilometres of untested strike to the northern boundary, containing historical workings.

West Australian Metals' subsidiary, Bronzewing Gold NL, has entered into a Joint Venture with Heron Resources Limited to explore and develop resources on Exploration Licences 38/1368 and 38/1375 located immediately to the north of the King of Creation mining lease and covering the King of Creation open pit.

Under the terms of the Joint Venture, Bronzewing Gold may earn a 70% interest in E38/1368 and E38/1375 by sole funding exploration expenditure of \$250,000 from the Commencement Date (18<sup>th</sup> July 2003) to within four years from the date of grant of E38/1375. Bronzewing Gold will automatically earn an additional 10% interest should Heron elect not to contribute to further exploration expenditure once the initial \$250,000 has been spent and Heron will then retain a 20% free carried interest up to a decision to mine. At any time during the term of the Joint Venture, Heron may convert its interest to a 2.0% gross royalty on all gold and silver and a 2.0% Net Smelter Return on all other metals produced from the tenements.

Exploration concentrated on the north-west part of the King of Creation mining lease where soil sampling carried out on a 100m x25m grid delineated a series of anomalies over a 1.2 kilometre zone on the western margin of a low, north trending, chert ridge which parallels the main King of Creation shear and on NNW trends peripheral to the ridge. Peak gold values up to 40ppb were recorded in a background of 5ppb Au with coincident anomalous arsenic values.

Broad spaced reverse circulation drilling intersected 5m @ 1.78g/t Au from 25 to 30m in the northern part of the tenement which together with lesser intersections on lines 500m (1m @ 1.03g/t) and 900m (1m @ 0.52g/t) to the south indicate a potential new zone of mineralisation on a north-south trending structure parallelling the King of Creation/Little Doris shear located 500m to the east.

## REVIEW OF OPERATIONS For the Year Ended 30 June 2004

An aircore drill program to further test the soil anomalies and strike extensions of the mineralisation encountered 12m @ 4.10g/t from 12m to 24m in quartz veined shales and ferruginous cherts, similar to the mineralisation previously intersected 580m to the north. The area warrants further evaluation to establish the potential of the new mineralisation.

### Cork Tree Well Project

West Australian Metals Ltd - 100%

M38/346, (MLA38/917), (MLA38/918), GPL38/4  
(PLA38/3158), (ELA38/1563), (ELA38/1618).

The Cork Tree Well tenements are 32 kilometres north of Laverton and cover 760 hectares in a sequence of Archaean basic volcanics, tuffs and meta-sediments with banded iron formation. The deposit lies on the western limb of the Eristoun syncline and adjacent to the Laverton tectonic lineament. Mineralisation occurs mainly in interflow cherts and shales, which dip steeply to the east and become subsidiary to graphitic shale in the primary zone.

Cork Tree Well was mined by Austwhim Resources NL between 1985 and 1988 and produced 699,115 tonnes at a grade of 2.3 g/t Au and current inferred resource estimates for the Cork Tree North mineralisation and remnant mineralisation in the saddle area between the two present pits and in an area one kilometre to the north at 12200N are: -

<b>Cork Tree Well North</b>	<i>Inferred</i>	60,000 tonnes @ 4.0 g/t
<b>Cork Tree Well Saddle</b>	<i>Inferred</i>	35,000 tonnes @ 1.3 g/t
<b>Cork Tree Well 12200N</b>	<i>Inferred</i>	148,000 tonnes @ 1.8 g/t
<b>TOTAL</b>		<b>243,000 tonnes @ 2.2 g/t for 17,000ozs Au</b>

E38/1563 (application) immediately to the west of the Cork Tree Well mining lease covers extensions of cross-cutting structures which may control the localisation of mineralisation along favourable lithological units within the basic volcanics, tuffs and meta-sediments.

E38/1618 (application) to the east of Cork Tree Well covers 15 kilometres of strike of the doleritic unit which hosts mineralisation at Ben Hur, 10 kilometres to the north.

### Cork Tree South Joint Venture

West Australian Metals Ltd – no retained interest

E38/949

West Australian Metals Ltd entered into a Joint Venture with Pocketmail International Pty Ltd (formerly Gold Dust Holdings Pty Ltd) and Media Fusion Limited in September 2002, to explore and develop resources on Exploration Licence 38/949 located immediately to the south of the Cork Tree Well lease, M38/346.

E38/949 covers potential strike extensions to the units which host the Cork Tree Well mineralisation however the area has been extensively explored in the past; including air and ground magnetic surveys, soil sampling and systematic broad spaced drilling covering the whole tenement. No mineralisation was evident in any of the past drilling and the units hosting the Cork Tree Well mineralisation are truncated by granites to the south of the mined deposits.

The potential for E38/949 to host open pit resources is low and in the absence of further drill targets, West Australian Metals has withdrawn from the joint venture and retains no interest in the tenement.

### Famous Bore Project

West Australian Metals Ltd - 100%

M38/384

The Famous Bore lease covers an area of 107 hectares at the northern end of the Duketon greenstone belt, approximately 120 kilometres north of Laverton. Modest historic gold production has been recorded from within the tenement and gold mineralisation has been delineated at Famous Blue two kilometres to the south.

The tenement is covered by several overlapping Registered Aboriginal sites and field access is restricted.

**REVIEW OF OPERATIONS**  
**For the Year Ended 30 June 2004**

Assessment of the area is limited to remote techniques including interpretation of aeromagnetic data and satellite imagery. Structurally the tenement covers felsic to intermediate volcanics cut by sub-parallel east-northeast trending faults similar to structures influencing the distribution of mineralisation at Famous Blue.

**No Mistake**

P38/2659 (MLA38/802)

West Australian Metals Ltd - 100%

The No Mistake prospecting licence and mining lease application covers an area of 11.25 hectares located 75 kilometres north of Laverton.

The small tenement is located within the Eristoun resource area where Newmont Exploration and Regis Resources NL (formerly Johnson's Well Mining) have delineated significant mineralisation. The tenement hosts gold mineralisation associated with veining within a sheared doleritic unit which has been extensively drilled immediately to the north and south by the Newmont/Regis Resources joint venture.

Newmont Exploration conducted drilling on the No Mistake tenement on behalf of Bronzewing Gold. Five holes totalling 491m of drilling were completed on three lines 200m apart. Holes were spaced 80m apart on the northern and southern lines with only one hole completed on the central line.

Results of the broad spaced drilling confirmed strong mineralisation within the structure across the width of the tenement.

HOLE No.	NORTH GDA	EAST GDA	DIP	AZIM.	DEPTH	RESULTS 4m composites	RESULTS 1m re-splits
EERC009	6906080	434880	60°	090°	80m	8m @ 10.3g/t (64-72m)	5m @ 9.56g/t (66-71m) including 2m @ 21.65 (66-68)
EERC010	6906080	434800	60°	090°	100m	8m @ 0.93g/t (84-92m)	5m @ 1.13g/t (86-91m)
EERC011	6906160	434840	60°	090°	100m	8m @ 0.57g/t (72-80m)	1m @ 2.82g/t (74-75m)
EERC012	6906240	434920	60°	090°	100m	12m @ 2.9g/t (64-76m)	8m @ 4.32g/t (64-72m)
EERC013	6906240	434860	60°	090°	111m	8m @ 4.5g/t (100-108m)	1m @ 2.79g/t (78-79m) 3m @ 2.65g/t (83-86m) 4m @ 16.32g/t (101-105m)
5 holes					491m		

**Windsor Well and Kismet Prospect**

West Australian Metals Ltd - 100%

M39/334, (MLA39/367), (MLA39/381), (MLA39/382),  
(MLA39/482), (MLA39/483), (MLA39/528), (MLA39/529),  
(MLA39/530), (MLA39/663)

The area is located 50 km east of Leonora and consists of mining lease applications and a granted Mining Lease, totalling nearly 14 km<sup>2</sup> in area.

The Windsor Well and Kismet prospects cover a sequence of mafic and ultramafic intrusive rocks of the Murrin Murrin greenstone belt which contain narrow sedimentary and volcanic units and occasional felsic intrusives. Gold mineralisation is evident from numerous shallow workings in the area and is frequently associated with high-grade quartz veining on the mafic-sediment contacts. Recorded production from the Windsor Well-Little Battery workings is 29kg of gold from 970 tonnes of ore for a recovered grade of 30g/t.

Aircore drilling for extensions to gold mineralisation down dip and along strike from the Kismet historical workings on M39/334, intersected shallow high grade mineralisation (4m @ 11.16 g/t from 22m) within the north-south striking quartz/chert lode. This structure was previously mined to a depth of approximately 15 metres and further drilling is warranted to delineate narrow, plunging, high-grade shoots.

**Perseverance Prospect**

West Australian Metals Ltd - 100%

M37/422, M37/487, (MLA37/538),  
(MLA37/926), (MLA37/927), P37/4018

The Perseverance block of prospecting licences, mining lease applications and mining leases covers an area of 1,616 hectares 35 kilometres east of Leonora.

## **REVIEW OF OPERATIONS**

### **For the Year Ended 30 June 2004**

Gold mineralisation is related to quartz veining in a variety of lithologies and the prospect incorporates the historic Prince of Wales Mine, the Perseverance-Webster's Find mines and the Benalla Mine located in an isolated tenement situated one kilometre north east.

The most significant production came from the Perseverance and the Webster's Find mines, which operated from 1897 to 1909. The total tonnage mined was 21,529 tonnes at an average recovered grade of 18.26 g/t gold. The Prince of Wales Mine has a small, but very high-grade recorded production of 12.2 tonnes at 2.83kg/t (a total of 1,108ozs of gold).

The area holds potential for small, high-grade deposits amenable to open pit and underground development.

The Company is currently finalising joint venture negotiations on the project.

### **Linger and Die Prospect**

M37/787

*West Australian Metals Ltd - 100%*

The Linger and Die mining lease is located 28 kilometres north of Leonora and covers 200 hectares surrounding the old Dodgers Well Mining Centre.

Recorded production from the area includes historic production of 2000 ounces of gold from 1,400 tonnes of ore from 1897 and more recent mining in the 1980's extracting a further 2007 tonnes at an average grade of 11.77 g/t from small pits along the old line of historical workings.

The lease covers the sheared granite-greenstone contact which strikes approximately east-west and dips 65° to 85° to the north. Gold mineralisation is associated with quartz veining within sheared granite and basalt adjacent to the contact. The prospect holds potential along strike and at depth, for small to moderate tonnages of high-grade ore amenable to open pit extraction and toll treatment.

The Company is currently finalising joint venture negotiations on this tenement.

### **Mt McClure Prospect**

E36/389

*West Australian Metals Ltd –earning 50 to 75%*

The Mt McClure Exploration Licence E36/389 lies approximately 160 kilometres north of Leonora and covers an area of 82 square kilometres over part of the western contact of the Yandal greenstone belt.

Poorly exposed sediments and felsic and mafic volcanics form the margin of the greenstone belt along the eastern side of the exploration licence. A number of shears and associated bands of mylonite in the contact zone have been identified striking north northwest, parallel to the contact, which is marked by a massive quartz vein.

A major shear, two kilometres east of the eastern boundary of the tenement, hosts the deposits mined at the Mt McClure mine and the exploration licence holds potential for associated mineralised splay structure and cross cutting shears.

Bronzewing Gold entered into a joint venture with George Lee over E36/389 on 6<sup>th</sup> August 2004. Under the terms of the Joint Venture Bronzewing Gold has the right to earn a 50% equity in the tenement by sole funding exploration expenditure of \$26,100 on or before 14<sup>th</sup> January 2005 and reimbursement of exploration costs of \$18,738 on 14<sup>th</sup> January 2005. The Company can earn a further 25% in the tenement by sole funding exploration expenditure of \$75,000 within two years.

Soil and LAG sampling carried out by Audax Resources in 1995 delineated several anomalies in the southern part of the tenement. RAB drilling on LAG anomalies failed to define significant mineralisation and shallow (<10m) drilling on the Chilli soil anomaly was similarly unsuccessful. The Chilli anomaly consists of a persistent gold in soil anomaly extending 700metres and open to the south with a peak value of 172ppb Au in a back ground of 4ppb. A single RAB traverse of nine holes totalling 62 metres of drilling was completed across the centre of the anomaly.

Lee conducted soil and stream sediment sampling over the southern half of the tenement in 2003/4, extending the Chilli anomaly and defining other lower order anomalies on the eastern margin of the licence.

## **REVIEW OF OPERATIONS**

### **For the Year Ended 30 June 2004**

#### **Northampton Base Metal Project**

*West Australian Metals Ltd – 100%*

*Victoria Locations 833 and part 118 and 119,  
(ELA66/48)*

West Australian Metals originally held tenements covering much of the Northampton copper-lead-zinc province near Geraldton in Western Australia. The mineral field hosts numerous small Pb-Zn-Ag and Cu deposits which have been intermittently mined since 1850.

The area was explored for major base metal ore deposits under a joint venture with CRA Exploration Pty Limited, however rationalisation of the tenements occurred in 1996 when CRAE withdrew from the joint venture. The Victoria Locations 833, 118 and 119 freehold titles, with rights to minerals, were retained. The area has not been effectively explored for small tonnage, high grade base metal mineralisation.

West Australian Metals currently holds approximately 282 hectares of ground which surrounds and covers the potential strike extensions to the Protheroe and Narra Tarra mines which were among the deepest, richest and most prolific producers in the region.

Three northeast trending mineralised shears control mineralisation within the garnet gneiss country rock. The western shear hosts the east dipping Narra Tarra Pb/Cu Lode, the central structure the west dipping Protheroe Pb Lode and the East Lode hosts Cu and Pb mineralisation. The Protheroe Mine contained the highest grade lead ore body in the Northampton Field with mineralisation concentrated in a single vein varying in width up to 1.7 metres and containing heavily disseminated to solid galena and averaging 24% Pb.

The Company applied for additional ground in the vicinity of the Protheroe and Narra Tarra mines during the year. Exploration licence application E66/48 covers 33km<sup>2</sup> over the strike extensions of the northeast trending shears which control the Pb-Zn-Cu mineralisation.

#### **Badgebup Gold Project**

*West Australian Metals Ltd – 1.125% of gross production income*

*M70/488, M70/210, M70/211*

West Australian Metals holds a 1.125% interest in gross production income from the Badgebup (Blackburn) Gold Project in the South West Mineral Field of Western Australia.

The project is owned by Great Southern Resources Pty Limited, who have accumulated additional tenements surrounding the project and are investigating exploration opportunities in the area as well as reviewing the option of developing an underground operation on the Jinka's Hill deposit.

No royalty was received from this project during the year.

**REVIEW OF OPERATIONS**  
For the Year Ended 30 June 2004

**MINERAL RESOURCE STATEMENT**  
Gold Resource Estimate at 30 June 2004

<i>Project</i>	<i>Tonnes</i>	<i>Grade g/t Au</i>	<i>Category</i>
<b>Anchor</b>	<b>76,700</b>	<b>4.4</b>	Indicated
Ben Hur – Ben Hur North	877,000	2.0	Indicated
	1,285,000	2.1	Inferred
Kennecott East	130,000	2.8	Inferred
<b>TOTAL – Ben Hur</b>	<b>2,162,000</b>	<b>2.0</b>	Indicated and Inferred
King of Creation North	120,000	1.5	Indicated
	13,000	1.0	Inferred
King of Creation South	128,000	1.4	Indicated
	37,000	2.0	Inferred
Queen of Creation	94,000	1.5	Indicated
	43,000	1.0	Inferred
<b>TOTAL – King of Creation</b>	<b>435,000</b>	<b>1.5</b>	Indicated and Inferred
Cork Tree Well North	60,000	4.0	Inferred
Cork Tree Well Saddle	35,000	1.3	Inferred
Cork Tree Well 12200N	148,000	1.8	Inferred
<b>TOTAL – Cork Tree Well</b>	<b>243,000</b>	<b>2.2</b>	Inferred
<b>TOTAL – Indicated</b>	<b>1,295,700</b>	<b>2.0</b>	82,000 ounces
<b>TOTAL – Inferred</b>	<b>1,751,000</b>	<b>2.1</b>	120,000 ounces
<b>TOTAL Indicated and Inferred</b>	<b>3,046,700</b>	<b>2.1</b>	<b>202,000 ounces</b>

NOTE: This report is based on information compiled by Mr D Hamlyn MAusIMM, a director of the Group, and Mr N Taylor MAusIMM, formerly an employee of the Group, who are competent persons as defined in Listing Rule 5.10 of the Listing Rules of Australian Stock Exchange Limited. This report accurately reflects the information compiled by the relevant competent persons.

## **DIRECTORS' REPORT**

Your Directors present their report on the consolidated entity consisting of West Australian Metals Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2004.

### **DIRECTORS**

The following persons were directors of West Australian Metals Ltd during the whole of the financial year and up to the date of this report:

R P Martin (Chairman)

M D Buckland (Executive Director-Engineering) - resigned 11 March 2004

D A Hamlyn (Executive Director-Minerals)

L A Colless (Director/Secretary)

### **PRINCIPAL ACTIVITIES**

The principal activities of the Company during the course of the financial year were exploration for gold and other minerals and engineering services. On 8 December 2003, Austin Engineering Limited, a wholly owned entity of the Company, issued 22,205,738 ordinary fully paid shares at a deemed issue price of \$0.037 by way of an in-specie distribution to shareholders of West Australian Metals Ltd as at the record date of 5 December 2003 and as approved at a general meeting of shareholders of West Australian Metals Ltd held on 28 November 2003. The loan outstanding from Austin Engineering Limited was reduced by \$819,392 and the contributed equity of West Australian Metals Ltd was reduced by an equivalent amount. Austin Engineering Limited traded as an engineering business for the period from 1 July 2003 to the time of the distribution in-specie when it ceased to be a subsidiary. The trading for that period is not reflected in the financial statements. Austin Engineering Limited ultimately listed on ASX and continued trading as an engineering business. From the time of the de-merger, West Australian Metals Ltd continued to focus on its main activity of mineral exploration. Other than that, there has been no significant change in the nature of these activities during the financial year.

### **RESULTS**

The loss of the economic entity for the financial year was \$2,035,669 (2003 \$807,217).

### **DIVIDENDS**

No dividends have been paid by the economic entity during the financial year ended 30 June 2004, nor have the Directors recommended that any dividends be paid.

### **REVIEW OF OPERATIONS**

The Company continued to explore for minerals on its tenements during the year. There were no significant mineral reserves delineated during the year. The Company intends to continue exploration on its tenements in the future and to continue to seek further projects.

The Company divested itself of its subsidiary, Austin Engineering Ltd during the year by an in specie distribution to its shareholders. Austin went on to raise further funds by way of a prospectus issue and listed on Australian Stock Exchange during the year.

A more detailed review of operations for the financial year, together with future prospects is set out in the Annual Report and is available on the Company's web site.

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

At the end of this financial year, the directors considered the carrying value of the mineral tenements to the extent that the net carrying value represents a fair value of the tenements, as valued by the directors. Due to the disposal of the subsidiary entity, Austin Engineering Limited by way of a distribution in-specie to all shareholders of West Australian Metals Ltd, the loan owing to the parent was reduced by an amount of \$819,392 and contributed equity was reduced by an equivalent amount. The parent entity further incurred an expense of \$118,886 in the listing of Austin Engineering Limited on ASX. All losses on disposal of the subsidiary are shown on the Statement of Financial Performance as a separate item.

Other than the items mentioned above, the state of affairs of the Company was not affected by any significant changes during the year.

## DIRECTORS' REPORT (Continued)

### EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of the economic entity, or the state of affairs of the economic entity in the financial year subsequent to the financial year ended 30 June 2004.

### LIKELY DEVELOPMENTS

The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment, and to develop the resources on its tenements.

### PARTICULARS OF DIRECTORS

#### **Robert P Martin** – *Non-Executive Chairman*

Mr Martin, 60, has over 36 years experience in the management and operation of mining, industrial and commercial undertakings in Western Australia. He has extensive knowledge of the West Australian investment community and is a director of aiLimited, a listed public industrial company.

#### **Michael D Buckland** – *Executive Director - Engineering*

Mr Buckland resigned on 11 March 2004.

#### **David A Hamlyn** – *Executive Director - Minerals*

Mr Hamlyn, 50, is a geologist with a broad range of exploration and mine management experience. Mr Hamlyn has been involved in the exploration for precious and base metals throughout Australia since 1977 and was Resident Manager of Centaur Mining and Exploration Limited's gold operations in the Kalgoorlie region, from 1992 to 1999 and General Manager of New Hampton Goldfields Ltd's Jubilee Gold Operations to 2001. Mr Hamlyn joined the Company in February 2002.

#### **Lindsay A Colless** – *Non-Executive Director and Company Secretary*

Mr Colless, 59, is Chairman of Mineral Administration Services Pty Ltd, a West Australian based company that provides management, company secretarial, accounting, treasury and financial administration services to listed public companies in the resources and financial services industries. He is a director and/or company secretary of a number of publicly listed companies including Alkane Exploration Ltd group, Yilgarn Gold Ltd group, Summit Resources Ltd group and Newland Resources Ltd group, in Australia. Mr Colless is a Member of the Institute of Chartered Accountants in Australia and a Fellow Member of the Institute of Company Directors.

### DIRECTORS' REMUNERATION

- a) Administration and secretarial fees of \$36,000 (2003 \$46,000) payable to a company in which Mr Colless has a substantial financial interest for services provided in the normal course of business and at normal commercial rates plus directors' fees of \$10,000.
- b) Consulting fees of \$40,000 (2003 \$60,000) paid to a company in which Mr Martin has a substantial financial interest for services provided in the normal course of business and at normal commercial rates plus directors' fees of \$10,000 and superannuation of \$900.
- c) Interest of \$Nil (2003 \$30,452) paid to a company in which Mr Martin has a financial interest and on which board Mr Martin is a director.
- d) Consulting fees of \$54,500 (2003 \$76,300) paid from Austin Engineering Ltd whilst it was a subsidiary, to a company in which Mr Buckland has a significant financial interest for services provided in the normal course of business and at normal commercial rates.
- e) Salary of \$120,000 (2003 \$120,000) paid to Mr Hamlyn for his employment as executive director, minerals.
- e) Superannuation of \$10,800 (2003 \$10,800) paid or due and payable to superannuation funds in which Mr Hamlyn has a financial interest.

#### **Principles used to determine the nature and amount of remuneration**

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency
- Capital management



## DIRECTORS' REPORT (Continued)

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

### Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

### Alignment to program participant's interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution

### Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

### Directors' fees

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$40,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the Company. For example, Mr Colless undertakes all the financial, administration and accounting functions for the Company as well as being Company Secretary. His remuneration is set out earlier in this report and is fully disclosed in the Notes to the Financial Statements.

All remuneration of directors is further disclosed in Note 14 in the Notes to the Financial Statements.

There are no executive officers of the Company other than directors.

Amounts paid to directors are as set out below:

Name	Service provided	Amount of fees	Options held	Exercise conditions
D A Hamlyn	Executive director, -Salary -Superannuation	120,000 10,800	1,000,000	granted 27/11/02 exercisable at 20c before 24/11/07
L A Colless	Director/Secretary -Secretarial, financial administration, accounting, including provision of staff -Directors fees	36,000 10,000	-	-
R Martin	Chairman -Consulting fees -directors fees -superannuation	40,000 10,000 900	1,297,650	purchased 2002- 2003 for cash, listed options exercisable at 20c 31 March 2005
M Buckland	Executive director, engineering -Fees from subsidiary, Austin Engineering Ltd, until de-merger.	54,500	2,000,000	granted 30/06/03 exercisable at 20c before 31/10/2007

## DIRECTORS' REPORT (Continued)

### DIRECTORS' INTERESTS

The interests of Directors in securities of the Company at the date of this report are:

	Direct	Indirect	Options
R P Martin	-	6,040,075	1,297,650
D A Hamlyn	-	860,000	1,000,000
L A Colless	-	5,538	-

### SHARE OPTIONS

Options to take up ordinary shares in the capital of West Australian Metals Ltd granted and still outstanding are as follows:

Listed - Public issue	45,956,604
Granted during year	3,500,000
Exercised during year	Nil
Exercised since year end	Nil

The above options are exercisable at 20 cents each at any time on or before 31 March 2005. They are quoted on Australian Stock Exchange Limited.

Unlisted - Consultants 250,000

The above options are exercisable at 20 cents each at any time on or before 31 October 2005

Unlisted - Directors 1,000,000

The above options are exercisable at 20 cents each at any time on or before 24 November 2007

Unlisted - Ex Director 2,000,000

The above options are exercisable at 20 cents each on or before 31 October 2007.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

### DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's directors held during the year ended 30 June 2004, and the number of meetings attended by each director.

Number of meetings held	11
Number of meetings attended by:	
R P Martin	11
M D Buckland (6 to resignation)	6
D A Hamlyn	11
L A Colless	11

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of West Australian Metals Ltd support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Company's web site at [www.wametals.com.au](http://www.wametals.com.au).

### ENVIRONMENTAL REGULATIONS

The Company's environmental obligations are regulated under both State and Federal Law. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report.

### INDEMNIFICATION AND INSURANCE

The company does not provide any indemnification or insurance of directors, company officers or auditors.

Dated this 17th day of September 2004.

Signed in accordance with a resolution of the Directors:

L A Colless  
Director

**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2004

	Note	Economic Entity		Company	
		2004 \$	2003 \$	2004 \$	2003 \$
Sales Revenue		-	2,406,108	-	791,965
Other revenue		57,918	9,888	31,732	3,343
Total revenue	2	<b>57,918</b>	<b>2,415,996</b>	<b>31,732</b>	<b>795,308</b>
Direct costs of production		-	(2,456,951)	-	(1,025,000)
Costs of divestment of subsidiary	8	<b>(118,886)</b>	-	<b>(118,886)</b>	-
Auditors' remuneration					
- audit fees		(15,500)	(9,900)	(15,500)	(9,500)
- other services		(400)	(1,900)	-	-
Depreciation		44,042	(49,399)	(1,556)	(1,332)
Amortisation of Goodwill		-	(14,400)	-	-
Directors' fees		(10,000)	-	(10,000)	-
Directors consulting		(50,000)	(146,300)	(50,000)	(70,000)
Annual report costs		(11,736)	(13,003)	(11,736)	(13,003)
Cost of shares sold		(43,000)	-	(41,000)	-
Cost of assets sold		(46,505)	-	-	-
Consulting		(36,900)	(85,244)	(36,900)	(36,000)
Provision for loss on investments		29,468	248,200	28,568	248,600
Provision subsidiaries		-	-	(1,518,392)	(1,351,893)
Rent and rates		(6,998)	(72,789)	(6,998)	(23,338)
Interest and finance charges		-	(36,754)	-	(19,973)
Legal fees		(6,025)	(38,810)	(6,025)	-
Repairs & maintenance		-	(47,896)	-	-
Salaries and employee entitlements		(83,508)	(347,076)	(58,406)	(91,698)
Travel costs		-	(28,098)	-	-
Exploration costs		(1,685,987)	(281,307)	(174,203)	(1,964)
Other expenses		(51,652)	158,414	(49,549)	(67,916)
Total Expenses		<b>(2,093,587)</b>	<b>(3,223,213)</b>	<b>(2,070,583)</b>	<b>(2,463,017)</b>
Profit (loss) from ordinary activities before tax		<b>(2,035,669)</b>	(807,217)	<b>(2,038,851)</b>	(1,667,709)
Income tax attributable to operating profit (loss)	3	-	-	-	-
Profit (loss) from ordinary activities after tax		<b>(2,035,669)</b>	(807,217)	<b>(2,038,851)</b>	(1,667,709)
Accumulated losses at beginning of financial year		<b>(7,701,623)</b>	(6,894,406)	<b>(7,551,256)</b>	(5,883,547)
Accumulated profits of subsidiary in opening balance now written back on disposal		147,185	-	-	-
<b>Accumulated losses at end of financial year</b>		<b>(9,590,107)</b>	(7,701,623)	<b>(9,590,107)</b>	(7,551,256)
Earnings per share – basic		<b>(0.0206)</b>	(0.0112)	<b>(0.0206)</b>	(0.0232)

The accompanying notes form part of this report

**STATEMENT OF FINANCIAL POSITION**  
as at 30 June 2004

	Note	Economic Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash	19	1,190,212	26,246	1,186,974	25,694
Receivables	4	33,710	1,689,650	20,019	16,886
Inventories	5	-	151,744	-	-
Investments	6	90,487	50,224	76,663	34,200
<b>Total Current Assets</b>		<b>1,314,409</b>	<b>1,917,864</b>	<b>1,283,656</b>	<b>76,780</b>
<b>Non-Current Assets</b>					
Plant & equipment	7	3,590	1,232,171	2,352	3,908
Investments in subsidiaries	8	-	-	777,550	4,396,630
Exploration projects	9	863,000	2,171,523	24,000	195,000
Intangibles	10	-	845,362	-	-
<b>Total Non-Current Assets</b>		<b>866,590</b>	<b>4,249,056</b>	<b>803,902</b>	<b>4,595,538</b>
<b>TOTAL ASSETS</b>		<b>2,180,999</b>	<b>6,166,920</b>	<b>2,087,558</b>	<b>4,672,318</b>
<b>Current Liabilities</b>					
Bank overdraft	19	-	137,852	-	-
Creditors and borrowings	11	155,439	1,532,620	61,998	135,062
<b>Total Current Liabilities</b>		<b>155,439</b>	<b>1,670,472</b>	<b>61,998</b>	<b>135,062</b>
<b>Non Current Liabilities</b>					
Creditors and borrowings	11	-	109,558	-	-
<b>Total Non Current Liabilities</b>		<b>-</b>	<b>109,558</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>155,439</b>	<b>1,780,030</b>	<b>61,998</b>	<b>135,062</b>
<b>NET ASSETS</b>		<b>2,025,560</b>	<b>4,386,890</b>	<b>2,025,560</b>	<b>4,537,256</b>
<b>Shareholders' Equity</b>					
Share capital	12	10,805,667	11,278,513	10,805,667	11,278,513
Reserves	13	810,000	810,000	810,000	810,000
Accumulated losses		(9,590,107)	(7,701,623)	(9,590,107)	(7,551,257)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,025,560</b>	<b>4,386,890</b>	<b>2,025,560</b>	<b>4,537,256</b>

The accompanying notes form part of this report

**STATEMENT OF CASH FLOWS**  
for the year ended 30 June 2004

	Note	Economic Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash receipts in ordinary course of operations		11,120	411,508	-	-
Interest received		12,230	3,834	11,772	3,343
Borrowing costs		-	(5,501)	-	-
Payments to suppliers		(430,222)	(1,268,625)	(440,197)	(293,143)
<b>Net cash from operating activities</b>	20	<b>(406,872)</b>	<b>(858,784)</b>	<b>(428,425)</b>	<b>(289,800)</b>
<b>Cash flows from investing activities</b>					
Proceeds sale of property, plant and equipment		12,000	-	-	-
Expenditure on property, plant & equipment		-	(37,499)	-	(4,470)
Loan to subsidiary		-	-	(375,941)	(3,028,523)
Purchase of tenements		(3,204)	-	(3,204)	-
Exploration expenditure		(374,261)	(240,211)	-	(1,964)
Proceeds from sale of investments		22,568	894,343	19,960	894,343
Purchase of investments		(54,895)	(2,126,577)	(54,895)	(50,000)
<b>Net cash from investing activities</b>		<b>(397,792)</b>	<b>(1,509,944)</b>	<b>(414,080)</b>	<b>(2,190,614)</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares		346,547	2,970,455	346,547	2,970,455
Repayment of borrowings		1,622,083	(750,000)	1,657,238	(500,000)
<b>Net cash flow from financing activities</b>		<b>1,968,630</b>	<b>2,220,455</b>	<b>2,003,785</b>	<b>2,470,455</b>
<b>Net (increase) decrease in cash held</b>		<b>1,163,966</b>	<b>(148,273)</b>	<b>1,161,280</b>	<b>(9,959)</b>
Cash at beginning of year		(111,606)	36,667	25,694	35,653
Cash at beginning of year attributable to subsidiary disposed of during year		137,852	-	-	-
<b>Cash at the end of the financial year</b>	19	<b>1,190,212</b>	<b>(111,606)</b>	<b>1,186,974</b>	<b>25,694</b>

The accompanying notes form part of this report.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

### 1. STATEMENT OF ACCOUNTING POLICIES

The financial statements are a general purpose financial report which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, the Corporations Law and complies with other requirements of the law. The financial report has been prepared on the basis of historical costs and except where stated; do not take into account changing money values or current valuation of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Set out below is a summary of the significant accounting policies adopted by the Company in the preparation of the financial report.

#### a) **Income Tax**

The Company adopts the liability method of tax effect accounting whereby the income tax expense in the profit and loss account is matched with the accounting profits after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. Income tax on net cumulative timing differences is set aside to the deferred income tax and future income tax benefit financial statements at the rates which are expected to apply when those timing differences reverse.

#### b) **Exploration expenditure**

Exploration, evaluation, and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs, and an appropriate portion of related overhead expenditure. They do 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 not offset against expenditure in respect of the area of interest or mineral resource concerned but is taken into the financial statements as income.

Costs of this nature are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from 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 relating 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.

#### (c) **International Accounting Standards**

With regard to AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, the Company has instigated a continual review of International Accounting Standards and the effects they will have on the Company's future financial statements. The Company does not have any non-current assets which, being subject to an impairment test, and as far as it can be judged at present, will have any significant impact on future financial statements with regard to assets other than exploration tenements.

With regard to exploration and evaluation costs, given that the International Accounting Standards Board has not yet finalised its proposed standard, the new policy cannot be determined until finalisation of the relevant accounting standard and therefore it is not possible to identify whether there will be a significant impact on the financial statements as a result of the move to International Financial Reporting Standards in future years.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

### 1. STATEMENT OF ACCOUNTING POLICIES

#### (c) International Accounting Standards

At present, the Company is not aware of any key differences in accounting policies that are expected to arise from adopting A-IFRS.

The company is continuing to monitor the Standards and have a committee in place to evaluate the new Standards and their impact on a continuing basis.

#### d) **Investments - Other Corporations**

Investments in corporations other than related corporations are valued at the lower of cost or directors' valuation based on market value at balance date. Dividends are brought to account as they are received.

#### e) **Cash**

For purposes of the statement 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 temporary bank overdrafts.

#### f) **Plant & equipment**

Plant and equipment is brought to account at cost or at independent or directors' valuation less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not shown in the accounts at a value in excess of the recoverable amount from assets.

The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. Office furniture and equipment is depreciated on a straight line method.

#### g) **Employee benefits**

##### *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in creditors and borrowings in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### *Long service leave*

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages and salaries above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits only where there is a reasonable expectation that a liability will be incurred.

##### *Superannuation*

The amounts charged to the statement of financial performance for superannuation represents the contributions to superannuation funds in accordance with the statutory superannuation contributions requirements or an employee salary sacrifice arrangement. No liability exists for any further contributions by the Company in respect to any superannuation scheme.

##### *Equity based compensation benefits*

The Company does not operate an employee option scheme as such. The amounts disclosed for remuneration of directors and executives include the assessed fair values of options granted during the year at the date they were granted.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

	Economic Entity		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>2. OPERATING REVENUE</b>				
Included in operating revenue are the following items				
Revenue from engineering	-	1,614,143	-	-
Revenue from sale of property, plant & equipment	<b>12,000</b>	-	-	-
Revenue from sale of investments	<b>22,568</b>	791,965	<b>19,960</b>	791,965
Other revenue	<b>11,120</b>	6,034	-	-
Interest received or due and receivable from other corporations	<b>12,230</b>	3,854	<b>11,772</b>	3,343
	<b>57,918</b>	2,415,996	<b>31,732</b>	795,308
<b>3. INCOME TAX</b>				
No income tax expense has been provided in the accounts because the company has an operating loss for the year. No future tax benefit attributable to tax losses has been brought to account as recovery is not certain or assured.				
The directors estimate that the potential future income tax benefit, at the prevailing rate of 30% (2003 30%), at 30 June 2004 in respect of tax losses not brought to account is	<b>3,244,416</b>	2,633,716	<b>2,901,180</b>	2,289,525
The benefit will only be obtained if the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the economic entity in realising the benefit.				
<b>4. RECEIVABLES</b>				
Debtors	-	1,669,949	-	71
GST refundable	<b>33,710</b>	19,701	<b>20,019</b>	16,815
	<b>33,710</b>	1,689,650	<b>20,019</b>	16,886
<b>5. INVENTORIES</b>				
Stocks of materials on hand	-	30,000	-	-
Work in progress	-	121,744	-	-
	-	151,744	-	-
<b>6. INVESTMENTS</b>				
Shares in listed companies at lower of cost or market value (Market value \$84,296, 2003 \$54,420)	<b>76,663</b>	36,400	<b>76,663</b>	34,200
Funds on deposit	<b>13,824</b>	13,824	-	-
	<b>90,487</b>	50,224	<b>76,663</b>	34,200



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

	Economic Entity		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>7. PLANT AND EQUIPMENT</b>				
Plant & equipment – at cost	11,385	1,331,647	7,444	7,444
Less: Accumulated depreciation	(7,795)	(99,476)	(5,092)	(3,536)
Net carrying value	<b>3,590</b>	<b>1,232,171</b>	<b>2,352</b>	<b>3,908</b>
Reconciliation of carrying amount				
Brought forward	1,232,171	1,445	3,908	770
Plant & equipment acquired during year	-	1,280,125	-	4,470
Plant & equipment of subsidiary divested during year	(1,226,118)	-	-	-
Disposals	(87)	-	-	-
Depreciation during year	(2,376)	(49,399)	(1,556)	(1,332)
Carrying value at balance date	<b>3,590</b>	<b>1,232,171</b>	<b>2,352</b>	<b>3,908</b>

**8. INVESTMENT IN CONTROLLED ENTITIES**

Name	Country of Incorporation	Percentage of equity interest held by economic entity	
		2004	2003
Bronzewing Gold NL	Australia	100%	100%
Austin Engineering Ltd	Australia	-	100%
<b>Investment</b>			
Shares at cost			
Bronzewing Gold NL		1,520,000	1,520,000
Loans			
Bronzewing Gold NL		3,027,087	2,651,696
Less: Provision for loss		(3,770,087)	(2,251,696)
Austin Engineering Pty Ltd		-	2,476,630
		<b>777,550</b>	<b>4,396,630</b>
		Company	
		2004 \$	2003 \$
<b>Contribution to group operating loss</b>			
West Australian Metals Ltd		520,459	315,816
Bronzewing Gold NL		1,515,210	307,063
Austin Engineering Ltd		-	184,338
		<b>2,035,669</b>	<b>807,217</b>

All equity interests are in ordinary shares of the controlled entities.

**Disposal of subsidiary**

On 8 December 2003, Austin Engineering Limited, a wholly owned entity of the Company, issued 22,205,738 ordinary fully paid shares at a deemed issue price of \$0.037 by way of an in-specie distribution to shareholders of West Australian Metals Ltd as at the record date of 5 December 2003 and as approved at a general meeting of shareholders of West Australian Metals Ltd held on 28 November 2003. The loan outstanding from Austin Engineering Limited was reduced by \$819,392 and the contributed equity of West Australian Metals Ltd was reduced by an equivalent amount. Austin Engineering Limited traded as an engineering business for the period from 1 July 2003 to the time of the distribution in-specie when it ceased to be a subsidiary. The trading for that period is not reflected in the financial statements. Austin Engineering Limited ultimately listed on ASX and continued trading as an engineering business.

Austin Engineering Ltd repaid an amount of \$1,622,083 to West Australian Metals Ltd during the course of the year. West Australian Metals Limited incurred further expenditure related to the listing of Austin and the divestment of the asset of \$118,886, which was not re-imbursed by Austin. These costs are shown separately in the Statement of Financial Performance.

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

	Economic Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
<b>9. EXPLORATION PROJECTS</b>				
Exploration brought forward	2,171,523	2,212,619	195,000	195,000
Expenditure during year	377,465	140,142	3,204	-
Less: Expenditure written off	(1,685,988)	(181,238)	(174,204)	-
Carrying value at end of year	<b>863,000</b>	2,171,523	<b>24,000</b>	195,000

Two tenements acquired by the subsidiary are subject to an obligation to pay a royalty to a previous owner. The title to some of the tenements acquired has not passed to the subsidiary and applications for the transfer of title are pending. Some of the tenements are also subject to certain claims and objections. The entity's activities in the mining industry are subject to regulations and approvals including mining, heritage, environmental and the implications of the High Court of Australia decision in the "Mabo", "Wik" and other cases, the existing and future State and Federal legislation and any implications resulting from those. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined on most tenement areas and could affect any mining title area whether granted by the State or not. At the date of this report the directors are unable to quantify the financial impact of any such claims.

**10. INTANGIBLES**

Goodwill on purchase of engineering business by subsidiary during year - at cost

	-	859,762	-	-
Less: amount written off during year	-	(14,400)	-	-
	-	845,362	-	-

**Note:** The subsidiary, Austin Engineering Ltd was divested during the year by way of a distribution in-specie to existing shareholders of West Australian Metals Ltd. For further information refer to Note 8.

**11. CREDITORS AND BORROWINGS**

**Current**

Accounts payable	144,229	1,416,303	50,788	127,262
Provision Annual Leave	11,210	116,317	11,210	7,800
	<b>155,439</b>	1,532,620	<b>61,998</b>	135,062

**Non Current**

Provision Long Service Leave	-	109,558	-	-
	-	109,558	-	-

**12. SHARE CAPITAL**

**Issued Capital**

	Number	2004	Number	2003
		\$		\$
Balance at beginning of year	96,425,823	11,399,716	60,316,061	8,388,175
Placement	3,500,000	350,000	6,000,000	600,000
Conversion of notes	-	-	20,000,000	1,400,000
Option exercise	-	-	10,109,762	1,011,541
	<b>99,925,823</b>	<b>11,749,716</b>	96,425,823	11,399,716
Less: Distribution in specie (see Note 8)	-	(819,392)	-	-
	<b>99,925,823</b>	<b>10,930,324</b>	96,425,823	11,399,716
Less: accumulated costs of issues	-	(124,657)	-	(121,203)
Balance at end of year	<b>99,925,823</b>	<b>10,805,667</b>	96,425,823	11,278,513

The placement of 3,500,000 shares at 10 cents each raised an amount of \$350,000 less costs which funds were utilised for working capital.

**Options – expiring 15 September 2002**

Balance at beginning of year	-	-	23,523,796	-
Exercised during year	-	-	(5,651)	-
Lapsed during year	-	-	(23,518,145)	-
Balance at end of year	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2004

	Number	2004 \$	Number	2003 \$
<b>12. SHARE CAPITAL</b>				
<b>Options – expiring 31 March 2005</b>				
Balance at beginning of year	42,456,604	-	25,060,715	-
Exercised during year	-	-	(10,104,111)	-
Issued during year	3,500,000	-	27,500,000	-
Balance at end of year	<b>45,956,604</b>	-	42,456,604	-
<b>Options – expiring 31 October 2005</b>				
Balance at beginning of year	250,000	-	250,000	-
Balance at end of year	<b>250,000</b>	-	250,000	-
<b>Options – expiring 24 November 2007</b>				
Balance at beginning of year	1,000,000	-	-	-
Issued during year	-	-	1,000,000	-
Balance at end of year	<b>1,000,000</b>	-	1,000,000	-
<b>Options – expiring 31 October 2007</b>				
Balance at beginning of year	2,000,000	-	-	-
Issued during year	-	-	2,000,000	-
Balance at end of year	<b>2,000,000</b>	-	2,000,000	-

	Economic Entity		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
<b>13. RESERVES</b>				
Asset Revaluation Reserve	810,000	810,000	810,000	810,000
	<b>810,000</b>	810,000	<b>810,000</b>	810,000
<b>14. REMUNERATION OF DIRECTORS</b>				
Total income received, or due and receivable by the directors	<b>282,200</b>	313,100	<b>227,700</b>	236,800

Name	Service provided	Amount of fees	Options held	Exercise conditions
D A Hamlyn	Executive director, -Salary -Superannuation	120,000 10,800	1,000,000	granted 27/11/02 exercisable at 20c before 24/11/07
L A Colless	Director/Secretary -Secretarial, financial administration, accounting, including provision of staff -Directors fees	36,000 10,000	-	-
R Martin	Chairman -Consulting fees -directors fees -superannuation	40,000 10,000 900	1,297,650	purchased 2002- 2003 for cash, listed options exercisable at 20c 31 March 2005
M Buckland	Executive director, engineering -Fees from subsidiary, Austin Engineering Ltd, until de-merger	\$54,500	2,000,000	granted 30/06/03 exercisable at 20c before 31/10/2007

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

### 15. SEGMENTAL INFORMATION

The Company operated predominantly in two industries and in two geographic locations. The operations of the Company consisted of mineral exploration, mining and exploitation and engineering within Australia.

Industry	Revenue		Results		Assets	
	2004	2003	2004	2003	2004	2003
Engineering	-	1,620,197	(77,292)	(184,338)	-	3,894,202
Exploration	59,718	795,799	(1,958,377)	(622,879)	2,180,999	2,272,718
	59,718	2,415,996	(2,035,669)	(807,217)	2,180,999	6,166,920

### 16. RELATED PARTIES

The names of each person holding the position of director during the financial year are Messrs Robert Martin, Michael Buckland (resigned 11 March 2004), David Hamlyn and Lindsay Colless.

Mr Colless has a significant financial interest in Mineral Administration services Pty Ltd, a company that provided secretarial, accounting and financial administration services to the economic entity and was paid fees of \$46,000 including directors fees (2003 \$46,000). Mr Martin has a significant financial interest in a company that provided consulting services to the economic entity and was paid fees of \$50,900 including directors fees and superannuation (2003 \$60,000). Mr Buckland has a significant interest in a business that provided consulting services to a subsidiary of the economic entity and was paid fees of \$54,500 (2003 \$76,300). aiLimited, a Company in which Mr Martin has a significant interest, was paid interest on a loan of \$Nil (2003 \$30,452). All dealings are in the ordinary course of business and on normal commercial terms and conditions.

Due to the disposal of the subsidiary entity, Austin Engineering Limited, by way of a distribution in-specie to all shareholders of West Australian Metals Ltd, the loan owing to the parent was reduced by an amount of \$819,392 and contributed equity was reduced by an equivalent amount. The parent entity further incurred an expense of \$77,293 in the listing of Austin Engineering Limited on ASX. Austin Engineering Ltd repaid an amount of \$1,622,083 to West Australian Metals Ltd during the course of the year.

Aggregate numbers of shares and share options of West Australian Metals Ltd acquired by directors or their director-related entities from the Company were as follows:-

	2004	2003
Ordinary shares	-	5,746,820
Options granted	-	7,200,000

Aggregate numbers of shares and share options of West Australian Metals Ltd held directly, indirectly or beneficially by directors or their director-related entities at balance date:-

Ordinary shares	6,705,613	16,885,788
Options	2,297,650	6,818,157

### 17. INTEREST IN JOINT VENTURES

The Company has various interests in joint ventures over mineral projects. As at 30 June 2004, the joint ventures in existence were as follows:-

**Badgebup** - The Company has a 1.125% gross production income interest in a joint venture with Great Southern Resources Pty Limited.

**King of Creation Extended** - The Company has a right to earn 70 to 80% interest in E38/1368 and E38/1375 through a joint venture with Heron Resources Limited.

### 18. COMMITMENTS FOR EXPENDITURE

#### Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the economic entity will be required to outlay in 2004/05 amounts of approximately \$54,290 (2003 \$53,076) in respect of tenement lease rentals and \$413,100 (2003 \$418,100) in exploration expenditures to meet the minimum expenditure requirements of the various mines departments and farm in obligations. These obligations will be fulfilled in the normal course of operations, which may include farm-out, joint venture and direct exploration expenditure.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

### 19. RECONCILIATION OF CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Economic Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash at bank and on hand	65,212	26,246	61,974	25,694
Cash on deposit	1,125,000	-	1,125,000	-
Bank overdraft	-	(137,852)	-	-
	<b>1,190,212</b>	<b>(111,606)</b>	<b>1,186,974</b>	<b>25,694</b>

### 20. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	Economic Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating Profit (loss)	(2,035,670)	(807,217)	(2,038,851)	(1,667,709)
Add (less) non cash items				
(Profit) Loss on sale of shares	20,432	233,035	21,040	233,035
Depreciation	(44,042)	45,734	1,556	1,332
Provision for exploration expenditure	1,642,842	181,239	174,204	-
Provision annual leave	(15,060)	99,181	3,409	4,158
Provision long service leave	-	2,823	-	-
Provision for profit/(loss) on investments	(29,468)	(248,200)	(28,568)	(248,600)
Proceeds of sale of fixed assets	(12,000)	-	-	-
Cost of fixed assets disposed	46,505	3,666	-	-
Goodwill written off	-	14,400	-	-
Decrease/increase in operating assets and liabilities:				
Receivables	(13,937)	(1,608,233)	(3,133)	(3,282)
Stocks on hand and work in progress	-	(121,743)	-	-
Creditors & borrowings	(9,620)	1,246,463	(76,474)	37,409
Add (less) items classified as investing or financing activities:				
Exploration expenditure	43,146	100,068	-	1,964
Provision for loan to subsidiary	-	-	1,518,392	1,351,893
Net cash provided by operating activities	<b>(406,872)</b>	<b>(858,784)</b>	<b>(428,425)</b>	<b>(289,800)</b>

### 21. EARNINGS PER SHARE ("EPS")

Basic earnings per share	\$ <b>(0.02)</b>	\$(0.01)
Weighted average number of ordinary shares on issue used in calculation of basic earnings per share	<b>98,765,549</b>	71,847,015
Diluted earnings per share is not materially different from basic earnings per share		

### 22. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 30 June 2004.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2004

### 23. FINANCIAL INSTRUMENTS

#### (i) Significant accounting policies

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

#### (ii) Interest rate risk

The following table details the Company's exposure to interest rate risk as at the reporting date:

2004	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash	1.89	59,874	-	5,339	65,213
At call deposits	5.34	1,138,824	-	-	1,138,824
Receivables		-	-	33,709	33,709
		<b>1,198,698</b>	<b>-</b>	<b>39,048</b>	<b>1,237,746</b>
<b>Financial liabilities</b>					
Accounts payable		-	-	144,229	144,229
		<b>-</b>	<b>-</b>	<b>144,229</b>	<b>144,229</b>
<b>2003</b>					
<b>Financial Assets</b>					
Cash	1.15	26,246	-	-	26,246
At call deposits	3.30	-	13,824	-	13,824
Receivables		-	-	1,689,650	1,689,650
		<b>26,246</b>	<b>13,824</b>	<b>1,689,650</b>	<b>1,729,720</b>
<b>Financial liabilities</b>					
Bank overdraft	8.70	-	137,852	-	137,852
Accounts payable		-	-	1,532,620	1,532,620
		<b>-</b>	<b>137,852</b>	<b>1,532,620</b>	<b>1,670,472</b>

#### (iii) Credit risk

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

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

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

#### (iv) Net fair value

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

## **DIRECTORS' DECLARATION**

The Directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and consolidated entity;
- c) in the directors opinion, the attached financial statements and notes thereto are in accordance with the Corporation Act 2001; and
- d) in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed at Perth this 17th day of September 2004

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

On behalf of the Directors

L A Colless  
Director

## **INDEPENDENT AUDITOR'S REPORT**

to the members of West Australian Metals Ltd

### **Scope**

The financial report comprises the statement of financial performance, statement of financial position, statement of cashflows, accompanying notes and the directors' declaration for West Australian Metals Limited the company and the consolidated entity for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that 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 of the financial report in order to express an opinion on it 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 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, Australian Accounting Standards and other mandatory professional 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 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.

Whilst 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**

We are independent of the company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

### **Audit opinion**

In our opinion, the financial report of West Australian Metals 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 2004 and their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

Rothsay

Graham R Swan  
Partner

Dated 17th September 2004

*The liability of Rothsay is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW)*



## SUPPLEMENTARY INFORMATION

Additional information included in accordance with Listing Rules of the Australian Stock Exchange Limited.

### 1. SHAREHOLDING at 5 October 2004 - WME

#### (a) Distribution of Shareholders

Shareholding	Number of Holders
Fully paid ordinary shares	
1 - 1,000	1,238
1,001 - 5,000	392
5,001 - 10,000	167
10,001 - 100,000	409
100,001 - Over	135
	<u>2,341</u>

(b) There are 1,951 shareholders who hold less than a marketable parcel.

(c) Voting rights are one vote for each fully paid ordinary share.

(d) The names of the substantial shareholders shown in the Company's Register are:

Shareholder	Number of Shares
Morkim Pty Ltd	13,485,803
Michael Buckland	8,000,000
Redcentre Pty Ltd	8,000,000
R P Martin	6,167,750

(e) There are a total of Nil restricted ordinary fully paid shares.

### 2. TOP TWENTY SHAREHOLDERS at 5 October 2004 - WME

Shareholder	Number of Shares	% Issued Capital
Morkim Pty Ltd	13,485,803	13.50
Accord Investment Corporation Pty Ltd	6,167,750	6.17
Mr Michael Douglas Buckland	4,856,202	4.86
Minerichie Investments Pty Lt & Neale Graeme Johnson & Chad Graeme Johnson	4,850,000	4.85
Makepiece Pty Ltd	3,305,339	3.31
Redcentre Pty Ltd	3,143,798	3.15
Mr John Joseph Martin	2,627,681	2.63
I H Holdings Pty Ltd	2,150,000	2.15
S J Quinlivan Pty Ltd	2,000,000	2.00
Tricom Nominees Pty Ltd	1,500,000	1.50
Mr Livio Pietro Divitini	1,460,000	1.46
Uniwire Investments Pty Ltd	1,100,000	1.10
Mr Salvatore Tomarchio	1,100,000	1.10
Mr Vincent Fabian Pisani	1,000,000	1.00
Mr Gysbertus Kommer	1,000,000	1.00
Paso Holdings Pty Ltd	993,000	0.99
Mr William Robinson & Mr Stephen Dinka & Mr Peter Dinka	950,000	0.95
Mr Mark Colin Huddy	910,000	0.91
Mr Alexander Stefan Blaszczyk	910,000	0.91
Mr Arthur Carbo	700,000	0.70
	<u>54,209,573</u>	<u>54.24</u>

## SUPPLEMENTARY INFORMATION

### 3. OPTION HOLDING at 5 October 2004 - WMEOA

Quoted options exercisable at 20 cents each on or before 31 March 2005.

#### (a) Distribution of Option holders

Option holding	Number of Holders
Options	
1 - 1,000	45
1,001 - 5,000	33
5,001 - 10,000	19
10,000 - 100,000	72
100,001 - Over	57
	<u>226</u>

(b) There are a total of Nil restricted options expiring 31 March 2005.

### 4. TOP TWENTY OPTION HOLDERS at 5 October 2004 - WMEOA

Option holder	Number of Options	% Issued Options
BB Capital Pty Ltd	8,436,970	18.36
Morkim Pty Ltd	3,861,000	8.40
Makepiece Pty Ltd	2,352,500	5.12
S J Quinlivan	2,000,000	4.35
Accord Investment Corporation Pty Ltd	1,943,550	4.23
Mr Michael Douglas Buckland	1,675,053	3.64
Infofocus Solutions for Business Pty Ltd	1,600,000	3.48
Fook Lok Sau Pty Ltd	1,540,000	3.35
Mr Johannes Petrus Josef de Vetten & Mrs Jacqueline de Vetten	1,442,000	3.14
Mr Leslie Vincent Johnson	1,319,000	2.87
Mr John Joseph Martin	1,025,536	2.23
Mr David Webster	1,000,000	2.18
Mr Anthony John Vetter	1,000,000	2.18
M & K Korkidas Pty Ltd	900,000	1.96
Mr Geoffrey Peter Cook	750,000	1.63
Mr Carmine Strangio & Mrs Caterina Strangio	700,000	1.52
Mr Kevin Alfred Moffat & Mrs Liane Harris Moffat	700,000	1.52
I H Holdings Pty Ltd	670,000	1.46
Mrs Janet Elizabeth White	650,000	1.41
Robmob Pty Ltd	600,000	1.31
	<u>34,165,609</u>	<u>74.33</u>

### 5. UNQUOTED OPTIONS

Class of unquoted options	Number of Options	Number of Holders
a) Consultants options exercisable at 20 cents each on or before 31 October 2005 - WMEAM		
Holdings of more than 20% of this class	250,000	1
Mr Noel Taylor	250,000	
b) Directors options exercisable at 20 cents each on or before 24 November 2007 – WMEAK		
Holdings of more than 20% of this class	1,000,000	1
Mr David Alan Hamlyn	1,000,000	
c) Directors options exercisable at 20 cents each on or before 31 October 2007 – WMEAI		
Holdings of more than 20% of this class	2,000,000	1
Mr Michael Douglas Buckland	2,000,000	

### 6. ON-MARKET BUY-BACK

Currently there is no on-market buy-back of the Company's securities.

## SUPPLEMENTARY INFORMATION

### CORPORATE GOVERNANCE STATEMENT INTRODUCTION

West Australian Metals Limited ("**Company**") has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at [www.wametals.com.au](http://www.wametals.com.au) :

- Corporate Governance Disclosures and explanations;
- Statement of Board and Management Functions;
- Nomination Committee Charter;
- Policy and Procedure for Selection and Appointment of New Directors;
- Summary of Code of Conduct for Company Executives;
- Summary of Policy for Trading in Company Securities;
- Audit Committee Charter;
- Procedure for Selection, Appointment and Rotation of External Auditor;
- Summary of Compliance Procedures for ASX Listing Rule Disclosure;
- Shareholder Communication Strategy;
- Summary of Company's Risk Management Policy and Internal Compliance and Control System;
- Remuneration Committee Charter; and

Corporate Code of Conduct.

## SUPPLEMENTARY INFORMATION

### EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the Reporting Period the Company has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**"), other than in relation to the matters specified.

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
1	1.1	Formalisation and disclosure of the functions reserved to the Board and those delegated to management occurred on 7 July 2004.	As from 7 July 2004 the Company achieved compliance. Prior to this time the functions were delegated as now disclosed but without formalisation and disclosure.
1	1.1B	Formal letters of appointment were put in place on 7 July 2004.	Prior to 7 July 2004 directors' appointments were made in accordance with requirements at the time of their appointment. The requirement for appointment letters is new and the Company is now in compliance.
2	2.1	The majority of the board of directors are not independent.	Mr Robert Martin is independent.
2	2.4	There was no Nomination Committee during the 2004 financial year.	The full Board considered the matters and issues arising that would usually be considered by such a Committee.
3	3.1 and 3.2	There was no written code of conduct for executives or a written securities trading policy.	On 7 July 2004 the Company adopted a Code of Conduct for executives and a written securities trading policy. These documents reflected the existing but undocumented practices of the Company's executives and employees in this area.
4	4.2, 4.3, 4.4	There was no Audit Committee during the 2004 financial year.	The Company's Financial Statements are prepared by the Company Secretary and reviewed in detail by the full Board. The Board only approves the Financial Statements if it is satisfied with its review. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. Mr Martin, the independent director was appointed as Chairman and member of the audit committee for the 2004 financial year.
5	5.1	Written policies and procedures to ensure ASX Listing Rule disclosure requirements were adopted on 7 July 2004.	Prior to 7 July 2004 the Company had undocumented policies for compliance.
6	6.1	Disclosure of formal communication strategies with shareholders occurred on 7 July 2004.	Prior to 7 July 2004 the Company had an undocumented policy for communication with shareholders. Those practices formed the basis of the now formalised and disclosed policy.
9	9.21	There was no Remuneration Committee.	The full Board determined all matters related to remuneration in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no director participated in any deliberation regarding his own remuneration or related issues.
10	10.1	There was no disclosed code of conduct for the Company.	On 7 July 2004 the Company adopted a Code based on the existing business practices promoted in the Company.

## SUPPLEMENTARY INFORMATION

### **SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR**

A profile of each director containing the applicable information is set out in the Directors' Report. Mr Martin was appointed on 24 December 1998, Mr Hamlyn was appointed on 11 February 2002, and Mr Colless was appointed on 30 October 1986.

### **IDENTIFICATION OF INDEPENDENT DIRECTORS**

The independent director of the Company is Mr Robert Martin.

### **STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE**

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

### **NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT BOARD MEETINGS WHERE NOMINATION ISSUES WERE DISCUSSED**

The Nomination Committee comprises the full Board. Only one meeting of the Board in the 2003/2004 financial year considered nomination issues. All members attended.

### **CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED**

During the Reporting Period an evaluation of the Board and its members was carried out. The evaluation process comprised a review by the Chairman which occurs on an ongoing basis. The full Board reviews the performance of the managing director on an ongoing basis.

### **COMPANY'S REMUNERATION POLICIES**

The Company's policy is to fairly remunerate its directors and executives in accordance with prevailing market conditions for companies of a similar size and in a similar industry.

The Remuneration Committee comprises the full Board. It met once during the year to consider remuneration issues.

### **EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS**

There are no termination or retirement benefits for non-executive directors.

### **ENVIRONMENTAL OBLIGATIONS**

The Company's environmental obligations are regulated under both State and Federal Law. The Company has complied with its environmental performance obligations. No environmental breaches have been notified by any Government agency to the date.

**TENEMENT SCHEDULE**  
as at 8 October 2004

Tenement Number	Registered Title Holder	Registered Interest %	Other Interests	Project Name
M38/302	Bronzewing Gold NL (BRGNL)	100		Anchor
M38/339	BRGNL	100		Ben Hur
PLA38/3185	BRGNL	100		Ben Hur
ELA38/1748	BRGNL	100		Camel Hump
P38/3165	BRGNL	100		Camel Hump
M38/160	BRGNL	100		King of Creation
ELA38/1368	Heron Resources Ltd (HR)	Earning 70%		King of Creation Extended JV
ELA38/1375	HR	Earning 70%		King of Creation Extended JV
M38/346	BRGNL	100		Cork Tree Well
GPL38/4	BRGNL	100		Cork Tree Well
MLA38/917	BRGNL	100		Cork Tree Well
MLA38/918	BRGNL	100		Cork Tree Well
ELA38/1563	BRGNL	100		Cork Tree Well
PLA38/3158	BRGNL	100		Cork Tree Well
ELA38/1618	BRGNL	100		Cork Tree East
M38/384	BRGNL	100		Famous Bore
P38/2659	BRGNL	100		No Mistake
MLA38/802	BRGNL	100		No Mistake
M39/334	BRGNL	100		Windsor Well/Kismet
MLA39/367	Roehampton Developments Pty Ltd (RD)	100		Windsor Well/Kismet
MLA39/381	RD	100		Windsor Well/Kismet
MLA39/382	RD	100		Windsor Well/Kismet
MLA39/482	RD	100		Windsor Well/Kismet
MLA39/483	RD	100		Windsor Well/Kismet
MLA39/528	BRGNL	100		Windsor Well/Kismet
MLA39/529	BRGNL	100		Windsor Well/Kismet
MLA39/530	BRGNL	100		Windsor Well/Kismet
MLA39/663	BRGNL	100		Windsor Well/Kismet
M37/422	BRGNL	100		Perseverance
M37/487	BRGNL	100		Perseverance
MLA37/538	RD	100		Perseverance
MLA37/926	BRGNL	100		Perseverance
MLA37/927	BRGNL	100		Perseverance
P37/4018	RD	100		Perseverance
M37/787	BRGNL	100		Linger & Die
Vic Loc 118	West Australian Metals Ltd (WME)	100		Prothero, Northampton
Vic Loc 119	WME	100		Prothero, Northampton
Vic Loc 833	WME	100		Prothero, Northampton
ELA 66/48	WME	100		Prothero, Northampton
M70/210	Great Southern Resources Pty Ltd (GSR)	1.125% royalty		Badgebup
M70/211	GSR	1.125% royalty		Badgebup
M70/488	GSR	1.125% royalty		Badgebup



[www.wametals.com.au](http://www.wametals.com.au)